

# ENVIRONMENTAL MANAGEMENT PROGRAM

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## COMPANY POLICY – KI'S COMMITMENT

KI has adopted the following internal policy as part of total environmental management program. This policy demonstrates the company's expectation of all employees in terms of environmental compliance and management.

KI is committed to our community by being environmentally conscious and striving to ensure the continued availability of natural resources for current and future generations. As part of the Vision/Mission, we recognize our responsibility to protect human health, the environment and natural resources and to continually strive to improve the environmental quality of our operations. To carry out this commitment, it is our policy to:

- Meet or exceed the requirements of all environmental laws and regulations applicable to our operations.
- To the extent practicable, limit our impact on the environment and work to reduce recognized environmental risks to our employees and communities in which we operate by employing safe technologies and operating procedures and by being prepared for emergencies.
- Continually assess our environmental programs and monitor our environmental performance.
- Have operating policies and programs in place to implement our Environmental Quality Policy.

To help implement our Environmental Quality Policy, the following responsibilities are being assigned:

- KI's corporate risk manager will be responsible for coordinating KI's environmental compliance. That individual will provide and coordinate environmental compliance support to KI facilities and help supply environmental technical and regulatory expertise. He/she will also assist in providing environmental training and corporate environmental data management.
- KI's general and operating managers are responsible for the environmental compliance of their respective operations. In that connection, KI expects its facility managers: (i) to be aware of the environmental impact of their operations and the environmental requirements imposed on those operations; (ii) to direct their areas of responsibility in a manner protective of employees, customers, the local community and the natural resources; (iii) to consider this Environmental Quality Policy when developing facility budgets; and (iv) keep KI's corporate risk manager informed of all facility environmental matters. It is KI's policy that all facilities meet or exceed all applicable environmental laws, regulations and permits governing the control, transportation, storage and disposal of regulated materials including air emissions, wastewater, solid waste, hazardous waste, and storm water.
- All KI employees are responsible for performing their individual duties in an environmentally responsible manner in accordance with the intent of KI's Environmental Quality Policy. Each employee is obligated to report known or suspected infractions of this policy to management representatives of the facility in question. In addition, KI encourages any employee to bring to the attention of the facility manager any question or concern he/she has about the Company's environmental practices or compliance with environmental laws.

## KI'S HISTORY ON ENVIRONMENTAL INITIATIVES

### Leadership in Energy and Environmental Design

KI is continually exploring viable product designs and solutions that will aid in the achievement of those principles upheld by the Leadership in Energy and Environmental Design (LEED™), a priority program of the USGBC (U.S. Green Building Council).



In 2003, KI became a corporate member of the USGBC and a corporate sponsor of the launch of LEED's CI Rating System in 2005. Representing the furniture manufacturing industry, KI, KI's Leadership, and KI LEED Accredited Professionals work in cooperation with environmental professionals and their projects to examine how the company's product offerings embrace such critical areas as Energy Efficiency; Human and Environmental Health; Durability, Performance and Maintenance; Embodied Energy and Pollution; Resource Limitation and Waste Management.



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KI developed a three pronged approach which continually reinforces its commitment to sustainable design and manufacturing processes. This approach is as follows:

1. KI has reviewed all eleven manufacturing facilities and continues to look at manufacturing processes that can be more environmentally friendly including such things as painting processes, adhesives, metal cleaning, and finishes. This is intended to not only improve the indoor air quality to the end user, but also intended to create a more friendly work environment for the employees and for our communities throughout the country.
2. KI continues to look at raw material options for our products using materials which have a positive impact on the environment whether it be materials from sources which are renewable, those with a larger percentage of recycled content to ones which can be easily recycled. We continue to look at, evaluate and test new options as materials come available. Our objective is to ultimately offer a product solution containing raw materials that are more sustainable, renewable and environmentally friendly.
3. The third prong approach to KI's commitment is the development of products that are more environmentally friendly not only inclusive of the manufacturing and materials mentioned earlier, but also one that can be easily repaired, recycled, disassembled, and ultimately have less impact on the environment. KI's most recent introduction includes a licensing agreement from a Japanese manufacturer launching the product Daylight. Daylight holds the Japanese ecomark, which is similar to the US Greenguard certification. This product line is manufactured using recycled auto batteries and is manufactured in a way which not only allows easy simple repairs and/or replacement of parts in the field, but also allows the product to be easily disassembled for recycling at the completion of its use.

KI has been recognized over the years with the honor of receiving awards and recognition based on product and project innovation. KI and KI's leadership have invested time and money in the communities in which they work with an emphasis on environmental stewardship.

## AWARDS AND RECOGNITION

KI's efforts in pollution prevention and waste minimization have been recognized several times through environmental awards. The following sections provide copies of the nominations, case studies, or press releases related to the awards received by KI.

- **2005 LEED Certified Buildings**

KI has been involved in the supply of furniture for several awarded LEED Certified facilities. These facilities include the University of Texas Nursing School as well as the University of Arkansas Innovation Center. In both cases, these installations incorporated the Genius Full Height Movable Wall Systems in their solution and were able to garner several innovation points through that process.

- **2004 EPA WasteWise Management**

KI is a partnering entity following the requirements of the EPA's WasteWise Management program. WasteWise is a free, voluntary, EPA program through which organizations eliminate costly municipal solid waste and select industrial wastes, benefiting their bottom line and the environment. WasteWise is a flexible program that allows partners to design their own waste reduction programs tailored to their needs. Following this program, KI has formed recycling teams at all 11 of the manufacturing locations. These teams have successfully office paper reductions and increasing the use of recycling content increases reducing the use of raw materials. This team's goal is to continue to reduce incoming product and customer packaging, increase the use of recycled contents by working with our vendors, and reduce overall wastes to our landfills.

- **2004 Wisconsin Business Friend of the Environment Award**

KI received the Wisconsin Business Friend of the Environment Award presented by The Wisconsin Environmental Working Group, an affiliate of Wisconsin Manufacturers & Commerce. KI was chosen based on its programs demonstrating innovative approach to environmental protection.

KI's engineering team within the Manitowoc facility have found a way to make two already remarkably earth-friendly products even more consistent with the company's goals to prevent pollution and minimize waste – all within budget.



- **2001 Governor's Award for Excellence in Environmental Performance**

KI received the Sixteenth Annual Governor's Award for Excellence in Environmental Performance in March 2001.

One of KI's core values is to protect and enhance the environment in order to preserve natural resources for future generations. As a responsible steward of the environment, KI continually strives to utilize manufacturing methods that emphasize pollution prevention practices including waste minimization, recycling, and the use of alternative, non-hazardous materials.

KI is proud of these endeavors in waste minimization and is willing to share additional information with other companies with electroplating or parts washing operations.

- **1998 Wisconsin Governor's Award for Excellence**

KI received the 1998 Wisconsin's Governor's Award for Excellence in Hazardous Waste Reduction.

- **1998 Prevention Environment Prosperity Award**

The Wisconsin Department of Natural Resources presented this award to KI in 1998 as a result a process re-engineering endeavor at the Green Bay facility in which solvent-based glues were replaced with water-based glues. The Wisconsin Department of Natural Resources posts a case study regarding KI's efforts to provide other manufacturers with information on possible approaches to air emissions and waste reduction.

- **1997 Wisconsin Business Friend of the Environment Award**

The Wisconsin Environmental Working Group honored KI in 1997 with the Wisconsin Business Friend of the Environment Award. This award recognizes companies that go beyond compliance in their environmental program.

- **1996 Wisconsin Governor's Award for Excellence**

In 1996, KI received the Wisconsin Governor's Award for Excellence in Hazardous Waste Reduction.

- **1995 Prevention Environment Prosperity Award**

The Wisconsin Department of Natural Resources presented this award to KI's Gillette, Wisconsin facility for efforts to eliminate hazardous waste streams through product substitution and recycling.

- **NeoCon Awards**

KI has been the recipient of several NeoCon awards. The criteria for judging for NeoCon competitions are environmental sustainability, as well as, functionality, flexibility, quality/durability, aesthetics/style, innovation, and pricing.

## **ENVIRONMENTAL STEWARDSHIP**

KI strives to be a responsible corporate citizen within its communities through employee involvement in community organizations and clean-up and recycling activities. Richard J. Resch, president and chief executive officer of KI, and his family, have made significant contributions also. Some examples of this stewardship include:

- o KI employees clean up a stretch of highway as part of the Adopt-A-Highway program.
- o Funding of the Resch Conservation Wing at the Bay Beach Wildlife Sanctuary by the Resch family.
- o Working with local agencies on eradication of an invasive wetland plant species (Purple Loosestrife) found in a wetland at KI's Green Bay, Wisconsin facility.
- o Funding a paved trail along the East River through Bellevue and adjoining Allouez in the Green Bay, Wisconsin area.
- o Employee programs have been implemented to reduce local fuel consumption and toxic waste to land fills:
  - Car pooling program



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- Battery Recycling program
- Computer equipment recycling program

- **An Environment Re-Commitment**

As 1994 came to a close, KI re-committed itself to reduce impacts on the environment and operating costs through pollution prevention activities. Through four of these programs, the manufacturer addressed waste minimization, recycling and the use of alternative non-hazardous materials.

In 1995, the Green Bay facility kicked off this ambitious endeavor by investing \$750,000 on capital environmental improvements, and \$100,000 on projects, consultants and employee education. From the company's perspective, these investments provide a payback as KI becomes more profitable through more proficient manufacturing methods, and a reduction in the money spent on wastes, air emissions and effluent discharges.

- **Less Waste on the Way**

KI has more waste reduction efforts under way. For instance, liquid color waste from test runs on customer-specific colored plastic parts has been eliminated by upgrading the color standard system used with the liquid color supplier.

Waste generated from an electroplating process has been changed from hazardous to non-hazardous, through the introduction of a new rack coating. Other advances in the electroplating process include a nickel recovery system, which saves chemical costs and reduces disposal expenses. This process also allows KI to recycle water in the electroplating process, saving over a half-million gallons of water annually. Finally, KI is updating its wastewater pre-treatment system, with potential waste reduction savings of \$95,000 per year.

- **A Proactive Approach**

KI, as a corporation, has made it a policy to incorporate recycling programs as a normal way of doing business. For example, the corporate office along with the Green Bay manufacturing facilities has adopted a battery recycling program. Employees are encouraged to recycle any discarded household batteries so that KI can divert them from public landfills.

Another practice is recycling computer monitors and fluorescent tubes (lamps). KI, several times throughout the year, collects the old discarded items from all of their showrooms, other manufacturing facilities, and regional and district offices throughout the U.S.

KI's Pembroke facility targeted the proactive removal of potential toxic substance and an about-to-be-banned waste water heavy metal. On 6/4/2005 Pembroke began to use different chemicals in paint washes that will allow a drop in temperatures that were originally required in the wash. This yearly reduction in energy consumption is estimated at \$105,000 annually.

## **PRACTICES AND PROCESSES**

As indicated previously, KI manufacturing facilities have taken both unique and common approaches to their environmental efforts. The following sections describe approaches common to all of KI's operations.

- **Reduce, Reuse, Recycle**

All of KI's facilities embrace the theme of "REDUCE, REUSE, RECYCLE" in their operations. These efforts are aimed at all media – water usage, wastewater discharges, air emissions, and solid/hazardous waste - in comprehensive effort towards pollution prevention.

By introducing more products into recycling programs, KI has been able to effectively reduce its waste stream. Over the past three years, a focus on emerging options has led the company to target process water, foam, plastic purgings and fabrics for inclusion in recycling programs.



- **Capital Investment Process**

KI selects new processes and equipment based on a detailed analysis of capital and operating costs and environmental considerations. The evaluation of operating cost includes the recommended maintenance procedures; thus processes and equipment that have extensive and significant maintenance costs are eliminated by this process. Solvent-based paints and other materials have been steadily replaced with water-based or powder substitutes at the manufacturing facilities. By limiting the use of solvent-based materials, the necessity of using solvent-based cleaning materials has been reduced.

- **Product Durability, Refurbishment, and Flexibility**

KI's products are designed to be durable, flexible (in terms of office rearrangement and also in terms of re-upholstery), and repairable (in the event wearing occurs or a component is broken). In the event that an item is not longer needed, many products can be disassembled and several components can be recycled.

These features (durability, flexibility, and refurbishment) all KI's customers to break the cycle of unnecessary waste generation. KI may partner with and enlist the services of refurbishing and resale entities on a per-project basis to extend product lifecycles.

- **Product Buy-Back Policy**

KI understands that customers may want to purchase products with an understanding that office needs may change, and customers may need assistance in the removal and resale of product. KI will assist in a buy-back program or can offer to broker product no longer needed by customers. The details of service would be based on the product purchased and a program would be tailored at that time. In addition, KI can assist with brokering furniture from other manufacturers.

By producing products that are reconfigurable such as demountable walls and panel systems, KI acts as a responsible steward of the environment promoting the reuse of products rather than the proliferation of landfills.

- **Fuel and Energy Conservation**

Energy and fuel conservation is also an integral part of the facility engineering staff responsibilities. Each proposed capital investment must consider energy and fuel costs are part of the overall evaluation. Several KI facilities participate in a state program called "Focus on Energy" which formalizes energy conservation goals, measurements, and approaches.

Several facilities utilize energy efficient lighting systems for offices and manufacturing areas and have installed automatic shut-off systems to further conserve energy. Fuel conservation is addressed in the transportation of raw materials and finished products, as well as facility operations.

- **Design and Development**

KI's development philosophy is to develop product solutions that will visually and functionally work with other KI product solutions allowing the client the greatest flexibility as their business needs evolve. This design philosophy allows them to look at other product solutions within the KI portfolio and be able to integrate them with existing products they have in place giving the greatest flexibility without obsolescing a product.

It is a KI corporate policy that all new and/or improved introductions of our products connect with and extend the usage of all previous introductions so as to work companionably side by side.

- **Custom Options/Tailored Product/Service Solutions**

Custom Options is our internal group, which takes product solutions and makes minor modifications to them, again to meet a specific client need, application, or sustainability requirement. What the industry knows more as specials, we refer to as Custom Options. Currently, about 22% of all KI sales fall into this category of Custom Options and in excess of 17% falls into the category of tailored products compared to the industry standard of about 1%.



## ENVIRONMENTAL COMPLIANCE PROGRAMS

- **Environmental Awareness Training**

Years ago, KI determined that all employees, as part of the KI team, need to contribute to environmental compliance at the facilities. Certain key individuals serve as focal points for the gathering and distribution of information.

- ◆ Every employee from the CEO to the manufacturing floor conduct regular energy audits of their work areas – why we even have mini recycling containers at each work station. We're educating employees on ways they can save energy at work, reduce paper by encouraging electronic messaging, turning off conveyor belts to turning off unnecessary lights when they leave for the day.
- ◆ Employees/Technicians must be familiar with the environmental policy and be aware of the requirements related to their job. The Employees/Technicians should feel free to contact any other individuals with their environmental concerns or questions.
- ◆ Supervisors/Product Line Managers are to be resources for employees/technicians for general environmental questions and information.
- ◆ Plant Environmental Engineers are individuals with overall environmental responsibilities. The role of the Plant Environmental Engineers is to address compliance issues in the plant, such as obtaining permits, filing necessary reports, training, and distribute general information concerning environmental issues and policies.
- ◆ The role of the Corporate Compliance Officer is to assure that plant managers and environmental engineers are taking appropriate action to ensure environmental compliance.

- **Environmental Compliance Manuals**

In an effort to continuously improve the facilities' environmental performance, and as a basis for a planned compliance audit program, KI has begun developing comprehensive environmental compliance manuals for each manufacturing facility.

- **Compliance Auditing**

These Environmental Compliance Manuals are to serve as a tool to confirm that all environmental program requirements are being met, facilitate transfer of site-specific information from the manufacturing facility to the corporate office, facilitate transfer of information from the current environmental manager to their predecessor(s), and provide a guide for routine audits.

- **ISO 9001:2000**

As part of KI's business philosophy to build the highest quality business and institutional furniture, KI implemented a Quality Management System for all of its manufacturing plants and related corporate functions. These Quality Systems were audited and are certified according to ISO standards. ISO was developed by the International Organization for Standardization to "facilitate the world-class exchange of goods and services." It is a standardized framework for building, operating and documenting a quality management system. KI is among an elite group of United States Manufacturers who have acquired ISO 9001:2000 certification.

Although KI is not currently certified in ISO 14001 (the environmental management system), several principles of the ISO system have positive impacts on environmental aspects of KI's manufacturing facilities.

Some examples of this interaction include the following:

- ◆ KI is focused on their customers and their needs and expectations, including their customers' expectations that office and institutional furniture lines should be designed and produced with environmental considerations at the forefront.
- ◆ KI involves all team members in their continuous improvement process. Due to this involvement, there have been numerous successes in the areas of resource conservation, waste reduction, and efficiency.
- ◆ Continual improvement is a constant mantra of the environmental program as well as the quality program.
- ◆ Supplier relationships are critical to KI's success. KI is proud of the accomplishments of major suppliers in the environmental area, as evidenced by several portions of this document.



- **Process Change Notification**

As part of the ISO program, KI carefully monitors and controls changes made to production operations, specifications, and raw materials. In order for a change to proceed, a comprehensive evaluation of the impacts of the change must be evaluated. Environmental considerations are part of the Process Change Notification process.

- **Kaizens**

The goal of the KI's Kaizen program is orderly and continuous improvement. It involves all levels of the organization. The focus is on eliminating waste in all systems and processes of the organization and continuously improving KI's ability to meet expectations of high quality, low cost, and on-time delivery.

Waste elimination has obvious impacts on environmental issues by reducing air emissions, reducing wastes (both hazardous waste and solid waste), wastewater discharges, and other impacts on the surrounding environment.

## INDOOR AIR QUALITY

Poor indoor air quality has been identified as a cause of illness and loss of productivity in the workplace. The term "sick building syndrome" was first used to describe a range of nonspecific complaints reported by occupants of buildings. These complaints include headaches, eye irritation, nose and throat irritation, etc. Poor indoor air quality is caused by various pollutants including VOCs, formaldehyde, pesticides, tobacco smoke, plasticizers, and carbon monoxide; mold and allergens resulting from excessive moisture and poor maintenance; improper control of building temperature and humidity; and insufficient ventilation. VOCs are common in the indoor environment and can be emitted from sources such as cleaning compounds, wood products, stains, waxes, paints, and other coatings, fabrics, foam, adhesives, polypropylene, pressed wood products, stain and fire resistant coatings, carpet and other flooring materials, draperies and coverings, wallcoverings, room/cubicle partitions, fiberglass, adhesives, construction materials, personal toiletries, and activities such as cooking.

Products that were tested, were tested using stringent environmental chamber protocols, and found to contribute minimal levels of pollutants to the indoor environment. In order to be included on the list, products must meet the indoor air quality standards and guidelines established by:

- ◆ United States Environmental Protection Agency
- ◆ State of Washington
- ◆ World Health Organization
- ◆ German Federal Environmental Agency (Blue Angel)

The programs have established acceptable emission rates for total volatile organic compounds (TVOCs), formaldehyde, total aldehydes, ozone, and particles.

## AIR EMISSIONS

In the past, office furniture manufacturing facilities, as well as many other industries such with painting and coating operations, were significant sources of air emissions. As part of their continuous improvement focus on the environment, KI manufacturing facilities have made considerable progress in reducing the amount and toxicity of air emissions that are generated as part of their manufacturing processes. These changes have positive impacts for KI and KI's customers by:

- ◆ Improving KI employee work environments.
- ◆ Improving regional air quality in the areas in which the furniture manufacturing occurs.
- ◆ Reducing potential for off-gassing and indoor air quality issues associated with the use of the final product lines as a benefit to KI's customers.
- ◆ Reducing hazardous and toxic wastes generated at the manufacturing facilities, since solvent-based (i.e. volatile) materials commonly produce hazardous wastes.
- ◆ Being able to focus KI staff energy and efforts to productive activities rather than the strenuous and complicated tasks of air emissions permitting, record keeping, and monitoring required when a facility is a major source of air emissions.



In general, KI manufacturing facilities have improved their air emissions by following the theme of "REDUCE, REUSE, RECYCLE". The following table identifies some of the traditional methods for KI's operations and how many KI facilities have reduced air emissions in this area. Note that air emission reductions have also achieved other environmental benefits, such as water conservation, waste reduction, etc.

Traditional Process	Processes at KI Facilities	Environmental Benefits
Using solvents to clean metal components prior to finishing.	<ul style="list-style-type: none"> <li>◆ 6-stage phosphate cleaning systems for metal components (a water-based cleaning system)</li> <li>◆ Counter-current water flow in wash systems.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Negligible VOC and HAP emissions with water-based cleaning.</li> <li>◆ Counter-current water flow system achieves exemplary levels of cleaning, while limiting water usage and wastewater generation.</li> <li>◆ Limited wastewater generated from system is treated and discharged to municipal wastewater treatment systems with negligible, if any, hazardous waste generation.</li> </ul>
Using solvent-based adhesives in chair and panel assembly.	<ul style="list-style-type: none"> <li>◆ Water-based adhesives.</li> <li>◆ Solid or hot-melt adhesives.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Negligible VOC and HAP emissions from water-based and hot-melt adhesives.</li> <li>◆ Limited, if any, hazardous waste generation.</li> </ul>
Using solvent-based paints for metal component painting.	<ul style="list-style-type: none"> <li>◆ Electrostatic powder painting.</li> <li>◆ Spray guns chosen for transfer efficiency</li> <li>◆ High solids paints.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Negligible VOC and HAP emissions from powder painting.</li> <li>◆ Limited, if any, hazardous waste generation from powder painting since materials are not hazardous.</li> <li>◆ Transfer efficiencies of the spray guns and the electrostatic process result in a greater percentage of paints being deposited on the intended part, thus reducing emissions and waste, and saving resources and money on raw materials.</li> </ul>
Achieving scratch and abrasion resistance through significant coating thickness.	<ul style="list-style-type: none"> <li>◆ Paint formulations are designed for superior coverage and resistance, with minimum coating thickness.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Reduced air emissions since coating is accomplished with less paint.</li> </ul>
Uncontrolled decorative chromium electroplating.	<ul style="list-style-type: none"> <li>◆ Dual controls on decorative chromium electroplating including a surface tension reducing agent and a dry scrubber.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Per EPA's standards, a decorative chromium electroplating system needs to have one type of control device installed. KI's system has two control systems, whose combined effect reduces air emissions of chromium minimal amounts.</li> </ul>



## DISTRIBUTION/TRANSPORTATION

- **KI Private Fleet-** KI's trucking fleet utilizes and maintains high efficiency equipment. The purchase and maintenance of fuel-efficient tractor/trailers and the smallest diesel engines available results in cost savings, reduction of fuel usage and decreased exhaust output. KI's fleet averages an amazing 7.5 miles-8 miles per gallon. KI drivers receive a fuel bonus when they drive the vehicle in a manner that conserves fuel by increasing mileage.
- **Maximization of Space Usage-** KI maximizes its resources therefore minimizing waste and pollution. Why send two trucks to do the job of one? KI traffic schedulers and dock personnel work in cooperation with shipping companies to utilize the maximum amount of truck space available. By reducing the number of trucks on the road, KI saves on fuel usage as well as equipment wear and tear. Methods utilized to increase space capacity include order and destination consolidation as well as palletizing, shrink wrapping and blanket wrapping product--eliminating space-consuming packaging.
- **Direct Shipment-** Because the company's main method of shipping is direct to the customer, KI eliminates the middleman in the shipping of products to the destination. This alleviates the need for a number of different trucks hauling the same merchandise thereby reducing fuel usage, inefficient miles per gallon and equipment wear and tear.

## PACKAGING/ SHIPPING

From the factory floor to the corporate mailroom, KI institutes the reduce, reuse, recycle philosophy. To reduce the use of packaging materials, KI has found alternative methods to safely ship and receive products to and from suppliers, end-users and other manufacturing locations. Utilization of reusable plastic totes, shrink-wrapping, blanket wrapping and racking of products has helped alleviate the amount of "box" materials used in the shipping process. To reduce waste sent to landfills, KI reuses materials such as wood pallets wherever possible and has partnered with suppliers to create new product transfer methods such as injection molded plastic skids (made from recycled plastic!) which can be reused over and over again. KI has also experimented with several adhesive products, which eliminate gases created in the packaging process.



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