

2017

Corporate
Sustainability
Report

A minimum print run of this CSR is also being produced. It includes a dust jacket made from plantable seed paper.

When planted and watered it will produce wildflowers that aid pollination and help save the bees. It leaves 0% residue.

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Keilhauer is proud to release its second annual Corporate Sustainability Report. Enclosed is a comprehensive outline demonstrating the link between Keilhauer's business strategy and its commitment to a sustainable global economy.

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President's welcome

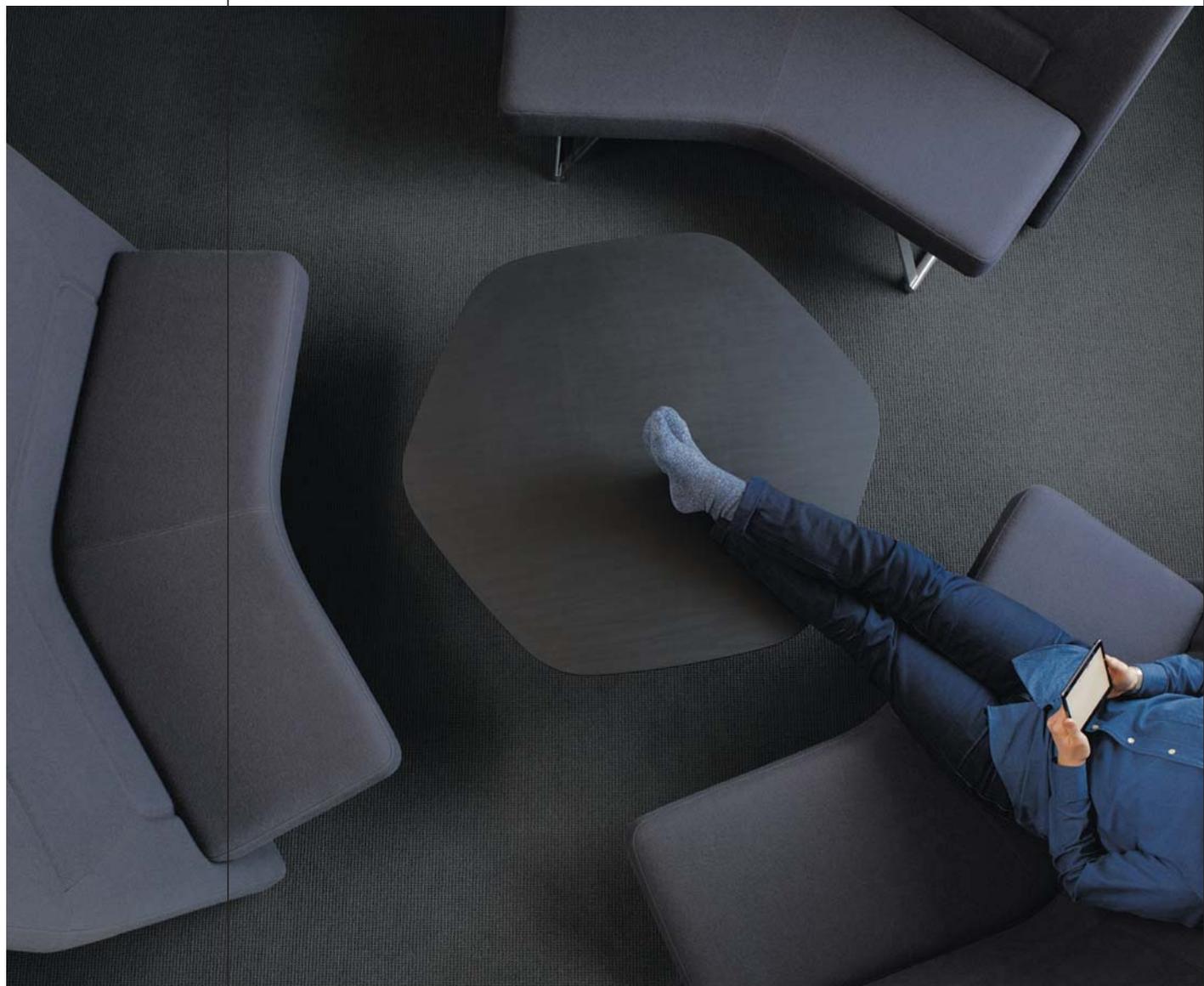
At Keilhauer, we believe that we are all part of a greater, shared environment, and when we draw on the resources of this planet, it is important that we do so in a responsible manner. As an organization, Keilhauer takes this matter to heart, and we have always made it an important part of who we are and how we conduct business.

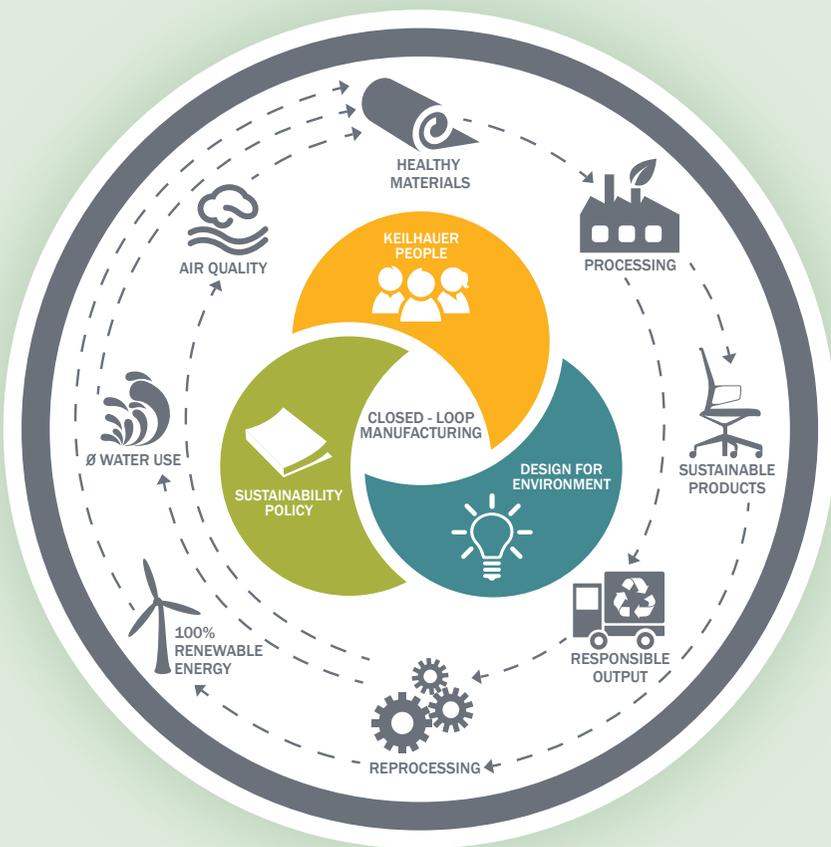
With this, our second Corporate Sustainability Report, we hope to create something that reflects our commitment to sustainability and closed-loop manufacturing. We will be sharing with you an understanding of our challenges, our successes, and precisely what steps we have taken to ensure that our footprint is as light as possible.

If you have questions, comments, or feedback on this report, please contact sustainability@keilhauer.com.

Thank you,

Mike Keilhauer,
President





Planet Keilhauer

We believe that good business is measured by the Triple Bottom Line: that long-term success is the result of maintaining a balance between our people, our environment, and our economic success.

To ensure this belief is woven into our company consciousness, we introduced a comprehensive sustainability program called Planet Keilhauer.

Our Goal

Planet Keilhauer is driven by our goal of closed-loop manufacturing, an environmentally friendly approach to manufacturing in which there is no waste, and where materials are cycled back into the system to minimize environmental impact.

Our sustainability policy ensures that we stay cognizant of this goal; it guides our decisions, and it empowers our people to be a part of the solution.

OUR COMMITMENT

- Conduct business honestly and ethically
- Comply with laws, rules, regulations, and industry standards
- Continue to improve environmental performance and prevent pollution:
 - Include the environment and lifecycle thinking in business policies, planning, processes, and product design
 - Measure and manage energy and natural resource use
 - Assess waste streams and work to eliminate them
 - Prioritize reduce, reuse, and recycle
- Empower employees to lead change
- Communicate this policy to all employees, contractors, and stakeholders

Over the last 11 years we've made impressive strides toward environmental stewardship

2006



Made commitment to green energy; started annual Renewable Energy Credit initiative
C2C™ Certification at the Silver level for Simple chair
Certified with GREENGUARD for indoor air quality

2011



Implemented Planet Keilhauer sustainability policy
Full-time sustainability role developed
Employee shower installed to facilitate biking to work

2012



Performed energy audit to target areas of improvement
Lightbulb Recycling Program started
BIFMA level® certified
Increased transparency by partnering with EcoScorecard
Talk tables launched using environmentally friendly Paperstone material

2013



Instituted annual voluntary greenhouse gas reporting
Partnered with waste-to-energy conversion facility
Made commitment to irrigation and pesticide-free landscaping
Annual Carbon Disclosure Project (CDP) report commenced
Canada's Greenest Employer Award
Textile Recycling Program started
Dedicated IT Recycling Program expanded
Window replacement in the plant making the building envelope more efficient
Green parking lot renovations reducing the need for winter maintenance

2014



Launched Juxta tables as Forest Stewardship Council® (FSC®) certified
Continued commitment to IAQ by partnering with SCS Global Services
Recycling Council Of Ontario Gold Award
New, more energy efficient textile cutting machine installed

2015



Installed cool roof at one facility, reducing urban heat island effect
Recycling Council Of Ontario Gold Award
Production lighting renovations completed, reducing energy use
Waste & Recycling Program overhaul
Green office renovations
New eco-picnic tables purchased
Canada's Greenest Employer Award
Canada's Top Small & Medium Employer Award
Sewing Machine Recycling Event
New plastics baler machine installed improving our recycling & diversion

2016



Planted five trees on-site
Published end-of-product-life documents
Canada's Greenest Employer Award
Canada's Top Small & Medium Employer Award
Warehouse lighting overhaul completed
Launched Loon & Chemistry tables FSC® certified
All metal & glass tables SCS IAQ certified
27% reduction in water use
Product environmental criteria documents published for all products
New on-demand box making machine installed

2017



Won Canada's Greenest Employer award
Launched Bridge & Gym tables as FSC® certified
Planted native pollinator garden on-site
Initiated HVAC overhaul
Installed new plastics baler to reduce greenhouse gas emissions
Quantified product recyclability in end-of-product-life documents
Achieved 90% overall waste diversion
Achieved 4% reduction in water use
Achieved 15.8% reduction of greenhouse gas emissions
Completed exterior energy-saving lighting retrofits



Measuring our performance

Leading sustainability

Keilhauer has been recognized with notable awards and certifications for leadership in product design, employment standards, and environmental stewardship — a trifecta of achievements only possible with our focus on the Triple Bottom Line.

We work with world-renowned organizations including industry watchdogs, NGOs, and various levels of government to monitor, assess, and benchmark everything we do. From materials and energy use, to design, manufacturing processes, and social responsibility, we set stringent guidelines and ambitious goals to ensure we accomplish extraordinary things. These awards and certifications do more than just decorate our walls: they are a reminder that Keilhauer holds itself up to the highest industry standards.



BIFMA level® 2
Keilhauer products are certified by SCS Global Services under BIFMA's rigorous, multi-attribute sustainability standard: level®.



SCS Indoor Air Quality Certification – Indoor Advantage Gold
Many Keilhauer products are certified by SCS Global Services achieving Indoor Advantage Gold, meaning they meet rigorous and comprehensive air quality standards.



Canada's Greenest Employer:
2013, 2015, 2016, 2017
We have been recognized as a leader in sustainable initiatives and achievements.



The Recycling Council of Ontario (RCO):
2014, 2015
We were awarded the Gold Award for "Excellence of Commitment to a Sustainable Environment" in both 2014 and 2015.



Canada's Top Small & Medium Employer:
2015, 2016
Keilhauer is a best-in-class workplace with forward-thinking human resources and comprehensive benefits.



Cradle to Cradle Certified™
Keilhauer's Simple 9323 Chair is Cradle to Cradle Certified™ at the Silver level.



Forest Stewardship Council® (FSC®)
As of August 2014, our first Forest Stewardship Council® (FSC®) Certified product was launched. We are actively working to expand this program to include other product lines.



Product Innovations Award, Buildings Magazine: 2015
Merit award for Wheels for innovation in product sustainability and efficiency.



AZ Award Winner and People's Choice Winner 2017
Keilhauer's Hangout Collection was recognized as best in Furniture Systems by Azure Magazine in the 2017 AZ Awards.



Metropolis Likes 2017
Metropolis Magazine awarded Keilhauer's modular sofa, Meander, with a Metropolis Likes Awards.



Interior Design HiP 2017
Interior Design Magazine's annual HiP Awards (Honoring Industry People and Products) awarded Meander as best in the modular sofa category. Two additional products, Luno and Juxta, were recognized as finalists in their respective categories: lounge seating, and bench seating.

Product stewardship

Every aspect of the manufacturing process, from product inception to end of useful life, is reviewed by our interdisciplinary sustainability team to holistically ensure that we live up to our Planet Keilhauer commitment.

Design for Environment Program:

We proactively design our products to be as sustainable as possible through our Design for Environment (DfE) program. This ensures the decisions made from the onset of any project are aligned with our Planet Keilhauer commitment.

The DfE program evaluates a product early in its development, and targets a broad range of environmental design criteria including lifecycle thinking, material specification, and sourcing. This results in exceptionally well-designed, safe products with long, useful lives that are both repairable and recyclable.

Members of the DfE team include managers from Manufacturing, Engineering, Operations, Sustainability, and our President.





We leverage
great design
to do great work

Wood Sourcing:

Since 2013, our facilities have been certified to sell Forest Stewardship Council® (FSC®) certified products. We have actively aligned our internal processes to expand this program to include more FSC® certified products. Proving that sustainability can drive growth, we are proud to announce that more than half (56%) of wooden table sales in 2017 were FSC® certified.

2017 GOAL Certify 3 new table lines

2017 RESULT 2 new table lines are FSC® certified
33% of wooden table models are FSC® certified

2018 GOAL Expand FSC® certification to include at least one seating line

Recycled Content:

To reduce our dependence on the Earth's finite resources, we use recycled content wherever possible. Whether it's metals, plastics, or textiles, we diligently work with our vendors to specify quality recycled materials. We track and publish this data so our products can contribute to LEED® and other certifications. This also supports our clients' goals and helps to identify areas of improvement for Keilhauer.

Material Chemistry

Material chemistry is a critical aspect to product sustainability. We are careful to choose materials for our products that are safe – for people and the planet – by working closely with our supply chain.

2017 GOAL Conduct a chemical assessment of additional select products against the rigorous Cradle to Cradle Certified™ Product Standard for Material Health

2017 RESULT Five products assessed against the Cradle to Cradle Certified™ Product Standard for Material Health

2018 GOAL Conduct analysis and disclosure of product conformance to the requirements of the Healthier Hospitals Initiative (HHI) Healthy Interiors goal of the Safer Chemicals Challenge

Transparency:

We recognize that material integrity and disclosure are fundamental to product stewardship. Since 2012, we have partnered with ecoScorecard to provide a free online database of environmental attributes of our products. This platform shares information on certifications, recycled content, end-of-life instructions, renewable energy, packaging, and more. We are working on communications through various platforms including Health Product Declarations (HPD) and Environmental Product Declarations (EPD), among others.



Extended Producer Responsibility

2016 RESULT In the spring of 2016, Keilhauer launched end-of-product-life documents that include details on replaceable parts, instructions for on-site disassembly, and guidance for recycling

In June 2017, 1,250 lbs (567 kg) worth of product was fully disassembled into individual components and materials, diverted from waste, and recycled with confidence at our facility.

Select products can be shipped to Keilhauer headquarters and we will take care of disassembly and recycling.

Please contact customer.service@keilhauer.com for more details.





Integrity. Team. Partners.

Supply Chain

We work with businesses that share our values to ensure materials are ethically sourced and support community needs. Nearly two-thirds (63%) of our vendors operate within 100 miles (161 km) of our manufacturing facilities. By prioritizing partnerships with local businesses, we are able to reduce our total carbon footprint and reduce shipping and transport emissions.

2018 GOAL Implement a formal Code of Conduct for suppliers

2017 BY THE NUMBERS



60%

RECYCLED CONTENT IN ALL SHIPPING CONTAINERS



58%

VENDORS PROVIDING REUSABLE CONTAINERS



34%

WOOD TABLES MADE WITH FSC® CERTIFIED WOOD



83%

VENDOR ASSESSMENTS COMPLETED

We work with businesses that value integrity, sustainability, communities, and wherever possible, support our local economy.

Supplier Assessments

Our assessment program allows us to review relationships with vendors to ensure we share the same values, particularly ethical labor practices and sustainable business policies. This allows us to invest in long-term relationships with suppliers and to work together to accomplish common goals in good faith.

Partnership

From incorporating recycled content, to sourcing sustainable raw materials and looking ahead to how those materials can be repurposed at end-of-product-life, working in partnership with our vendors is crucial to closing our manufacturing loop.

Waste Reduction

More than half of our vendors have worked with us to find reusable shipping containers that can be returned and repurposed for the next delivery. Avoiding use of cardboard boxes, plastic bags, and single-use packaging has yielded phenomenal results for our waste reduction efforts.

Over 1,000,000 shipping boxes eliminated!



Packaging

Reduce. Reuse. Recycle. In that order.

- Reduce the amount of packaging with every delivery
- Prioritize re-usable materials
- Where disposable packaging is required, ensure it's easily recyclable by regional facilities

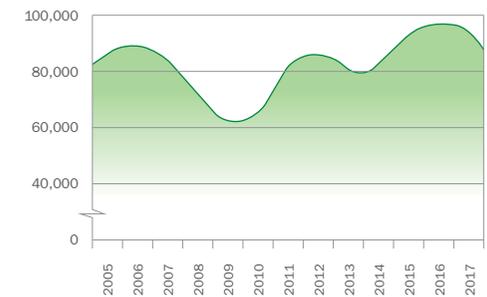
To ensure every chair arrives safely – and to customers' preferences – with as little impact to the environment as possible, we offer two shipping options. Our customers can take advantage of our on-demand box-making machine that creates compact, custom-sized boxes and minimizes unnecessary packaging. Or, they can avoid packaging entirely by using our blanket-wrapping service. Blanket-wrapping allows us to reduce waste, packaging, and air pollution – in fact, blanket-wrapping allows every truck to fit 25% to 50% more product, which significantly reduces the greenhouse gas emissions related to shipping. Since rolling out blanket-wrapping in 2000, we've eliminated the need for 1,085,611 boxes.

In 2017, Keilhauer blanket-wrapped 87% of our seating units (avoiding 82,593 boxes) – our highest percentage of blanket-wrapped product since the program began.

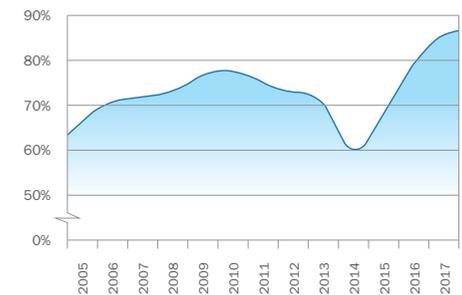
OUR COMMITMENT

- Include the environment and lifecycle thinking in business policies, planning, processes, and product design
- Measure and manage natural and energy resource use
- Assess waste streams and work to eliminate them
- Prioritize reduce, reuse, and recycle

Units Blanket-Wrapped



% Blanket-Wrapped Seating





Use less
to accomplish more

Resource Management

A lot goes into making a chair. It takes resources like energy, water, and power. It takes materials like steel, aluminum, and wood. We believe in the value of these resources and prioritize efficiency with every procedure. Monthly tracking helps us to examine what we use, how we use it, and what we can do to better protect these resources.

OUR COMMITMENT

- Continue to improve environmental performance and prevent pollution
- Include the environment and lifecycle thinking in business policies, planning, processes, and product design
- Measure and manage natural and energy resource use
- Assess waste streams and work to eliminate them
- Prioritize reduce, reuse, and recycle



Water Conservation

Protecting our supply of clean, drinkable water is important for the health of our community for generations to come. We've worked diligently to reduce water usage throughout our manufacturing process and are nearing zero use. Presently, water is only being used to steam finished upholstered seats. We've also taken steps to reduce how water is being used across our facilities.

- 2017 GOAL** Analyze our process water use and determine DfE projects for reduction
- 2017 RESULT** Implemented a weekly tracking system to better measure water usage against manufacturing volume, allowing us to increase the accuracy of measurements and better determine where we can increase efficiency
- 2018 GOAL** Refine our measurements by installing real-time, process-isolated water meters

Energy Reduction

We have offset 100% of our electricity use with Renewable Energy Credits (RECs) as we continue to upgrade our facilities and processes, and reduce our dependence on finite natural resources.

- 2017 GOAL** Continue to offset 100% of our electricity usage with RECs
- 2017 RESULT** Offset 100% of our electricity usage by purchasing 1,157,000 kWh of wind power RECs
- 2017 GOAL** Continue to target energy reduction in our processing
- 2017 RESULT** HVAC unit replacement is underway; this upgrade is expected to reduce our energy consumption by 27,000 kWh per unit, per year
- 2018 GOAL** Reduce total energy consumption by 5% (vs. the 2014-2016 baseline)
- 2018 GOAL** Continue to offset 100% of our electricity usage with RECs

Targeting and eliminating waste



Waste Management

Waste management is crucial to achieving closed-loop manufacturing. By keeping waste out of landfills, we're allowing every resource to fulfill as many uses as possible during its lifecycle.

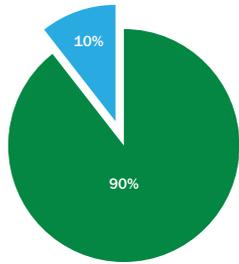
Third-Party Waste Audits

Annual third-party waste audits measure the total amount of waste generated and where it is being generated from, helping us to determine the effectiveness of our recycling programs and allowing us to make improvements.

Waste Diversion and Elimination Programs

Keilhauer has successfully eliminated all waste to landfill, thanks to our comprehensive waste program. Our initiatives extend far beyond standard diversion practices. To better help our community, we encourage employees to take advantage of these unique streams and bring items from home that cannot be diverted from landfill through their municipal programs.

2017 Waste Composition



■ Diversion to Recycling ■ Waste Converted to Energy

Thanks to our unique diversion programs, we've diverted 90% of our waste — 251 tons (227.8 metric tonnes) — from landfill. The remaining 10% was sent to a special facility where it was converted to energy, maintaining our zero-waste mandate.

2017 GOAL Conduct training to educate employees and maintain recycling streams

2017 RESULT Training was completed on schedule

2017 GOAL Reduce overall waste by working with vendors to reduce packaging coming into Keilhauer

2017 RESULT Created a new packaging take-back program for reuse

Bonus Created a new supplier part take-back program for recycling

Updated signage in our cafeteria to better communicate recycling streams and prevent contamination

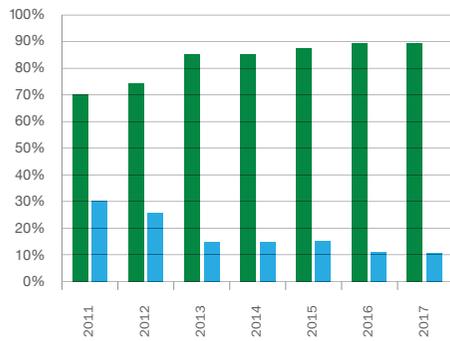
Created a new recycling stream for snack wrappers

Decreased overall waste by 3% from 2016

Recycled 90% of all waste, a 1% improvement from 2016

2018 GOAL Implement a new program for packaging and / or part take-back with a supplier to reduce waste materials entering our manufacturing stream

Annual Diversion Rate



■ Diversion to Recycling ■ Waste Converted to Energy

Our unique diversion programs include:

Diversion Program	Total lbs diverted	Total kgs diverted
Food waste composting	15,500.3	7,030.8
Lightbulb recycling (707 lightbulbs in total)	199.0	90.3
Battery recycling	264.6	120.0
Writing-utensil recycling	14.4	6.5
Wood and skid reuse and recycling	232,609.7	105,510.0
Printer and toner cartridge recycling	236.8	107.4
Textile tube reuse and donation	453.9	205.9
Personal protective equipment recycling	72.1	32.7
Textile offcut donations	768.8	348.7
Textile recycling	44,000.0	19,958.0
Leather recycling	16,342.9	7,413.0

**ZERO
WASTE
TO
LANDFILL**





Green
inside and out

Facility Renovations

Giving our employees a safe, sustainable, and beautiful place to work each day is an important part of how we communicate and engage with our team. Facility updates are ongoing as we identify new avenues for reducing our footprint and new ways to help our community and surrounding environment.

2017 Exterior Lighting Replacement to LED Bulbs. All exterior lights were replaced with LED bulbs and retrofitted with new fixtures. LED bulbs require less energy usage and have a longer lifespan than traditional lighting, which means reduced resource usage and less waste. The overhaul will result in more than 18 MWh (or 18,947 kWh) saved annually.

HVAC Unit Replacement. Ten of our HVAC units were upgraded to high-efficiency models. Each unit upgrade is expected to reduce our energy consumption by 27,000 kWh per year.

Wildflower Pollinator Garden. To help save our bees, we planted a garden at our corporate headquarters exclusively featuring indigenous species preferred by local bees.

Our people are everything to us



Keilhauer culture

Our products are only as good as the people who make them, which is why Keilhauer is dedicated to maintaining a best-in-class workplace with continuous education, company-wide profit sharing, and a robust health and wellness program for employees.

OUR COMMITMENT

Keilhauer provides employees with a safe and healthy workplace where:

- The principles of fairness and mutual respect are achieved through communication, education, and commitment
- A zero-tolerance policy for workplace violence, harassment, discrimination, and violations of human rights is upheld
- All applicable health and safety legislative requirements are met and, in many cases, exceeded
- We promote fundraising and volunteer efforts that support local community groups and charities
- We educate on sustainability, while challenging employees to lead individual and business change
- We use fair hiring practices in agreement with the Human Rights Code and Keilhauer's Recruitment, Posting, Selection, and Administration Policy

2017 BY THE NUMBERS



PERKS AND BENEFITS



KEILHAUER'S CULTURAL MOSAIC

60%

EMPLOYEES ARE MULTILINGUAL

39

DIFFERENT LANGUAGES ARE SPOKEN



Inclusiveness & Accessibility

Keilhauer is committed to workplace diversity and provides a supportive, barrier-free work environment for all. Inclusivity benefits us all and we welcome members of many different groups. To maintain our sense of community, we conduct training to increase staff awareness and provide accommodation plans customized to the needs of those with disabilities.



We like to give back
to our community

Putting people first

Supporting our surrounding community is an important step in facilitating positive social change. Our philanthropic initiatives vary in scale, but each one helps to build a community we are proud to be a part of.

SickKids Heatwave. In July 2017, two teams from Keilhauer participated in the SickKids Foundation Heatwave volleyball tournament and fundraiser for Canada's leading children's hospital. Our contribution supports their ongoing campaign to extend their services globally, while they continue to innovate with research and leading care for patients.

Rexall OneWalk to Conquer Cancer. After an employee's father passed away from cancer, Keilhauer employees came together in September 2017 to take a step forward and fundraise for the Princess Margaret Cancer Centre. A donation of \$12,800 was made to help the hospital's world-leading clinicians and researchers detect cancers earlier, diagnose with more precision, target treatment for each patient, and support patients and their families throughout the cancer journey.

Inside Out Film Festival. In the spring of 2017, Inside Out — a local non-profit cultural organization — was expanding its film festival programming and required an office makeover to accommodate its growing staff and resources. Keilhauer partnered with Inside Out by donating \$16,000 worth of furniture to its newly designed space, including conference rooms, lounge areas, and breakout spaces.

A Different Kind of Secret Santa. While exchanging gifts with colleagues can be fun, at Keilhauer we celebrate with a different tradition of giving to those in need. In 2017, that tradition continued with a donation of \$5,000 and five boxes of collected food to Malvern Healthy Community Cupboard.

Other Donations. An additional \$62,270 was donated in support of regional not-for-profit organizations: Kids Help Phone, True Patriot Love Foundation, Toronto Arts Foundation, Ontario Shores Foundation for Mental Health, North York General Foundation, Children's Aid Foundation, Na'amat Canada, Toronto Cricket Skating and Curling Club, The Neighbourhood Group, Starlight Children's Foundation Canada, Michael Garron Hospital Foundation, and Children's Wish Foundation.



Thank you

Thank you to our employees, business partners, and customers for helping Keilhauer accomplish another sustainable year. We are incredibly proud of our sustainability accomplishments in 2017. As we continue to push boundaries and innovate, we are excited to accomplish even more in the year ahead.

For more information about Keilhauer's corporate sustainability commitments, we encourage you to visit Keilhauer.com/company/environment. If you have questions or feedback, please contact us at sustainability@keilhauer.com.