



2020 Benefit Report

Fiscal Year 2020 | January 1 - December 31



protecting your equipment • protecting your environment

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MESSAGE FROM SMI'S **President**

We're a year in with Covid and finding our groove for living and working with that extra awareness for how to best live and work together. It's a difficult task to distance ourselves in a manufacturing environment yet, as they say, Necessity is the mother of Invention and we figured it out in so many ways.

Fortunately, Solberg has consistently leveraged technology for decades where tools such as the use of TEAMS has been used for years. So, when face-to-face communication became instantly impractical, there was virtually zero transition to TEAMS. Additionally, we found that having virtual events such as

Holiday parties online, they assumed their own creative touches and identities that brought us closer together.

This year's report is a bit light on achievements as we dealt directly with Covid. Nonetheless, we managed to have some successes that you will read about below. We wish you all a safe and healthy future!



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MESSAGE FROM SMI'S **Sustainability Director**

2020 was a year that made us appreciate life. More than ever, 2020 brought us a gift to work on not worrying, being grateful for what we have, and being nice to each other. 2020 was the year that the Queen of the Prairie, endangered in Illinois, showed up to grace our property. It will forever be protected amongst our love.

Please do your part,

TRAVIS SOLBERG



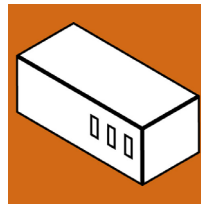
Our Seven P's

In 2010, Solberg defined seven key categories to track holistic efforts. People, Planet, Product, Property, Power, Prosperity, and Philanthropy are known as our Seven P's. The number seven in Iroquois tradition indicates a dedication to making decisions with seven generations ahead in mind. The association of these P's helps us more thoroughly define our internal and external achievements.

In this report we utilize B Corporation's five broad performance categories: Governance & Operations, Workers, Customers, Environment, and Community. The combination of the two ensures that we are continuously focusing on the long-term responsibility of our company.



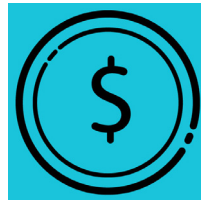
PEOPLE



PROPERTY



PLANET



PROSPERITY



PRODUCT



PHILANTHROPY



POWER

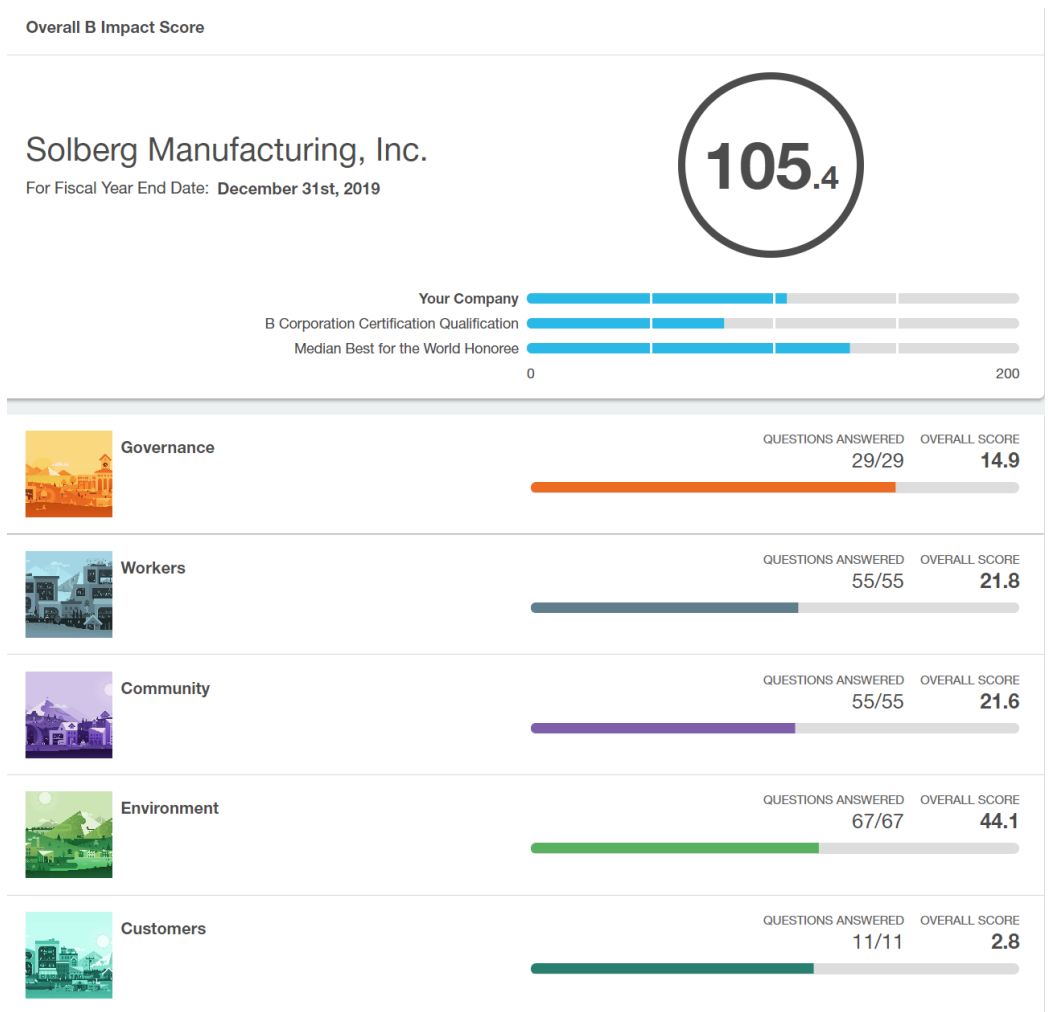


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B-CORP Overview

2020 was an off year for B Corp assessment score. Last year we received a 105.4 verified score. 2020 requires Solberg to include its international entities in our overall B Corp score. While we look forward to these added demands, we also know that it will take a lot of additional reporting from a much larger spectrum of people and resources.

From our 2019 report:



Governance & Operations

This section measures how a company aligns its mission, impact, ethics, and transparency with its stakeholders. It also evaluates how a company safeguards its mission and stakeholder interests through its corporate structure (e.g., benefit corporation) or governing documents.

Overview

2020, a very difficult year due to the Pandemic, is now in the books. We were determined to succeed as a cohesive & resilient team, caring for each other and helping each other as we could. It was discovered that temp workers were not receiving service awards due to their temp designation even though many of them have worked with Solberg for many years. We distributed all outstanding service awards, bringing them all up to date for service time previously they had not been paid. This was well-received by all recipients and is an example of our guiding principles “We Do the Right Thing” and “We Succeed as a Family”.

Highlights

- Solberg was recognized as one of the top impact companies in the country by Real Leaders magazine
- The approved strategic plans were in part or in whole postponed due to the Pandemic as well as any DEI events for better awareness.
- We updated our Employee Handbook for the first time since 2007.



Keeping the Winter Holiday Party tradition alive.

Goals

- All operational teams present their strategic goals and plans.
- Reinforce and recognize people's efforts towards our Culture of Helpfulness.

Challenge

- To set up working groups that improve and get deeper into the Culture of Helpfulness
- We need to have specific Diversity, Equity, and Inclusion events to help everyone become closer.

Workers

This section measures how SMI treats its workers through compensation, benefits, training, and ownership opportunities, as well as overall work environment. It includes management/worker communication, job flexibility, corporate culture, and worker health & safety practices.



Overview

2020 took a step back in planned achievements for the overall welfare of our people as we contended with the enormous challenges associated with Covid as an essential business. Keeping the factory open and operating as close to 100% as possible was one of the key goals we achieved. With everyone being very conscientious and following the guidelines, we created a safe and healthy workplace. The outcome was Solberg was able to supply essential products and services worldwide with minimal disruption. On the other hand, our people contended with numerous additional issues and commitments at home, many times requiring WFH (work from home) time or financial assistance which we were happy to support.

Highlights

- The loan program distributed 35 loans to employees in need for a total of \$111,500, an increase of more than \$20,000 from 2019.
- The current year Living Wage for all eligible employees was given.
- PTO was re-organized into one bucket combining sick days with personal days. For the first time, unused PTO time was rolled over to the following year, accommodating those in special circumstances.
- We made WFH available or mandatory during the different phases of Illinois state rules to address the pandemic.
- English as Second Language (ESL) courses commenced for the first time since the early 1990's. With assurances that a safe environment was offered, the classes were very effective. The program will continue in 2021. New employees are showing interest to get in the next class, showing that the program is working. Solberg hosted free classes through the College of DuPage, and they were conducted at work on personal time.
- We had 65 participate in our free biometric health screening that we provide each year.

Goals

- Become Safety and Health Achievement Recognition Program (SHARP) certified.
- Improve machinery and tooling maintenance program to ensure all workers are equipped with high-quality tools to operate safely and efficiently.

Challenge

- Addressing WFH policies.
- Keeping the factory and office properly staffed was difficult due to erring on the side of caution when people felt ill.
- Additionally, workers also stayed home when their family members were ill, to limit the possible spread of COVID.

Customers

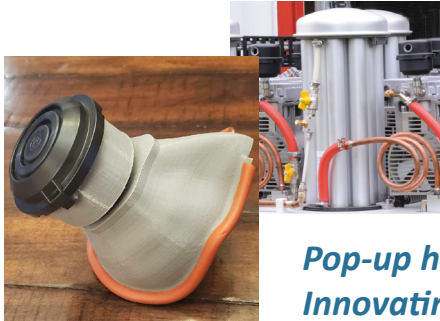
This section measures a company's stewardship of its customers through the quality of its products and services, ethical marketing, data privacy and security, and feedback channels. In addition, this section recognizes products or services that are designed to address a particular social problem.

Overview

Our position in the vacuum and power-gen markets as "Enablers" who design and produce solutions for new, cutting edge technologies brings opportunities to help our customers innovate and make positive impact in the world. These solutions are far-reaching, profoundly impacting the environment through oil mist collection and water savings from waterless vacuum technologies in areas such as server farms, marine engines, food packaging, food processing, and steel manufacturing.

Highlights

- Quote from one customer: "Thanks to your team's assistance, we were able to get this vacuum package delivered to our customer who is manufacturing up to 80,000 Clorox bleach bottles a day to help control the spread of COVID 19 virus!"
- Covid Related Products
- Helped with sterilization to be able to reuse respirators.
- Dramatic Increase in the sale of HEPA and ULPA Media filters
- Our PS-04 series purchased for Disinfection fogging machines.
- Hospital vacuum (HV) filters were shipped around the world for protecting vacuum systems used in operating rooms.
- Medical compressor ventilators made to help people breathe used our inlet filters to maximize performance including equipment longevity.
- FS 06 purchased for emergency oxygen generators in Germany.



***Pop-up hospital in Maryland:
Innovating with our customer to help protect people.***

Goals

- Repeat win a Real Leaders Impact Award
- Complete projects that became lower priority projects due to Covid.
- Report on feedback channels via On Time Acceptance (OTA) reporting
- Report on Ethical Marketing programs

Challenge

- Historically, we've looked at this section as an environmental section instead of a social section and have argued for years how we need to be recognized for our sustainability efforts with our customers. We will focus our sustainability efforts as they pertain to our customers within the Environment section from now on.



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Environment

This section assesses how a company manages and impacts the environment. It considers the company's operations, supply chain, and distribution. It also recognizes companies with eco-friendly production processes and products or services that benefit the environment. Examples include renewable energy, waste reduction, conservation, less toxic alternatives, or environmental education.

Overview

The silver lining in enduring the pandemic is that the reduced activity easily led to lower environmental impact in key areas of the business. Commuting to and from work as well as near elimination of corporate travel cut CO2 emissions down greatly. We added more fruit trees to our orchard located at our HQ.

Highlights

- After 12 months of testing in the field in 2019, we were able to fully convert three injection molded products to 50% or more recycled content!
- Scope 1 +2 emissions were Carbon Offset. Some international container shipping scope 3 emissions were offset. The recipients of our voluntary offsets were:
 - 1) A forested island and coast in Guatemala
 - 2) Upgraded Cooking stoves in Honduras and saved trees from being cut down to fuel fires for cooking.
- Onsite solar power at our production facility increased by 69 MWH or 15% increase.
- In 2020 we had a net spending of \$25,766 for electricity and gas through our two buildings in Itasca. The onsite solar systems generated \$91,700 in energy savings. During the warm sunny days our solar system outproduces our energy demand at our production facility and sends up to a third of our solar energy production to the grid.
- Planted 2 Reliance Peach trees, 1 Rainer Cherry, and one Barlett Pear Tree at our main building orchard.
- Biodegradable recyclable plastic bag packaging
- PRODUCTS improving the Environment:
- Oil mist collection– Sales of these products showed an increase of 20 million gallons of oil mist captured.
- Separated harmful vapors in chemical processing systems from entering vacuum pumps. End users no longer need to replace vacuum pumps at short intervals, thus achieving rapid payback from our JRS product.



Goals

- For 2021, the goal is to capture more of our product shipment carbon offsets.
- Improve our LEED certified 1151 office energy consumption by reviewing all settings
- Product sales goal is to report at least one successful project each year in the following forms of pollution:
 - Air Pollution - i.e. oil mist collection
 - Water Pollution - i.e. conservation of water
 - Noise Pollution - i.e. OSHA excessive noise in a space related to the environment.
 - Land pollution - i.e. soil restoration

Challenge

- The Solar panel system on our Production building showed a reduction of 45% of our power from the contracted amount at the beginning of the year due to failing inverters.
- Our battery system (ESS) at our Production building has been decommissioned. A new energy storage system will be installed to replace this one in the future.
- Many customers understandably protect the successes they achieved through implementing our solutions. While it protects their innovation, it reduces our chances of being recognized for our efforts in raising the bar in sustainability.
- We tracked outputs from our new LEED Silver office. It is actually using more energy than what we used to have. We need to figure out how to use the settings to get back to pre-LEED days.

Community

This section measures how a company engages with and impacts its communities. It covers diversity, equity & inclusion, economic impact, civic engagement, charity, and supply chain. It also rewards business models that solve community problems, such as fair trade, microenterprises, producer cooperatives, local development, and charitable pledges.

Overview

Prior to the advent of the Pandemic, our Community Involvement programs (SCIP) and our Manufacturing Day tours with high school students were commonplace events; however, Covid halted these programs in their tracks. Thanks to adding SIL Sales to our total philanthropy of 1% of sales and SMI increasing its sales, we had a record year in donations.



Highlights

- SCIP. Despite canceling 9 months of programming, we were able to log in 144 community volunteer hours. We had 16% of our employees participate.
- We launched a social media program that donated a portion of our sales to Red Cross and Center for Disaster Preparedness each time the customers liked us on LinkedIn. It generated approximately \$2400.
- Solberg International participated in our 1% of sales donation program for the first time.
- For Environmental donations we increased our donations with Openlands and National Wildlife Federation, validating their efforts in their respective areas/regions. In this time of social distancing and sheltering in place, our parks and protected areas have shown themselves to be priceless.
- For social donations our support for food banks has increased due to sharp increases in demand at all locations. We added a hospital/medical assistance group that helps get equipment to lower-funded hospitals.
- For community-in-general donations, American Indian Business Leaders' was included to help them achieve their important mission. We also picked Greenprint Partners and Delta Institute to help with overall community planning for under-represented communities.
- As part of a goal from last year, we became a Great Lakes Business Network member. Right now, Line 5 in Mackinaw, Michigan is receiving support. Perhaps in the future, the network will expand into Illinois and focus on some pertinent public safety and environmental impact issues here.

Goals

- Increase SCIP to have 65% of employee participation.

Challenge

- As our sales grow, so does our philanthropy since we donate 1% of domestic sales. This means our research and study of amazing non-profits must be more thorough going forward to make sure our donations make the biggest impact.



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Awards Received

- Real Leader Impact 100 company. We were ranked #77. We are grateful to remain in the top 100 with growing competition. We know it was much more difficult to be awarded this year. This award is important for us in our path to be a recognized leader in Sustainability so that our suppliers, customers and friends see that we can help them in their pursuit if they choose to do so.



**CONGRATULATIONS TO THESE LEADING BRANDS
THAT ARE TRANSFORMING BUSINESS INTO A
FORCE FOR GOOD**



Our SCIP program stayed strong through the pandemic, helping others in a time of great need.

ILLINOIS BENEFIT CORPORATION Status

SMI is an Illinois Benefit Corporation LLC. This designation supports our mission as an environmentally and socially responsible company.

This annual report provides for three essential requirements. First, it is used as part of our formal reporting requirements as a benefit corporation. Second, it serves as an annual internal assessment, so we can ensure our efforts are directed in the most positive ways. And third, it lets us share our accomplishments, experiences, and future objectives with our customers, suppliers, and families.



Our Guiding Principles

WE SUCCEED AS A FAMILY

We are committed and accountable to our business family. Our ability to connect and care for each other ensures our well-being.

WE DO THE RIGHT THING

We can be trusted to keep our promises and treat others as we would like to be treated.

WE ENDEAVOR TO BE THE BEST

We attract, develop, and empower great people. We continually seek ways to improve everything we do.

WE TAKE CARE OF THE CUSTOMER

We partner with our customers by innovating and responding to their needs. We do whatever it takes to ensure their satisfaction.

WE PLAY HARD TO WIN

We rise to every challenge. Our strong work ethic and desire to succeed drives us to outperform the competition.

WE LOVE OUR PLANET

Everyday we all do our part to lessen the environmental impact of our business. We actively seek ways to protect and preserve our environment