

HNI Corporation

2018 Social Responsibility Report



Who We Are

8,700

Employees Worldwide

18

Global Locations

\$2.175
Billion

Net Sales

80+

Countries Where
Products are Sold

HNI Corporation is a family of leading brands providing products and services for the office and home. In the office, our furniture brands are among the strongest, most widely known and respected in our industry. Our customers range from large multinational organizations to local entrepreneurs. In the home, we are the world's leader in hearth products. Wherever there is warmth and the welcome glow from a fireplace or heating stove, chances are it's an HNI brand.

With deeply held values, our members are united by a dedication to integrity, quality, innovation, service, continuous improvement, and value creation for our customers. Our vision is to create long-term value for all stakeholders, to exceed our customers' expectations, and to make our company a great place to work. We treat each other, our customers, suppliers, shareholders, and our communities, with fairness and respect.

HON Allsteel® Gunlocke®



HBF
TEXTILES



HNI Lamex



VERMONT
CASTINGS



From Our President and CEO

Since our founding more than 70 years ago, HNI Corporation has had a long and deep record of sustainable performance, and a strong commitment to our stakeholders and the communities in which we live and work.

Our founders treated employees—referred to as members even from the earliest days—as owners, and began sharing profits from the very beginning. Our company and our members are firmly rooted in our communities providing countless hours of volunteer work, charitable support, and local contributions to make our communities stronger.

We have a proud reputation for product, manufacturing, and operational excellence driving innovation, efficient use of resources, and elimination of waste. HNI's guiding principle of constructive discontent means always searching for a better way. This keeps us forward-looking and striving for continuous improvement. It also means we don't often stop to reflect on the great things we do as a company, and as members, to build stronger, more sustainable communities. I am proud to inaugurate our first corporate social responsibility report to share our work and tell our story.

This report describes how the principles of sustainability, corporate social responsibility, care for the environment, diversity and inclusion, and good corporate citizenship are ingrained and fundamental to who we are as HNI. It is my hope this report will provide insight into what we do, and how we do it, as we live these principles.

We are proud of our accomplishments but recognize there is always more to do. I am confident our history and commitment to transparency—"say what we do"—and faithful execution—"do what we say"—will drive us to build on our successes and achieve even more as a powerful, positive force always looking for new ways to create value for all of our stakeholders.



A stylized, handwritten signature in black ink, appearing to read 'J. Lorenger'.

Jeffrey D. Lorenger
President and Chief Executive Officer
HNI Corporation

Social Responsibility: Our Commitments

Be a responsible global citizen. It's a commitment we explicitly share in our HNI Vision. We will conduct our business to improve the well-being of our society, environment, and community.

HNI pursues positive change with a simple, clear purpose to make things better every day. We're always looking for a better way, which means we are in a constant state of transformation. We are never satisfied with the status quo because no matter how well we do, we believe we can always improve.

As we embark on sharing how we address key social responsibility issues and provide future updates on our actions and progress, we introduce the following commitments.

By 2021, we will:

- Reduce our energy consumption by 10 percent from our 2017 baseline
- Establish a goal for science-based carbon emissions reduction
- Establish a goal for use of renewable energy
- Achieve zero landfill waste at two of our manufacturing operations
- Institute a transparent process to evaluate the environmental and social responsibility performance of 85 percent of our tier one suppliers

By 2025, we will:

- Evaluate 100 percent of materials and chemical substances in products for human and ecosystem impacts and attempt to minimize those impacts through Design for the Environment

Environmental Stewardship

HNI's spirit of constructive discontent is the foundation of our environmental stewardship. Our quest to examine what we can do better and pursue the opportunities hidden behind every problem is never-ending. This emphasis on improvement constantly leads us to find new ways to deliver sustainable, long-term value as well as identify opportunities to minimize environmental impacts.

As a responsible steward of natural resources, we design core elements of our business to protect the natural environment. This includes our commitment to lean manufacturing, responsible sourcing and distribution, reduction of material waste and emissions, and environmentally-conscious product development.

20%↓
GHG Emissions
North American
Furniture Operations
2012–2017

Product Development

OFFICE FURNITURE

We purposefully design quality furniture that is durable, long-lasting, and helps to minimize environmental impacts. With the help of our Design for the Environment approach, we address environmental issues throughout the product development process.

When selecting materials, we focus on opportunities to use recycled content, renewable materials, and sustainably sourced wood. We carefully design our packaging materials, balancing the need to ensure we protect our products in transit and generate the least amount of waste. We explore how we can reduce energy and water in manufacturing processes and reduce chemicals of concern. We look for opportunities to improve the ease of disassembly so customers can recycle our products when no longer needed.

To help demonstrate and share our commitment to designing environmentally responsible products, the majority of our offering has been third-party certified and contributes to our customers' sustainability objectives and goals.

We prioritize the use of low-emitting materials and finishes to help improve indoor air quality. Our Allsteel, Gunlocke, and HON brands were among the first in the industry to certify products using the SCS Indoor Advantage™ Program to demonstrate compliance with rigorous indoor air quality emission requirements. More than 285 of our product lines are Indoor Advantage™ Gold certified and meet the most stringent indoor air quality requirements set by the State of California (CA 01350).

285+
Product Lines
SCS Indoor Advantage™
Gold certified



Easy to Understand Environmental Product Declarations

Environmental Product Declarations (EPD) are detailed documents that communicate verified, transparent data about the life-cycle environmental impacts of products.

These include raw material extraction and processing, product assembly, distribution and use, and end of life. Our Allsteel and Gunlocke brands have produced EPDs for a variety of products. However, what distinguishes our EPDs is that we equate select category indicators to relatable concepts making it easy to understand a product's potential impact. For example, we equate Global Warming Potential to the number of miles driven in a typical passenger vehicle. Water Use is equated to the number of cycles run in a dishwasher and Primary Energy Demand is equated to the number of days required to operate a refrigerator.



A Worldwide First: The Savor™ Chair

Gunlocke's Savor™ wood guest chair demonstrates HNI's spirit of innovation and environmental stewardship. The chair is the first in the world to use MycoBoard™. This unique bio-material in Savor's seat back is renewably made from corn stock, mycelium, and hemp. Mycelium (mushroom roots) acts as a natural, self-assembling resin, eliminating the need for chemical glues or resins in the seat back board. MycoBoard has been certified under the U.S. Department of Agriculture's Biopreferred® program and its Mushroom® materials are *Cradle to Cradle Certified™* Gold. Savor was named one of the Top 10 Green Building Products in 2016 by publisher BuildingGreen.

Our brands also played a leadership role in the development of the ANSI/BIFMA e3 Furniture Sustainability Standard and were among the first to certify products in this program, now known as “BIFMA LEVEL® certification.” The Standard’s performance criteria address environmental and social aspects throughout the supply chain including materials, energy and atmosphere, human and ecosystem health, and corporate social responsibility. More than 260 of our product lines are LEVEL 2 certified and 15 have achieved LEVEL 3, the highest level of certification.

A number of HNI products are *Cradle to Cradle Certified™* and available as FSC® certified. FSC certification, administered by the Forest Stewardship Council® (FSC), ensures products come from responsibly managed forests that provide environmental, social, and economic benefits. In 2017, we purchased more than 76,000 tons of FSC Controlled Wood material inputs. The *Cradle to Cradle Certified* Products Program, administered by the Cradle to Cradle Products Innovation Institute, certifies products in five categories, including material health, material reutilization, renewable energy and carbon management, water stewardship, and social fairness. Allsteel has several *Cradle to Cradle Certified™* Bronze systems, storage, and seating products, and our HBF Textiles brand has several textiles that have achieved *Cradle to Cradle Certified™* Bronze or *Cradle to Cradle Certified™* Silver.

275+
Product Lines
Certified to BIFMA
level 2 or higher





A majority of our domestic furniture products can be ordered without certain chemicals of concern, such as flame retardants, stain repellents, antimicrobials, and PVC (Polyvinyl Chloride). Products certified for indoor air quality and specified without these chemicals can meet the Healthy Interiors Goal of the Healthier Hospitals' Safer Chemicals Challenge.

We take pride in designing products to last. That said, when our clients are ready for a change, many prefer an end of life option other than landfill disposal for used furniture in good condition. In 2016, Allsteel and Gunlocke developed a program with ANEW, a nonprofit organization that repurposes surplus office furniture, fixtures, and equipment to local organizations and public service agencies in need.



LEED and WELL Certification Contributions

HNI products help customers pursue LEED® green building rating system and WELL Building Standard™ certifications in several important areas.

LEED:

- Materials and Resources
- Indoor Environmental Quality
- Innovation in Design

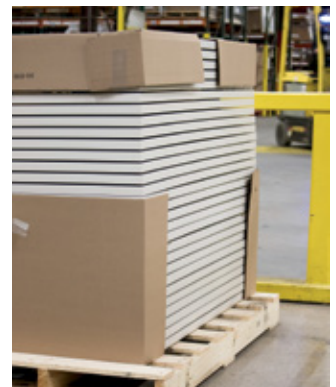
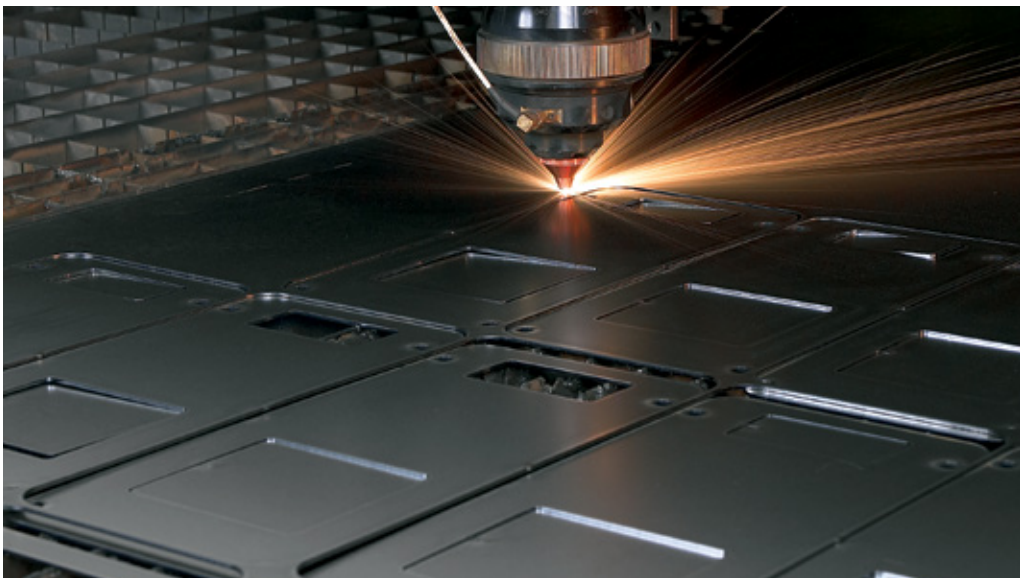
WELL BUILDING STANDARD:

- | | |
|---------------|-----------|
| ■ Air | ■ Fitness |
| ■ Nourishment | ■ Comfort |
| ■ Light | ■ Mind |

Reduce, Reuse and Recycle

Throughout our product development and manufacturing operations, we utilize a number of “Reduce, Reuse, and Recycle” strategies, including:

- Some of our product components may contain as much as 75 percent recycled aluminum, 78 percent recycled steel, and 90 percent recycled particle board.
- We combine recycled wood with resin to create seating components which helps divert several thousand tons of lumber waste annually.
- We use scrap hardwood as connection components in some lounge seating products.
- We use a variety of recycled materials, including scrap steel, scrap particleboard, or a composite mixture of recycled mill slag and recycled plastic, to make storage counterweights.



Responsible Packing and Shipping

Across HNI, we have identified ways to reduce packaging. By bulk-packing products of similar size and redesigning packaging for certain product lines, we've increased the amount of product we ship per truck. These efforts allow us to reduce the number of trucks needed to ship product which reduces fuel and overall CO₂ emissions.





Thought Leadership

As leaders in the office furniture and hearth industries, we actively participate in the organizations, symposiums, and discussions to establish our industries' best practices, standards, and certification programs. Our members serve on boards of directors and technical committees, and as educators and distinguished speakers. We provide insight on key issues from product transparency to the changing office design. The list of organizations and programs in which we are actively engaged includes:

ANSI (American National Standards Institute)

ASHRAE (American Society of Heating, Refrigerating & Air-conditioning Engineers)

ASTM International

BIFMA (Business and Institutional Furniture Manufacturers Association)

HPD Collaborative

HPBA (Hearth, Patio & Barbeque Association)

IDCEC (Interior Design Continuing Education Council)

IIDA (International Interior Design Association)

ISBF (Iowa Sustainable Business Forum)

ISO (International Standards Organization)

ASID (American Society of Interior Designers)

USGBC (U.S. Green Building Council)

mindful MATERIALS

Pellet Fuels Institute

HEARTH PRODUCTS

Our hearth brands are the most respected in the industry and include a full array of gas, electric, wood, and biomass burning fireplaces, inserts, pellet stoves, facings, and accessories. As the world's largest hearth manufacturer, we have been at the forefront of investing in and driving the development of innovative technologies and solutions resulting in cleaner and safer products.

While most users install fireplaces to improve the look and feel of a space, these products can also provide a number of benefits, including improved energy efficiency. A natural gas fireplace provides an economically and environmentally sound alternative for heating a room, allowing users the ability to lower their central furnace thermostat. As a result, users can reduce household fuel consumption, conserve energy, and save on heating bills.



Fireplace Safety

From the manufacturing floor to the living room, safety is our number one priority. Placing fire in our customers' homes or businesses is a responsibility we take seriously. We were the first in our industry to require a safety barrier screen on all our gas fireplaces or inserts. We offer a free or reduced-cost safety screen program and provide a wealth of education to ensure our products are used safely.



12 Tons Recycled Daily

cast iron used to produce
Vermont Castings Stoves
& Inserts

We were among the first in the industry to develop the intermittent pilot ignition system for gas fireplaces and inserts. This system conserves energy by providing an ignition flame only when a unit is in operation, instead of a standing pilot that burns 24/7. Almost all of our gas fireplaces and inserts use this technology.

Renewable fuel sources such as pellets made of recycled construction wood scrap and other waste can also be burned in our wood stoves and fireplace inserts. Wood is nearly a one hundred percent renewable energy source. Burning wood is a natural step of the carbon cycle of trees and generates a minimal amount of carbon.

The environmental impact of how we make our products is as important to us as how they impact a home or office. Our Randolph, Vermont foundry processes more than 12 tons of recycled cast iron each day, turning old automotive rotors and drums into Vermont Castings iron stoves and inserts. All spent sand from the casting process is used for landfill topping. Since 2016, the facility has used returnable totes to transfer castings to our plants for final assembly eliminating the use of about 9,600 cardboard skids and boxes annually.

Operations and Facilities

HNI is relentlessly focused on Rapid Continuous Improvement. Our lean manufacturing approach and belief in constructive discontent shows us there's always a better way, and improvement never ends. We empower our members to constantly seek ways to improve methods and eliminate waste. This drives us to identify the most efficient ways to use materials and energy in production, and then find ways to recycle what can't be used.

For example, our HON Company facility in Cedartown, Georgia saved more than one million kilowatt hours (kWh) of electricity and avoided more than 700 tons of CO₂ emissions within the first year of developing a new switching system to idle and restart its twin chillers, which help to cool the plant during the summer months.

The facility has also reduced the amount of waste it sends to the landfill by recycling sawdust to outside companies for use as a secondary fuel source replacing natural gas, or as a blending and solidification source. In 2017, Cedartown sent over 500 tons of sawdust to another local company for use as an alternative fuel source, saving 3,100 dekatherms of natural gas and eliminating 182.5 tons of CO₂ emissions.


HNI Environmental Highlights

A few examples of how facility, systems, and process upgrades have not only benefited our business, but also the environment.

**20%
kWh**

**per unit of
production**

office furniture products
from 2012 to 2017

**Renewable Energy
Powers 42%** 

of Facility Energy Needs • Wayland, NY

1 Million kWh

SAVED

in the first year of a new chiller
switching system • Cedartown, GA

**500 Tons
Recycled** 

of sawdust in 2017 • Cedartown, GA

**6 Million
Gallons**

in waste water
annually following
plumbing upgrades
Lake City, MN

Gunlocke is the first company in the state to install Electric Vehicle charging stations as part of The New York Power Authority's ReCharge NY Workplace Charging Program.



Since 2017, HNI's office furniture division has provided information to the Carbon Disclosure Project (CDP) about how our office furniture business impacts the environment and how we manage those impacts. We've included comprehensive details on our emissions, emissions targets, and overall energy use.

In Wayland, New York, our Gunlocke facility burns its sawdust and scrap process wood (biomass) in an on-site boiler to generate steam to help power the plant's process equipment. This practice, in place since the 1950s, meets 30 percent of the facility's total energy needs. Gunlocke also purchases hydropower through the NYPA Recharge NY Program allowing the site to buy discounted hydroelectricity for more than 20 percent of the facility's overall electric consumption. In 2018, the facility installed 10,000 LED fixtures which saved more than 1.4 million kWh and reduced Greenhouse Gas (GHG) emissions by 1,200 tons per year.

Our Hearth & Home Technologies plant in Lake City, Minnesota has made a number of improvements to reduce energy, waste, VOC emissions, and wastewater. To list a few examples, the facility team replaced electric motors with premium efficiency motors and implemented robotic painting. The plant also upgraded washer plumbing, which reduced wastewater runoff by six million gallons a year.

At one of our Muscatine, Iowa furniture manufacturing plants, we implemented a closed loop system to conserve energy during the wash phase of metal furniture finishing. The system controls the air flow within the washer, eliminates exhaust air, maintains wash solution temperatures, and reduces water and chemical use by returning clean chemicals to the wash solution. As a result, the plant has eliminated 374 pounds of fine particulate matter, reduced natural gas demand by 2,450 dekatherms, and eliminated 114 tons of GHG emissions annually.

Whether it's adding windows to increase daylight, switching to electric fork trucks to improve indoor air quality, or converting to fiber lasers to reduce energy, we continue to develop and adopt best practices in environmental stewardship as part of our never-ending quest to improve facilities, systems, and processes throughout HNI.



WELL and LEED Certified Spaces

In October 2017, Allsteel's Los Angeles showroom was the first project to achieve WELL Certified™ Gold in the Retail Pilot Program. The WELL Building Standard®, developed by the International WELL Building Institute™, was the first building standard to focus on the health and wellness of building occupants by integrating these priorities into the design, construction, maintenance, and operations of buildings.

Allsteel's Boston showroom also achieved WELL Certified™ Gold in July 2018.

Efforts are underway to pursue WELL certification for the shared Allsteel-Gunlocke Chicago showroom as HNI continues to support the health and wellbeing of members and customers. We have also achieved LEED Silver or Gold certification for other HNI furniture-brand showrooms and office buildings.



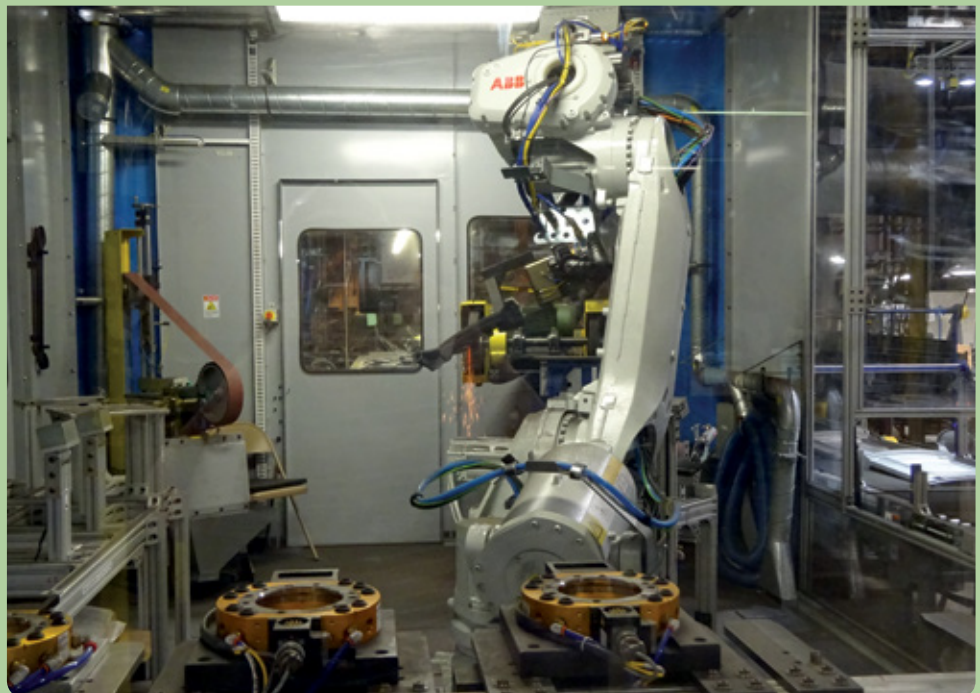
Vermont Castings Modernizes Plants to Save Energy and Improve Member Safety

Since 2015, we have invested \$10 million to upgrade Vermont Castings' Randolph and Bethel locations with guidance from Efficiency Vermont, a program providing services to help state businesses improve energy use.

We installed new high-efficiency compressor motors combined with air leak detection and repair technology to power shop floor machinery at our Randolph foundry. We also upgraded lighting to high-efficiency LED fixtures and controls. The brighter lighting has not only reduced energy use but has also improved workplace safety.

To significantly reduce workplace injuries, we installed a robotic processing center to lift the heaviest stove parts and perform computer-operated grinding and drilling. Another safety improvement includes a new remote control system to operate the ladle hoist for the molten iron bucket so users can run the machinery from a safe distance.

We've made upgrades at other Vermont Castings locations, including installing brighter and more efficient lighting, new cafeterias, fitness centers, and office renovations, all designed to make our sites more attractive, efficient, and healthier places for our members to work.





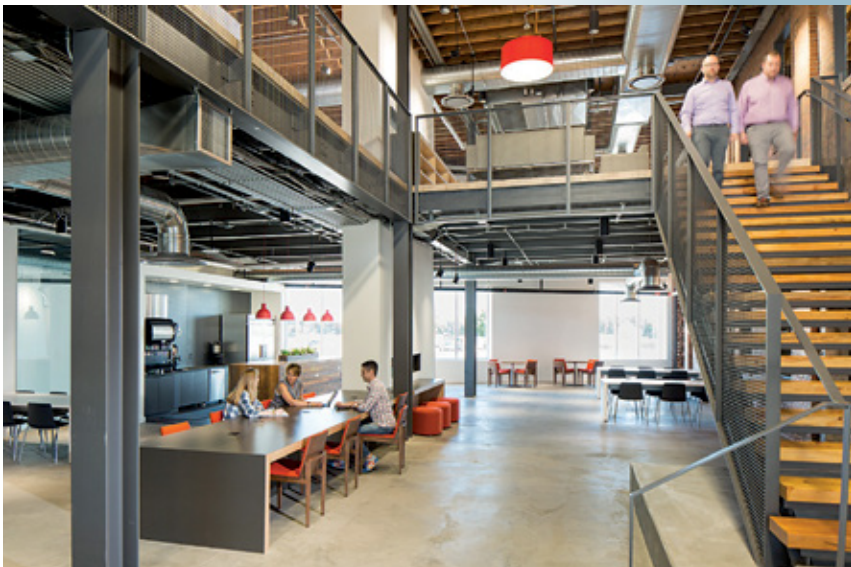
Muscatine Modernization Blends the Best of Old and New

Our recent \$50 million investment transformed a collection of old, outdated buildings into a corporate campus that's a beautiful gateway to downtown Muscatine, Iowa, as well as a highly efficient center of excellence for manufacturing, warehousing, and distribution operations. The campus includes a new production facility with advanced manufacturing equipment, robotics, and programmable controllers.

We also renovated one of the site's former manufacturing locations, an 85-year-old building, for use as our corporate headquarters and innovation center. The remodeled three-story, 60,000-square-foot building features a glass façade reflecting the open and transparent nature of HNI, along with a variety of original building materials including brick, wood beams, steel, wall finishes, and stair treads.

One of its most unique and visual elements is a glass skywalk and conveyor belt that transports finished office furniture from production lines to the central warehouse. The conveyor moves products over two city streets and eliminates the use of fork trucks or semi-trailers while improving member productivity.

In keeping with our commitment to consciously repurpose whenever possible, we donated our former headquarters building to the city of Muscatine and it now serves as the new home for the Musser Public Library and HNI Community Center.



Safety

44,000
Member
Implemented Ideas

70%
Implemented

As owners of our company, HNI members are encouraged and empowered to contribute ideas to improve all aspects of how we do business. In 2017, HNI members contributed 44,000 ideas as part of our Member Implemented Idea program. We have implemented roughly 70 percent of those ideas.

As a condition of hire and continued employment, HNI's Safety Philosophy requires each member to be responsible for every member's safety. For the past five years, our members have worked safer, at rates significantly better than the industry averages. We appreciate our members' dedication to workplace safety and we believe that work-related injuries are preventable and therefore unacceptable.

Safety is a member responsibility from day one. Upon hiring, each new member must complete safety training and then continue to achieve certification annually. Before starting operations at new, modified, or existing workplaces, we apply our Safe Workplace Design process and assessment to eliminate and safeguard against risks and hazards. In tandem, our Job Safety Analysis process assesses all the task requirements of a job.

When an incident or near miss does happen, we investigate immediately to identify the cause and assign responsibility for corrective action. Through our Safety Appeal Process, members provide feedback and report concerns, including the option to report anonymously via our Safety Kiosks. Within five minutes of receiving a report, we contact members (who provide their names) to start corrective action. We have significantly decreased the severity of incidents with a "report small, report early" mindset.

Safety Performance

HNI members consistently work safer than the industry average. With our insistence that members report all concerns, including strain/sprain discomfort, our Restricted Duty Incident Rate is higher than the industry average but has resulted in a significantly lower Recordable Lost Time Incident Rate.

**OSHA Recordable
Incident Rate**

2.38 HNI

5.1 U.S. BLS Industry Average

**OSHA Restricted Duty
Incident Rate**

1.96 HNI

1.41 U.S. BLS Industry Average

**OSHA Recordable
Lost Time Incident Rate**

0.38 HNI

1.6 U.S. BLS Industry Average

Per 100 workers per year • Data as of Sept. 30, 2018

Our Environmental and Safety Management System follows a Plan-Do-Check-Act model and is closely aligned with our overall lean approach to continuous improvement. As we eliminate non-value-added processes and steps to improve productivity, we inherently create a safer and greener workplace.

We track ten safety metrics that include a mix of traditional OSHA metrics as well as preemptive metrics. One such metric requires our facilities to implement a number of safety-focused Member Implemented Ideas equal to 10 percent of the site's member population per month. The objective is to continuously engage members in safety improvement. Local Safety Review Boards, chaired by each facility's lead executive, meet monthly to review facility safety metrics and trends, corrective actions underway and completed, and direct resources for upcoming needs.



Member-Owner Culture

2x

Forbes has included
HNI on its list of America's
Most Trustworthy
Companies

HNI's powerful member-owner culture is founded upon empowerment and accountability. We believe every member has something unique and valuable to contribute to our success. We believe the same qualities that make us different also make us more creative, collaborative, and attuned to a wide variety of customer needs. We support the growth of all members and enhance company performance through our commitment to member development and building an increasingly diverse workplace.

We aim to cultivate a workforce that reflects the diversity of the communities where we live and work. Women and ethnic minorities currently make up about half of our U.S. workforce. We're encouraged to see that new hires reflect an increasingly diverse population.





We understand diversity is not just about bringing people of different backgrounds together. To truly harness the power of diversity, we must also value inclusion. We believe in simple, timeless principles: all people want to be treated with fairness and respect, feel their voices are heard, and make meaningful contributions. We promote accountability for inclusion not only through regular training on diversity, fairness, and respect, but also through our everyday business processes.

Transparent communication is a key element of how we operate. Members at all levels have frequent opportunities to join two-way discussions with company leaders, where concerns are openly invited to be expressed and addressed. All members also participate regularly in member meetings to learn more about our business, ask questions, and hear updates directly from leaders.

Twice, *Chief Executive* magazine named HNI one of the world's best companies for leadership development. Our commitment to "growth without limits" means all members have the opportunity to achieve and succeed as far as their aspirations, skills, and abilities will take them. We invest in apprenticeships, on-the-job training, robust performance and talent management processes, and leadership development programs. Our unique approach encourages all members to experience a variety of functions across multiple operating companies.

6x

Lake City, MN Named
Great Place to Work
Minnesota SE Region

2x

Allsteel named an Iowa
Top Workplace

2x

Chief Executive has
included HNI on its list of
Best Companies for
Leadership Development

5 of 9

of HNI's independent Board of Directors are women or ethnic minorities

\$130 Million

Total Profit-Sharing Contributions to HNI Members Since 2013

As a company founded on the importance of member engagement, we are empowered to think and act as company owners, trusted to make decisions to improve our business and benefit from a reward structure that engages everyone in our success. Almost all members with one year of service own stock in HNI. The better we serve our customers, the greater the individual reward.

Corporate Governance and Integrity

How we achieve success is every bit as important as the success itself. HNI is committed to conducting business with honesty, respect, and integrity—with every member, customer, supplier, and shareholder—in all we do. We believe in doing the right thing even when no one is watching. Our Member Code of Integrity outlines our expectations and responsibilities, and provides guidance for ethical decision making and reporting concerns, with anonymity, if desired.

We have a highly capable, experienced Board of Directors who set high standards as stewards of our corporation and representatives of our shareholders. To us, integrity, involvement, and independence are the foundation of effective governance.

Since our founding, we've believed in the importance of maintaining a strong Board composed predominantly of independent outside directors. Our Board's three committees consist entirely of non-management, independent directors.

We select each Director based on their specific talents, background, and experience. Each is selected based on their unique background and is someone from whom we can learn and who actively contributes to our company's success through their individual skills, knowledge, and experience.

Providing compensation and benefits to meet members' variety of needs is an important element of our retention strategy. We regularly review compensation equity and address issues identified. We provide broad choice in benefits for members at all life stages, including generous time off and leave policies, comprehensive health care coverage, numerous wellness programs, and financial benefits such as substantial retirement contributions.

We have made progress in expanding diversity and fostering inclusion. Women and ethnic minorities hold at least 50 percent of the positions in many of the functional areas, including finance and accounting, law, supply chain, sales and marketing, and product management. We have also seen increasing diversity in our supervisory positions, with women and minorities comprising a third of our managers.

Like most companies, we acknowledge diversity and inclusion as areas of further opportunity and we're committed to continuing to include more diverse perspectives. When recruiting, we strive to present a diverse slate of candidates for salaried positions. We have strong community and university relationships, including partnerships with groups such as the Society of Hispanic Professionals and the Society of Women Engineers.

In 2018, more than half of our summer interns—a key pipeline for entry level talent—were women or represented diverse populations. We have also made inroads through early career development programs, with strong female representation among engineering, operations, and finance and accounting development program participants.

We will continue to focus on processes throughout our business—from recruitment and hiring to development, advancement, and communication—as we seek opportunities to further our progress on diversity and inclusion.

Facility Upgrades Enhance Members' Work and Living Spaces

In China and India, our Lamex and HNI India brands are leading manufacturers and providers of office furniture in their regions. Our Tangxia office complex and production plant in Guangdong Province is one of the largest manufacturing centers of its kind in China. Over the last two years, we've invested more than \$25 million to modernize the facility with the latest in equipment, enhanced safety systems, and lighting, and we renovated the lodging, dining, and recreation spaces for the approximately 400 HNI members that live at the center. We've also invested more than \$2 million at our Nagpur facility in India to make similar production and workplace improvements for our 250 members at that location.



Supply Chain

We hold our suppliers to the same standards to which we hold our members—a commitment to maintain a culture of integrity, to treat others with fairness and respect, to be open, honest, and trustworthy, and to follow all laws and regulations.

We outline these expectations in our Supplier Code of Conduct, which all suppliers must sign as part of our Annual Compliance process. We're committed to a socially responsible, transparent, and efficient global supply chain and have done extensive work in this regard in India and Asia. For example, we engage a global corporate social responsibility consulting firm to help us select, audit, train, and ensure our overseas suppliers demonstrate positive performance in a number of areas. These include employee health and safety, environmental, and labor and employment matters. We then work with these suppliers to foster further improvement.





Returnable Containers

Throughout HNI's supply chain, we use returnable and reusable containers, totes, and racks to transport and receive materials, allowing us to reduce dunnage, waste, and other resources while increasing productivity, quality control, and workplace safety.

We value the diversity of our supplier relationships and do business with a wide range of suppliers, from global industry leaders to local and lean businesses aligned with our manufacturing locations. In the U.S., about 20 percent of HNI's suppliers are designated Local Lean and Aligned (LLA) suppliers. These are businesses that deliver to our facilities multiple times a day. We work closely with these businesses to continuously improve supply chain processes including how inventory is stored, packaged, delivered, and returned.

Our LLA suppliers help us to lower inventory and reduce floor space while also eliminating waste and unnecessary touch points and steps. For example, suppliers deliver parts in reusable racks, totes, and containers instead of corrugated boxes which members would have had to open, place into other containers, and then break down for disposal. Several of our LLA suppliers were started by former HNI members or include former members on their leadership teams.



Goodwill and Crossroads Partnerships

For more than a decade, HNI has partnered with Goodwill Industries for recycling and janitorial services. More than 25 Goodwill employees work onsite at HNI collecting paper, plastic, and cardboard, and cleaning common areas such as breakrooms and hallways. We also partner with Crossroads, Inc., a nonprofit that provides employment training and other services for persons with disabilities. We consider both mission-based organizations as valued suppliers and welcome the opportunity to provide their employees with meaningful work experiences.

50%
Small Business
2017 U.S. Supplier Spend
Office Furniture Segment

In 2017, small business accounted for about 50 percent of our spend with U.S. suppliers for our office furniture segment. Of that spend, 20 percent was with women-owned enterprises, 3 percent with veteran/service disabled-owned businesses, and another 3 percent with other socially and economically disadvantaged small businesses.

Sometimes, the best supplier for a need or part is our own company and members. Through vertical integration, we strategically select some manufacturing processes to perform in-house, such as plastic injection molding. Instead of purchasing certain plastic parts from a number of suppliers, we've started to source the raw material and create the parts ourselves.

Vertical integration provides us with greater control of our supply chain, and a better understanding of materials, products, and design impacts. We've reduced transportation needs, packaging requirements, and touch points between part fabrication and assembly. And, we've created more skilled job opportunities for our members.

Community Relations

HNI strongly believes in the importance of working to better our communities. As part of our vision of being a responsible global citizen and our commitment to collective gain, we share our success with the communities where our members live and work. We contribute financially to worthy causes and local organizations, and our members make an even greater impact volunteering their time and talent.

We prioritize projects to strengthen our communities with a focus on healthcare, education, and community development initiatives. Healthcare and education are vital to a community's economic stability and these projects provide important services for our members and retirees. Community development, including Muscatine, Iowa's new public library and recent YMCA expansion, make our communities more desirable, which can attract further economic investment and employees.

**Total corporate
charitable contributions**
\$40+ Million
since 1996, when the
HNI Charitable Foundation
was first established.



*Musser Public Library and
HNI Community Center*

3,000+ Scholarships

Since it was first established, the HNI Foundation has awarded more than 3,000 scholarships to children of HNI members for two- and four-year higher education programs. Each year, we award between 60 and 70 new scholarships and renew between 160 and 175 existing scholarships. We engage Scholastic America to judge applications that consider financial need, as well as academic, leadership, and extracurricular performance and activities.

Improving Healthcare and Expanding Access

HNI has contributed more than \$1 million in recent years for projects to improve the quality and availability of healthcare in our communities. These included a major expansion and modernization of the emergency, radiology, operating, and lab departments at Muscatine, Iowa's Trinity Hospital. In Mt. Pleasant, Iowa, where we have a hearth manufacturing location, we were a major contributor to an expansion at Henry County Health. In Dansville, New York, we donated funds for a new cancer treatment center at Noyes Health, the primary hospital that serves our Gunlocke members.



Partnering with Industry Peers to Fight Disease

City of Hope, an independent research and treatment center based in southern California, is a worldwide leader in the fight against cancer, diabetes, and other life-threatening diseases. Since 2002, HNI has raised almost \$6 million for the center as a member of the nonprofit's National Business Products Industry Alliance. Most of those funds have come from customers, suppliers, and HNI members who participate in our annual golf outing and fundraiser. In 2018, our event raised a record \$650,000 for City of Hope, making the HNI golf outing one of City of Hope's largest fundraising events.

HNI members also contribute about \$30,000 each year through various fundraising City of Hope activities.



City of Hope™

The 34,000 square-foot Musser Public Library and HNI Community Center, which opened in 2018, is housed in HNI's former corporate headquarters. We donated the building, much of its furniture, and the city block where it's located after moving our corporate administrative functions into a renovated 85-year-old former manufacturing facility. The updated facility became available after we built a new manufacturing plant as part of a \$50 million investment in modernizing and upgrading our operations.

With its beautiful Mississippi River views, numerous meeting rooms, handicapped accessibility, and additional parking, the new library is 25 percent larger and has become much more than a place to check out a book. It's become a gathering space to contemplate, collaborate, and learn. The project, which represents a \$5 million contribution from HNI, has been used to secure additional development funds to expand the nearby trail system and park facilities, amenities that continue to revitalize and rejuvenate downtown Muscatine.

The expansion of the Muscatine Community YMCA, where many of our colleagues are members, adds 25,000 square feet to the Y increasing its ability to serve the community and accommodate its growing membership. HNI contributed \$1 million to the \$7 million project, which began in 2017. The expansion includes a new space dedicated to teens, a kids' adventure center, a new gym and weight room, and new offices for Big Brothers Big Sisters and Special Olympics, two organizations in which HNI members are active.



Muscatine Community YMCA

A Good Corporate Neighbor

In many HNI communities, our locations are among the area's largest employers and most active corporate citizens. For example, the HON Company's Cedartown, Georgia location started operations in 1969. Since then, this Georgia Manufacturer of the Year Award Winner has undergone multiple expansions, including a recent \$14.5 million expansion.

"The HON Company is a true corporate partner in that they not only invest in their company and their employees, but also in many areas in our community."

David Williams, Chairman, Development Authority, Polk County, GA

"The HON Company exemplifies what it means to be a good corporate neighbor."

Dale Tuck, City Commissioner, Cedartown, GA

Divisions and Locations Support Local Causes

In addition to HNI's corporate giving priorities, our divisions and locations raise and contribute funds to local organizations and programs. For example, our hearth division has held an annual charity golf event since 2006 that raises more than \$20,000 for one or two designated organizations each year.

The event alternates between Lakeville and Lake City, Minnesota and welcomes more than 150 HNI members, suppliers, and local residents.

Additionally, the Just Give Committee at our Mt. Pleasant hearth location has supported two dozen local organizations over the past two years, including raising more than \$10,000 for nearly a dozen nonprofits through monthly fundraisers. The HNI Charitable Foundation matched those funds.



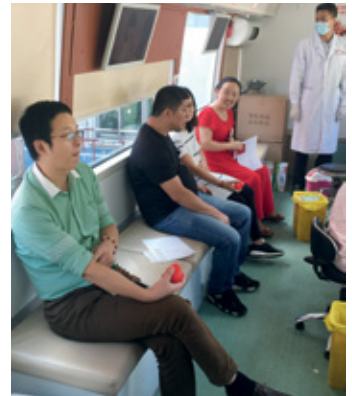
Beautifying our Cities

Members of our Lamex office furniture division volunteered at city clean up in Dongguan in southern China's Guangdong province.

Volunteers Lead and Serve our Communities

Throughout HNI, members volunteer as individuals and groups to causes important to them. More than two dozen of our Gunlocke members spent the day at The Vincent House Comfort Care Facility in Western New York. Members replanted flowers, trimmed shrubbery, mulched flower beds, and provided other indoor and outdoor repairs to the nonprofit's 75-year old building.

Many HNI members are leaders in their communities, serving as mayors; township and chamber of commerce presidents; city council members; college and hospital trustees; fire chiefs and fire fighters; scout leaders; and coaches. Our members volunteer together to pack meals and shop for holiday gifts for needy families and children, speak at career days and mentor at resume building clinics, collect and donate school supplies, and participate in blood drives. From corporate donations to member community involvement, HNI members impact dozens of organizations each year.





HNI Corporation

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