



L A Z B O Y
I N C O R P O R A T E D

Sustainability Journey

August 17, 2022

Definition of ESG



Environmental:
Resource
Management

A company's impact on the environment, concentrating on greenhouse gas emissions and climate change, natural resource use, deforestation and waste and pollution.



Social: Impact
on Humanity

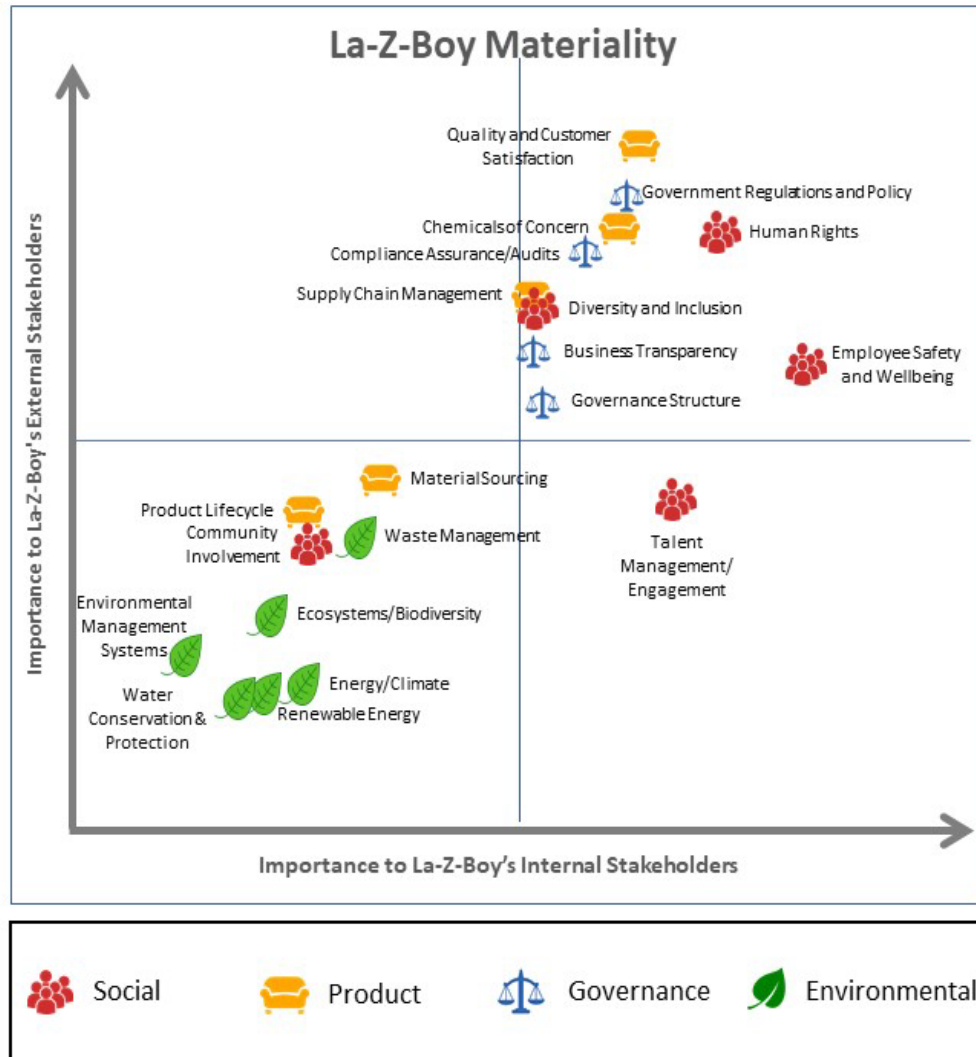
A company's impact on society, concentrating on employee relations and diversity and inclusion; working conditions, including child, forced and compulsory labor in the supply chain; local community engagement; and workplace health and safety.



Governance:
Corporate Behavior

How a company polices itself, concentrating on tax strategy, donations and political lobbying, executive remuneration, corruption and bribery, board diversity and structure, and board oversight and effectiveness.

Materiality Assessment Results - 2019



- Chemicals of Concern
- Diversity and Inclusion
- Human Rights
- Supply Chain Management
- Compliance Assurance/Audits
- Government Regulations and Policy

Business Transparency

FY 21 and 22 Sustainability and ESG

Environmental and Governance

FY 2021

- ✓ VPPA agreement

FY 2022

- ✓ Initiate Mexico PPA
- ✓ Scope 3 value chain GHG footprint assessment
- ✓ Scope 3 supply chain footprint
- ✓ TCFD-aligned policy risk
- ✓ TCFD-aligned physical risk
- ✓ Began building the Sustainability Team
- ✓ Initiated efficiency projects
- ✓ Initiated our first ESG messaging
- ✓ Updated our chemical compliance program for upholstered products

Social

FY 2021

- ✓ Created the Diversity, Inclusion and Belonging Council

FY 2022

- ✓ Develop a Diversity and Inclusion Department
- ✓ Supplier Inclusion Materiality Assessment
- ✓ Added a Supplier Inclusion Lead Sourcing Manager

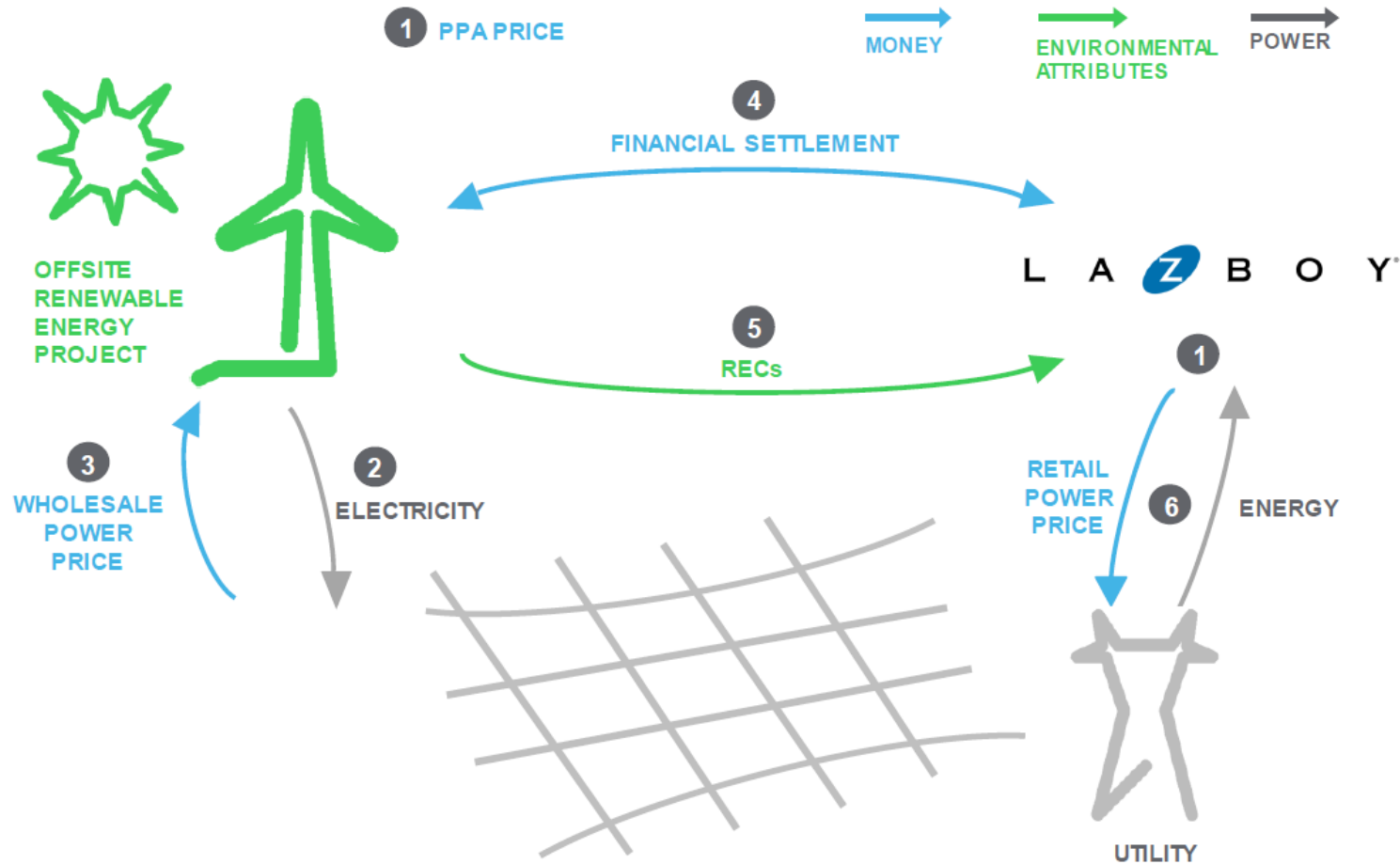


VPPA – Santa Rita East



VPPA Overview

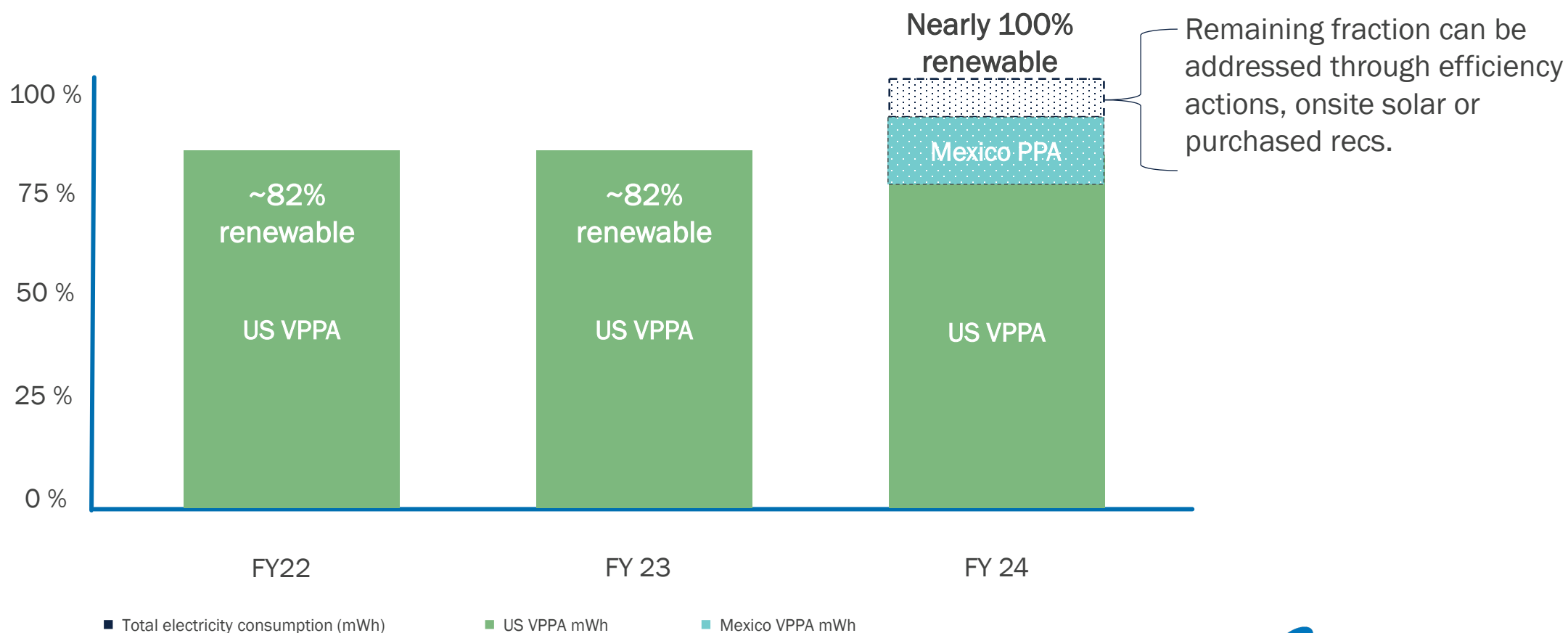
Financial (Virtual) PPA



- 1 La-Z-Boy guarantees fixed price for energy & RECs
- 2 Project owner delivers power to grid operator
- 3 Grid operator pays project owner wholesale market price for power
- 4 Project owner and La-Z-Boy financially settle difference between fixed power price and wholesale market price
- 5 RECs are delivered to La-Z-Boy
- 6 La-Z-Boy continues to purchase power from utility or deregulated retail supplier

Road to Renewable Energy – Scope 2 Performance

- Through May 2022, the VPPA has provided the equivalent to **82.4%** of the electricity consumed by La-Z-Boy Inc.
- Initiating a **Mexico PPA** would provide the most or all RECs necessary to **achieve zero Scope 2 emissions** by 2030
- VPPA has **returned in excess of \$500k** to the company in the trailing 12 months, used to fund efficiency projects



Scope 3 Emissions Analysis

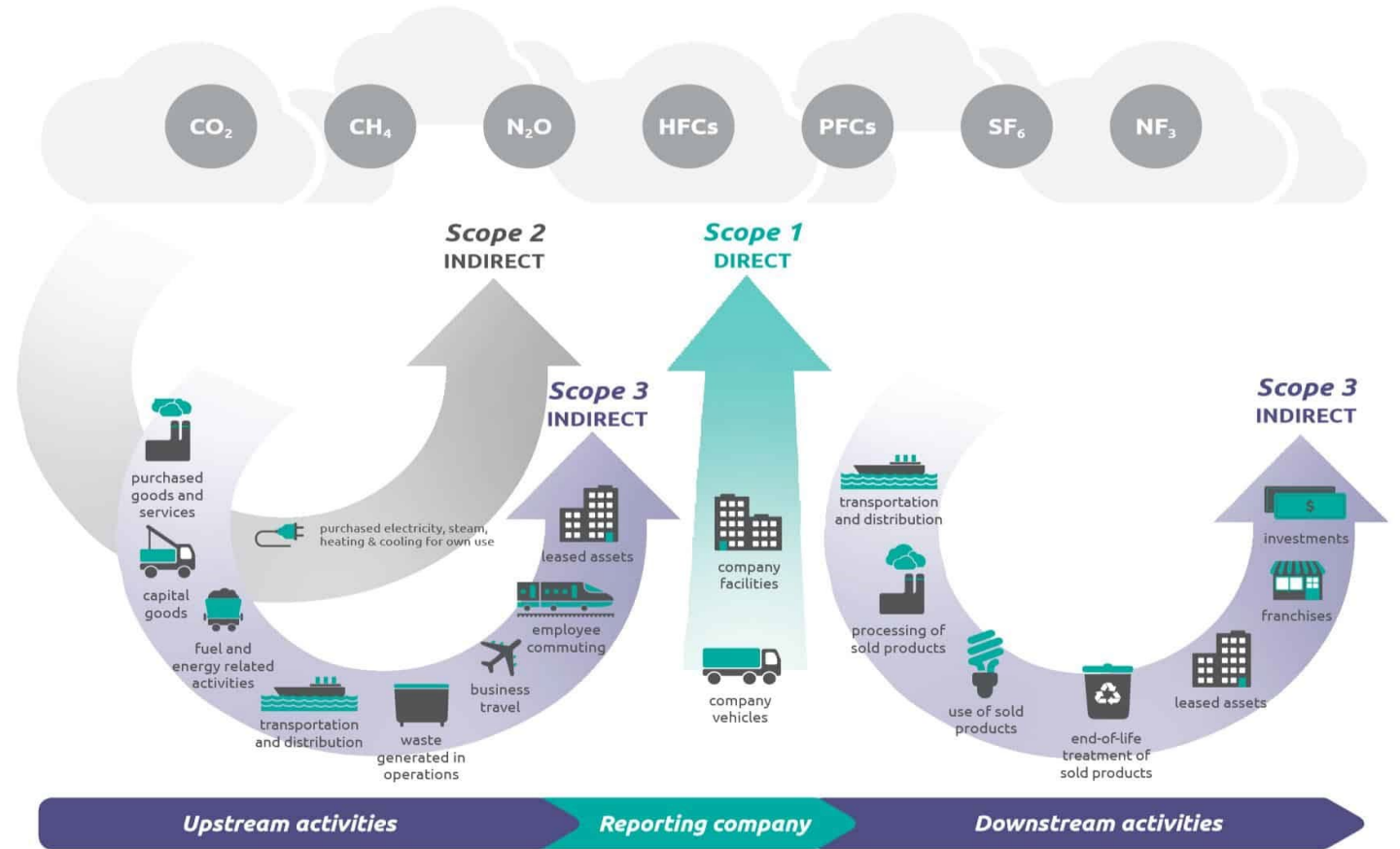
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Scope 3 Emissions Analysis

Scope 3 Category

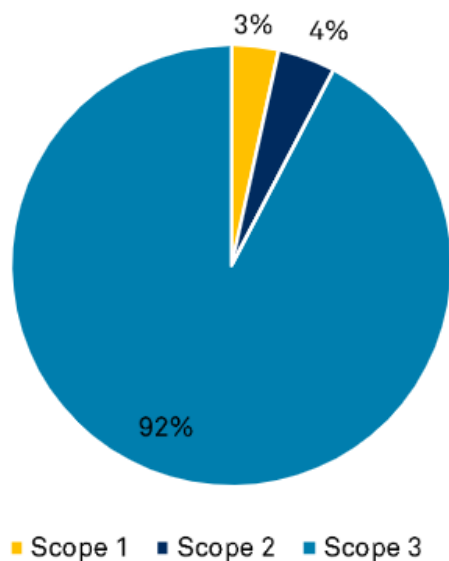
1. Purchased goods and Services
2. Capital goods
3. Fuel- and energy-related activities
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets
9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments



Total GHG Emissions

La-Z-Boy's total GHG emissions were 690,430 metric tons of CO2 equivalents (tCO2e) in FY2021. Scope 3 is the largest contributor to the GHG footprint, accounting for 92% of total emissions. The table below displays the split among scope 1, scope 2 (location-based approach) and scope 3 (value chain emissions). La-Z-Boy scope 1 and 2 emissions were calculated by La-Z-Boy while Trucost estimated scope 3 emissions.

La-Z-Boy's GHG emissions, by contribution

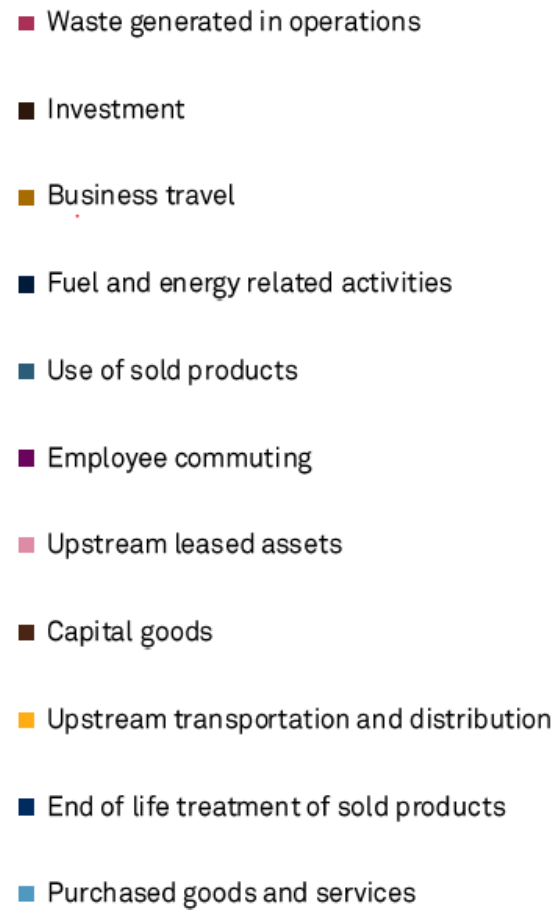


La-Z-Boy's GHG emissions, by scope

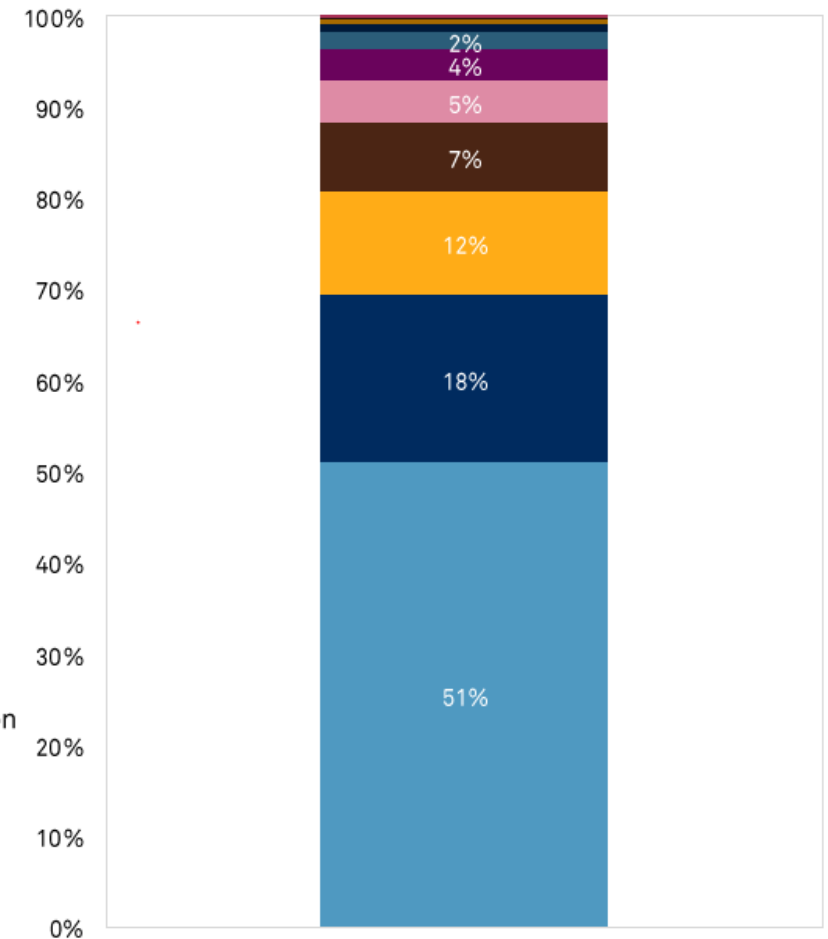
EMISSION SCOPE	FY2021 TOTAL GHG (tCO2e)	CONTRIBUTION (%)
Scope 1	23,585	3%
Scope 2	29,247	4%
Scope 3	637,598	92%
Total	690,430	100%

Value Chain Results

- Scope 3 accounts for **92%** of La-Z-Boy's total emissions
- **80%** of Scope 3 emissions come from **upstream value chain**
 - Purchased goods and services
 - Upstream transportation and distribution
 - Capital goods
- **20%** come from **downstream activities**
 - End of life treatment of sold products



Total Scope 3 Emissions: 637,598 tCO₂e





L A Z B O Y
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Diversity, Inclusion, & Equity

We *live* by
our values: **ic⁴**

We lead by
our attributes:



We **GROW** by
our commitments:



- Acknowledge and appreciate our different perspectives
- Create time and a safe space for open, welcoming discussions around diversity
- Intentionally seek input from diverse backgrounds and perspectives



- Move outside my comfort zone to learn about the experiences and perspectives of others
- Ask myself, "Do my actions and words reflect the value of inclusion?"
- Check my own biases and take meaningful action to understand and mitigate them



- Consider what a new viewpoint will bring to the team or the conversation
- Utilize and partner complementary strengths and styles to improve decision-making and innovation
- Seek insights from different individuals and challenge existing mindsets



- Support one another and help everyone's voices be heard
- Share my insights related to what I have learned
- Initiate meaningful, complex, and sometimes difficult, conversations with my friends, family and colleagues

Supplier Inclusion

- Corporate, readiness assessment and training for Supplier inclusion.
 - 82% of respondents said they have a better understanding of why supplier inclusion should be important to La-Z-Boy
 - 71% of respondents said that they are more likely than before to support supplier inclusion
- Finalized infrastructure to support supplier inclusion
 - Internal “prequalification” teams based on business discipline who will work to review diverse vendor presentations and capabilities
 - Finalized are IT and Logistics
 - Marketing & Facilities nearing completion
 - Approved Vision, Mission, metrics and goals
- Completed trainings to entire procurement staff
- Introducing the initiative to core suppliers at the September Supplier Summit





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INCORPORATED

DELIVER SUSTAINABLE COMFORT

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2021

2021 ESG Highlights

In 2021, we made notable progress across three key pillars: Sustainable Design, Sustainable Planet, and Sustainable Culture.



SUSTAINABLE DESIGN

- Sourced more than 74% of our wood from renewable, plantation-grown sources.
- Received a High Score on the Wood Furniture Scorecard, an initiative of the National Wildlife Federation and Sustainable Furnishings Council to show the progress of sustainability initiatives by furniture companies.
- Awarded GREENGUARD Gold Certification which demonstrates that our products meet rigorous standards for low volatile organic compound (VOC) emissions.
- Established the Supplier Inclusion Program, which seeks to ensure inclusion is a component of every product we make.



SUSTAINABLE PLANET

- Joined the Science Based Targets initiative (SBTi) to reach net-zero emissions by 2050.
- Executed a VPPA to help us address the carbon footprint of more than 90% of our current total annual U.S. energy consumption.
- Completed a physical and policy risk assessment aligned with guidance from the Task Force on Climate-related Financial Disclosures (TCFD) and evaluated our Scope 3 emissions to gain a better understanding of our footprint.
- Maintained eight existing zero-waste-to-landfill facilities in the U.S.



SUSTAINABLE CULTURE

- Signed the CEO Action for Diversity & Inclusion [pledge](#) which outlines specific actions to cultivate a diverse, inclusive and trusting environment.
- Recognized by the National Safety Council (NSC) with over 500 awards for safety performance and leadership throughout our company's history.
- Hosted on-site COVID-19 vaccination clinics at several of our North American locations, earning us recognition from [Canacintra](#), an organization in Mexico representing the industrial sector and its employees.
- Granted more than \$2.7 million to non-profit organizations through cash and in-kind donations from La-Z-Boy Incorporated and the La-Z-Boy Foundation.
- Appointed Erika Alexander, Chief Global Officer, Global Operations for Marriott International, to our Board of Directors, which as of June 2022 is comprised of 64% women and/or ethnically diverse Directors.

UPHOLDING QUALITY AND INNOVATING FOR SUSTAINABILITY

A key element of our Century Vision strategy is to provide consumers with an excellent end-to-end experience.

And, with our name synonymous with quality, comfort and motion, we're capitalizing on these attributes to expand our business in a responsible way while meeting growing consumer expectations for sustainable design.

At La-Z-Boy Incorporated, sustainable design is more than good for the environment; it also means that we innovate for sustainability, building high-quality comfort that is built to last. Our quality expectations and standards are among the best in the industry. Despite the wear and tear of everyday use, our furniture is designed for durability, resulting in longer life and less landfill waste.

The collaborative efforts and expertise of our Research and Development, Engineering, Merchandising, and Sourcing teams enable us to incorporate sustainable attributes throughout our product lifecycle without sacrificing quality, strength, structure, safety, or performance.

These cross-functional efforts have yielded key sustainability wins.

- More than 600,000 pounds of wood and metal were reduced annually in the packaging required to ship furniture components. This improvement resulted in significant savings in freight costs, less inbound freight, and a reduction in overall packaging and carbon emissions.
- Our Dayton, Tennessee site biomass system operates using sawdust from the manufacturing process. The system includes an induction chiller to heat and cool the facility and provides steam for the kiln drying process.

Ensuring Tip-Over Safety

Product safety is of paramount importance at La-Z-Boy Incorporated. Our employees actively participate in the [American Home Furnishings Alliance \(AHFA\)](#), a trade association that acts as the industry's authority on all health, safety, and environmental information. Our CEO is also proud to sit on its Board of Directors. All our products meet various AHFA safety standards, including [ASTM F2057-19, Standard Safety Specification for Clothing Storage Units](#), which is intended to reduce injury and death from accidents involving dressers and other similar products. Our Director of ESG, Sustainability and Product Compliance played a critical role as co-chair of the Test Proposal Committee for ASTM F2057-19.



SOURCING SUSTAINABLE MATERIALS

We strive to source materials that are sustainable, or produced in a sustainable way, across our commodity portfolio, including metal, leather, fabrics, polyurethane foam, and molded plastics.

For example, [conserve™](#) Sustainable Fabrics, which are available on most La-Z-Boy branded products, are made from polyethylene terephthalate (PET) sourced from recycled water bottles. When consumers purchase a recliner or sofa made with this soft, durable fabric, they help divert between 50 and 110 water bottles from landfills.

To make our Series 30 and Series 40 bases, we utilize resourced steel, which is made from 100% discarded railroad rails. Additionally, one of our suppliers uses electric arc furnaces (EAF) in its production, reducing the carbon impact 3x over traditionally manufactured steel. The EAF process also allows for production from 100% scrap metal feedstock which further reduces the need to produce virgin steel.

For some furniture lines, we source Forest Stewardship Council (FSC) certified wood, which comes from responsibly managed forests that provide environmental, social, and economic benefits. We also use many other wood- and fiber-based materials made with recycled or recovered paper. Whatever the country of origin, all wood used in our furniture complies with requirements of the [European Union Timber Regulation](#) and the [U.S. Lacey Act](#).

We regularly engage with regulators, peers, and academia to promote sustainable forestry practices. For example, we actively participate in the [Sustainable Furnishings Council](#) to expand the adoption of environmentally sustainable practices across the home furnishings industry.

Chemicals

We take great care to use safe materials that prioritize customer health in our products. La-Z-Boy Incorporated has been awarded [GREENGUARD Gold Certification](#) which demonstrates that our products meet rigorous standards for low VOC emissions and protect the integrity of indoor air quality where they are used.

We have further initiated new testing requirements for chemicals in our products to ensure compliance with U.S., European Union and other global regulations where our products are sold.

“Of all the products testing to GREENGUARD standards, these by far have performed at the very top”

FY 23 Sustainability and ESG Goals

Environmental and Governance

FY 2023

- ✓ ESG report and communications
- ❖ Finalize Mexico PPA
- ❑ Sustainability exchange workshop
- ❖ Scope 3 reassessment
- ❑ TCFD-aligned transition risk
- ❑ Scenario analysis workshop
- ❑ Initiate TCFD report
- ❑ Establish compliance plan with SEC rules
- ❖ Develop a renewable energy road map
- ❑ Supplier engagement and outreach on Scope 3 emissions
- ❖ Update LJB recycling program
- ❖ Joybird & LJB eco-friendly packaging
- ❖ RDC LED Lighting Programs
- ❖ Water conservation program for stressed regions

- ❑ *Electrified “final mile” transportation*

Social

FY 2023

- ❖ Complete Global Employee Engagement Survey
- ❖ Develop and grow Diversity, Equity and Inclusion concepts and training for front-line leaders
- ❖ Update company policies in harassment and inclusion
- ❑ Utilize more minority and female third-party organizations
- ❖ Develop Supplier Inclusion program
- ❖ Identify minority and women owned businesses
- ❑ Research and pilot training to help advance the careers of Asians, Hispanics and African Americans
- ❑ Develop and establish the Social pillar of ESG
- ❖ Expand the social assessment and expectation with suppliers
- ❑ Enhance Talent Pipeline for under-represented groups

SWOT Analysis

Strengths

- Multiple ongoing sustainability initiatives across the organization
- Release of the first ESG
- Successful VPPA project
- Onboarding of SMEs for various projects
- CONSERVE product line

Weakness

- Lack of synergy between different departments on sustainability initiatives
- **Low buy-in from internal stakeholders**
- Lack of awareness in external stakeholders
- No official communication on linkage of sustainability with Century Vision goal
- Unavailability of data/ gaps in data for multiple processes

Opportunity

- High growth rate of sustainable furniture industry
- Positioning of Joybird as a sustainable furniture brand
- Synergy with the Century Vision to cater to the younger demographic
- Competitors do not have a product differentiator

Threat

- Changing laws and policies related to sustainability disclosures – domestic and international
- Reactive approach can lead to loss of competitive advantage
- Peers gaining more market share
- Climate change could pose supply chain risks



Learnings

- The first attempt at Scope 3 is overwhelming, confusing, frustrating and not all that accurate
 - Forgetting about data, how it will be pulled, where it will come from
 - Not considering the number of resources required to pull the data together
 - Gaps in data
- Sustainability is not black and white and it's evolving at a fast pace
- To be successful, sustainability has to be a mindset and a cultural commitment
- It takes a lot of education; sustainable practice is not a familiar approach in many organizations
- Rely on your peers, join some industry organizations who focus on sustainability
- Progress is more important than perfection



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