

HNI Corporation's Obsolete and Discontinuation Policy for Suppliers*

HNI Corporation's Obsolete and Discontinuation Policy for Suppliers* (the "Policy") is effective as to Supplier upon Supplier's acceptance, acknowledgment, or fulfillment of Buyer's purchase order. This Policy is incorporated into every purchase order, terms and conditions, or agreement executed between the parties regarding Buyer's purchase of Supplier's products. This Policy may be modified by Buyer at any time without notice, and Supplier has a duty to continuously review this Policy to make sure it is apprised of any changes.

The parties agree to the following terms upon Buyer's notice to discontinue a Supplier product:

1. Buyer will provide notice to Supplier of Buyer's election to discontinue a product from Supplier's inventory at least six (6) months in advance of Buyer's discontinuation of products.
2. After notice is given, Supplier shall prepare and provide to Buyer, within five (5) business days, a discontinuation report that includes the dollar value and quantities of: (a) any raw materials that are unique to the products being discontinued (if applicable), (b) open purchase orders for such materials, and (c) on-hand finished parts located across all Supplier's warehouse locations (the "Discontinuation Report"). The Discontinuation Report shall include all of Supplier's claims regarding discontinued product for which Supplier intends to hold Buyer responsible. The Discontinuation Report must detail the dollar value and quantity of all inventories for which Supplier seeks recoupment as well as a total reimbursable amount for all claims. Supplier shall only include in its Discontinuation Report products that conform to the specifications of a purchase order and only up to the maximum quantity that was authorized by the Buyer. Supplier's Discontinuation Report shall be an exhaustive list of Supplier's claims. Supplier's failure to include a claim in its Discontinuation Report shall be deemed forever waived.
3. Upon Supplier's receipt of Buyer's notice to discontinue, Supplier shall work with Buyer to drive down discontinued inventory while continuing to support Buyer's business. For any discontinued inventory where the historical replenishment quantity is more than what will reasonably be consumed in the time remaining before final discontinuation, Supplier shall not replenish such inventory without Buyer's written approval. If Supplier is in doubt whether to replenish inventory for which notice of discontinuation has been given, Supplier shall seek the Buyer's written approval. The parties agree to hold quarterly meetings and work in good faith to reduce inventory levels and resolve any open issues. Buyer's expectation is that total value of Supplier's Discontinuation Report does not increase during the discontinuation cycle. Supplier shall provide an updated Discontinuation Report once per quarter until product is finally discontinued.
4. Upon receipt of Supplier's Discontinuation Report, Buyer will review and raise any objections to the Discontinuation Report. The parties shall work in good faith to negotiate and finalize the discontinued inventory for which Buyer shall be responsible and the reimbursement amount.
5. Upon agreement of the discontinued inventory and reimbursement amount, Buyer shall record the sum of the agreed upon maximum reimbursement amount. Following the discontinuation of the finished products, Buyer will issue a purchase order for Supplier's remaining inventory of discontinued products, not to exceed the original maximum amount (unless otherwise authorized by Buyer in writing). Buyer agrees to purchase the discontinued products within 180 days after the final discontinuation of Buyer's finished products, unless the Buyer's warranty for the discontinued finished

product is still in effect, in which case Buyer shall pay the Supplier the remainder of discontinued inventory within 180 days after the expiration of Buyer’s warranty. Payment by Buyer of the purchase order shall be a full and final release of all claims regarding the discontinued inventory by Supplier against Buyer. In the event the parties agree to different purchase and payment terms, such must be agreed to in writing by authorized representatives of each party.

Sample Discontinuation Timeline:

Timeline	December Cycle	June Cycle
Dec – YR 0	Initial Communication of upcoming discontinuation in YR1 Request for discontinuation report from supplier	
Feb – YR 0	Request for updated inventory on discontinuation report from supplier Reminder of pending discontinuation in Dec. YR1	
May – YR 0	Request for updated inventory on discontinuation report from supplier Reminder of pending discontinuation in Dec. YR1	
Jun – YR 0		Initial Communication of upcoming discontinuation in YR1 Request for initial discontinuation report from supplier
Aug – YR 0	Request for updated inventory on discontinuation report from supplier Reminder of pending discontinuation in Dec. YR1	Request for updated inventory on discontinuation report from supplier Reminder of pending discontinuation in Dec. YR1
Nov – YR 0	Request for updated inventory on discontinuation report from supplier Reminder of pending discontinuation in Dec. YR1	Request for updated inventory on discontinuation report from supplier Reminder of pending discontinuation in Dec. YR1
Dec – YR 1	HNI ceases accepting new customer orders for now discontinued products Customer warranty orders still accepted	
Feb – YR 1		Request for updated inventory on discontinuation report from supplier Reminder of pending discontinuation in Dec. YR1
Mar – YR 1	HNI Completes accepting warranty requests for now discontinued products and produces last of open customer orders Requests final inventory position from supplier	
May – YR 1		Request for updated inventory on discontinuation report from supplier

		Reminder of pending discontinuation in Dec. YR1
Jun – YR 1	All open production for warranty orders is produced and shipped	HNI ceases accepting new customer orders for now discontinued products Customer warranty orders still accepted
Aug – YR 1		Request for updated inventory on discontinuation report from supplier
Sep – YR 1	HNI completes payment to all suppliers for agreed upon inventory amounts	HNI Completes accepting warranty requests for now discontinued products
Dec – YR 1		HNI completes production of all open warranty orders for now discontinued products
Mar – YR 2		HNI completes payment to all suppliers for agreed upon inventory amounts

***The Policy excludes Suppliers located in China, Vietnam, and Taiwan.**