

Solberg Manufacturing Inc. (SMI) Benefit Report



Fiscal Year 2017 | January 1– December 31

State of Incorporation: Illinois

Letter from the President

Dear Readers,

As Solberg Manufacturing Inc. (SMI) enters into its 50th year as a family business, I am reminded of our father's commitment to the ideals in which the B Corp movement was established. Being a certified B Corp comes naturally to us since we were ingrained with common-sense habits from the beginning. Our parents believed in taking care of the environment so that all could benefit for generations to come. Living by the Golden Rule and showing respect for others were paramount. So, along with having more than 250 employees worldwide who share the same principles as us, making investments in all areas now that will have long-lasting, positive effect for years to come is a given. Figuring out how to continually balance the realities of maintaining market leadership while improving employee benefits is a challenge we look forward to addressing as Solberg grows.

SMI could very well be entering its prime years. The challenge is to operate here as long as possible, knowing that as we grow, the previous solutions will most likely need to be updated to meet current realities.

For us, this makes work at Solberg fun and rewarding. I look forward to sharing with you 2017's accomplishments as well as future accomplishments in the years to come.

All the best,



Tor Solberg, President
Solberg Manufacturing, Inc.

A Message from SMI's Benefits Director

We are excited to share the highlights of our many benefits efforts with you. This year, we focused on improving manufacturing efficiencies with less energy intensity, enhancing our environment and communities, and elevating staff safety. Major actions and their impact are discussed on the pages that follow.



Travis Solberg, Benefits Director
Solberg Manufacturing, Inc.

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Illinois Benefit Corporation Status

In 2013, SMI restructured to become an Illinois Benefit Corporation LLC. This designation supports our mission as an environmentally and socially responsible company, while providing a more mindful framework. This year's report focuses on our main facilities in Itasca, IL, although the B Impact Assessment scores for 2017, from third party B Lab (B Corporation), encompass all our facilities around the world. This year was the first time our foreign offices were included in the assessment. Despite this added challenge, we maintained our score.

This annual report serves three purposes: 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 being measured and directed in the most positive ways. And third, it lets us share our accomplishments, experiences, and future objectives with our customers, suppliers, friends, and families. We have structured this report to cover five broad categories based on B Lab's B Impact Assessment: *Governance & Operations, Workers, Customers, Environment, and Community.*

Note that our overall 2017 score matches up with our 2016 overall score, demonstrating our consistency in making impact, and prioritization of B Corps initiatives while increasing sales and production.

B Impact Report 2017 Figures

Certified Since: July 2011

Summary	Company Score	Median Score*
Environment	44	7
Workers	21	18
Customers**	N/A	N/A
Community	24	17
Governance	14	6
Overall B Score	103	55

80 out of 200 is eligible for certification.

*Of all businesses that have completed the B Impact Assessment. Median scores will not add up to overall.

**B Corps does not track metrics for this section.

Results at a Glance

Certified Year	Score
2017	103
2016	103
2015	96
2014	98
2011	91

Our Seven P's

SMI's commitment to operating in a sound fiscal, environmental, and social manner inspired our adoption of the Seven P's in our first public annual report in 2010. This set of seven key focus areas — *People, Planet, Product, Property, Power, Prosperity, and Philanthropy* — helps us organize (and record) our efforts in measurable ways. These areas take everything we do into account, with the intent of delivering positive public impact. Notable actions in each category are called out throughout this report with the following icons.



People



Planet



Product



Power



Property



Prosperity



Philanthropy

Governance & Operations

This section evaluates our accountability and transparency, focusing on our Mission and Guiding Principles, board of directors' influence, management and human resources activities, and overall benefit of company operations and policies.

Overview

As a small, family-run manufacturer with global reach, we must keep our hierarchy as flat as possible by operating in a close-knit culture where everyone is encouraged to get and give help to each other when needed. Our employees are treated as our extended family, and we aim to enact initiatives that help them do their jobs better and enjoy work.

Highlights

We made significant inroads in strengthening governance while offering greater support to all our staff. In 2017, we accomplished two key goals from 2016 by creating a Leadership Board as a first step to creating a board of directors and participating in a **B Corps Diversity and Inclusion program**.



Our new Leadership Board includes our CEO, President, Director of Sales, and Director of European Technical Sales and meets three times a year with a focus on strategic needs and global initiatives. Strategic initiatives from the board are shared with staff in small, informal meetings, encouraging all team members to participate in the achievement of identified goals.



Production personnel having our first diversity and inclusion meeting in our newly renovated conference room.

B Impact Assessment Score	Solberg	Median Score
Governance	14	6



We extended our popular employee loan program, assisting staff with housing, education, essential purchases, and/or emergency funds. Loan payments are made through paycheck debits, with loans structured to debit up to 15% of an employee's weekly pay. This program is essential for those where a bank loan is too difficult to obtain or whose interest rate is unaffordable. In 2017, we made 30 loans to full-time employees — an increase from 24 in 2016.

Challenges

Training for temporary workers is an ongoing challenge. It is continually difficult to ensure new people quickly learn and adopt our company culture and perform at a high level to best serve our customers.

Goals

Our goals for 2018 include:

- Revising our *Code of Conduct* to include specific social and/or environmental responsibility actions.
- Update work area signage and communications to ensure all temporary and full-time staffers are cognizant of our initiatives and knowledgeable in what they can do to support them.
- Repurpose a third Itasca manufacturing plant into a best-in-class fabrication facility for specialty products, and later, an ASME-certified code welding shop.

We renovated our 1151 office building to optimize collaboration and open lines of communication. Specifically, we added:

- Telescopic desks for sitting or standing to promote healthy lifestyles.
- Glass walls to conference rooms and offices for full visibility.

Workers

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

Overview

SMI strives to build a positive and supportive workplace where our people thrive. Our two largest focal points in our Workers category for 2017 were safety and unskilled workers' compensation, implementing a number of solutions that yielded new benefit.



SMI's new hot plate increased efficiency by enabling the manufacture of 36" elements, while providing increased safety features for our workers.

Highlights



SMI demonstrated its commitment to worker safety by enacting companywide safety training, updating equipment, and streamlining work areas. Through these actions, we achieved a new record of just one OSHA recordable incident!

Year	Production Hrs. – Annual	Production Employees	Avg. Hrs. Per Production Person	OSHA Recordable Incidents	Days of Restriction	Days Lost Due to Incident
2017	175,951	80	2,199	1	95	61
2016	162,580	82	1,983	6	60	0
2015	158,954	79	2,012	8	9	0
2014	163,854	72	2,275	5	8	0
2013	145,012	69	2,101	8	32	0
2012	130,384	61	2,137	7	0	18

B Impact Assessment Score

Workers

Solberg

21

Median Score

18

Workers



We achieved our goal of creating a noise-reduction program and provided free hearing screenings to all floor staff. We also increased awareness and safety with signage and hearing protection for all employees. Our welding and grinding departments now adhere to the most rigorous noise-level regulation in the world of under 80 decibels.



In 2017, we increased our Living Wage to \$12.56/hr. for all unskilled employees who passed their intern programs. Currently, both county and state minimum wages are \$8.25/hr.



We shortened our intern period from two years to one year, enabling newer staff to be eligible for full-time employment faster.



With the support of key staff, we led a variety of discussions on diversity and inclusion, as well as hosted personal finance training to help employees make informed decisions on their 401k and other company financial benefits.

Challenges

While we made many needed improvements, safety remains our greatest challenge. We strive to reduce days of restriction to as close to 0 as possible. Also, many workers in the factory speak Spanish only, so we are looking to find ways to better bridge the language barrier.

Goals

In 2018, we plan to reinvigorate professional development initiatives that began in 2016 to create more opportunities for employees to learn new skills. The future opening of our fabrication facility will offer new and exciting job opportunities using state-of-the-art welding robotics, laser cutting and bending, and painting equipment. We will also be reviewing English as a Second Language (ESL) lessons for those interested and motivated to further help the company to succeed.

SMI made numerous strides in better supporting its workers this year. Specifically, SMI:

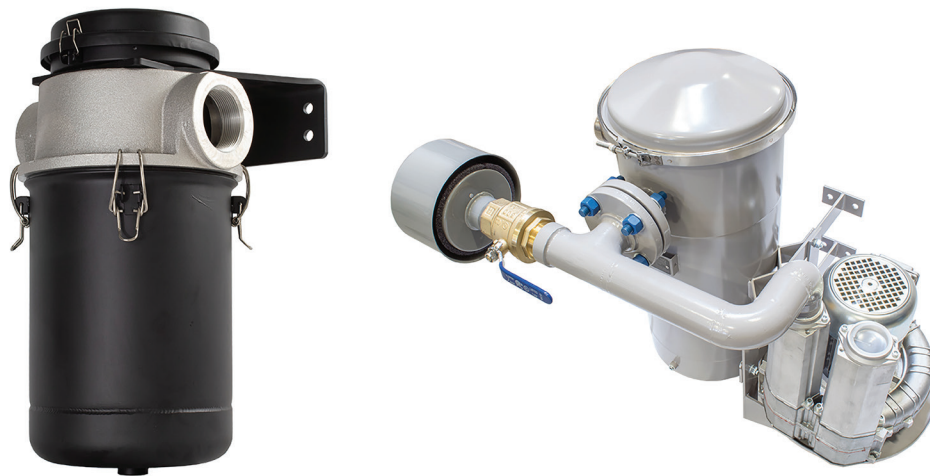
- Installed hood and exhaust ventilation on welders in our 1025 building to divert smoke and fumes from work areas.
- Implemented a new, hand-operated hydraulic press that allows workers to apply force with less strain or potential injury during the metal-notching process.
- Added bike racks at both buildings.
- Updated our corporate cantina where we host monthly dinners pairing up different departments. This helps in fostering camaraderie in a social environment where staff can get to know each other.

Customers

This section covers how we deliver benefit to our customers and the public. It spans our efforts in creating products that solve environmental issues or reduce negative effect.

Overview

Every day, we partner with our customers to help them innovate in many ways, big and small. We are at our best when we achieve our most difficult goal of discovering completely novel possibilities with customers through focused collaboration and creativity. These new discoveries have enabled our customers to offer solutions that significantly reduce energy consumption. This is achieved by improving or replacing old, energy-intensive technologies and significantly cutting back their environmental footprint. Steel making and power generation are two key markets.



SMI's lineup of oil mist eliminators helps our customers extend the useful life of their power-generation equipment while complying with late-breaking environmental standards.

Highlights

Air Pollution:



SMI sold a record number of ultrahigh-efficiency air/oil separation units to new customers in power generation. These in-house designed filtration units remove oil fumes and mist from rotating machinery that normally emit into the air, helping reduce hydrocarbons and extending machinery life. Typical problems prior to our innovations were significant crankcase emissions into the atmosphere, high rates of engine oil loss, and irregular machine performance (e.g., engine knocking).

B Impact Assessment Score

*Customers (Not rated.
See "Challenges.")*

Solberg

N/A

Median Score

N/A

Noise Pollution:



Significant strides were made toward our 2015 goal to reduce noise pollution. Since adopting this vision, we have been working to improve our technology, especially in the area of low-frequency noise.

Water Pollution:



Our filtration solutions are enabling “dry” pumping technologies to replace very robust yet high-energy-use liquid ring pumps in a diverse collection of industries. In doing so, end users are realizing significant energy savings while keeping harmful process materials from entering wastewater streams.



In 2017, we entered new markets in the Middle East and India. Immediately, there was a dramatic need for our products and services, as energy becomes more expensive and water becomes scarcer. From Egypt to Turkey to Dubai to Bangalore and the rest of the world, the movement to operate more sustainably is generating lasting momentum.



Over the year, we also worked with a customer to help transition from wet- to dry-pump technology. Rather than using water as a vehicle to remove unwanted particles, we found a way to use air. The pumps run 24/7, 365 days a year. By transitioning from wet-pump technology to dry-pump technology, we helped our customer save 420 gallons every hour for four pieces of equipment — recapturing 14.5 million gallons of water per year!



One of our clients faced a problem where foam from one process was being carried over to another process, resulting in dirty water mixing and inhibiting the pump, as well as releasing toxins to the environment. By eliminating the use of water in the vacuum process and changing to dry technology, the customer is able to save 11,000 gallons of water per day and reduce horsepower used by 50%!



Dry Technology filtration.

Challenges

Our packaging team did a great job, reducing 58 damaged shipments in 2016 to only 37 in 2017. The On-Time Delivery team is still challenging the packaging department to further reduce this number to eliminate customer inconvenience.

Once again in 2017, we were unable to attain B Corp recognition and scoring for the Customer category initiatives. There is simply too little publicly accessible data to substantiate the benefits we deliver. We are talking with industry leaders to identify the best ways to measure customer gains using our products and are asking sales to take a larger role in data collection.

Goals

In 2018, SMI is poised to be even more active in areas where our products benefit the environment as well as health and safety for our customers. Our goal is to increase sales of these products by 25%.

Our products continued to bring eco-friendly benefits to our customers and communities. This included stopping harmful emissions and vapors from going into the atmosphere with our revised BAE line with newly designed vacuum regulator valve, vapor condensing filters, and specialty inlet vacuum filters.

- We added equipment to our facilities to support larger tank orders in house, increasing our responsiveness.

Environment

This section discusses our environmental performance across our facilities, materials, resource and energy use, and emissions. It also details specific actions used to reduce environmental impact across our supply chain. Finally, it covers how our products solve environmental issues, such as preventing toxic/hazardous substances or pollution to enter the atmosphere.

Overview

Last year was the first year we offset 100% of our Itasca, IL, facilities' electricity, natural gas, and local truck transportation. We also made additional improvements in production, reductions in energy intensity, and changes in logistics. Significant motivation to maintain B Corps' certification comes from our 6th Guiding Principle, "We Love our Planet." It shows because our assessment score has been consistently strong in Environment since 2011.



SMI team leaders kicked off our energy-saving solar project with the Itasca Chamber of Commerce in June.

Highlights



SMI installed a new, 1270-panel/635kW solar system at our plant in Itasca. Through this system, we aim to reduce our energy intensity by 25%, while achieving 100% ROI within 4–5 years.

B Impact Assessment Score	Solberg	Median Score
Environment	44	7

Production Facility Energy Usage and Onsite Solar Generation



SMI's 1025 building generated 250MW during 2017, but used only 195MW. The red in this graph shows electricity used from the grid. The green shows onsite solar generation. When the graph is hollow with green above it, the building is run 100% by solar energy, delivering excess energy to the grid.



Our new energy storage system became ready for commissioning. SMI invested in a one-megawatt (1MW) Lithium ion battery system to provide paying grid stabilization to the regional electrical grid. Although the benefit is outside renewable energy generation, the environmental benefit is about fossil fuel offset. Notably, we save 2MW of fossil fuel power from being generated from 1MW of battery FR (Frequency Regulation). That means that it takes 3MW for fossil fuel generation to provide the same regulation benefit as our 1MW battery. Bottom line, the battery offsets nine times more electricity than our solar system!



For the second year in a row, we offset our Scope 1 and Scope 2 emissions.



Our recycling program diverted ~85% of waste from landfills for the fifth year in a row. Our efforts in 2017 included recycling 146,996 pounds of waste materials, packaging, and scrap.



Our crate return program reused approximately 1,200 pounds of wood that would have otherwise been sent to landfills



Itasca Facilities' Energy Cost			
Year	Gas	Electricity	Total Energy Cost
2017	\$36,623	\$85,544	\$122,167*
2016	\$26,356	\$83,138	\$109,494*
2015	\$29,735	\$70,643	\$100,387*
2014	\$48,087	\$69,430	\$117,517*
2013	\$27,212	\$66,993	\$94,205
2012	\$25,789	\$59,790	\$85,579

*Includes total energy costs of new manufacturing facility that we relocated to in August 2014. Our total square footage for all buildings is now 40% greater than previous.

Environment

Itasca Facilities' Energy Intensity										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actual Monthly Natural Gas Consumption (MMBtu)	4,391	3,541	3,929	4,086	3,584	4,493	5,532	5,654	6,063	5,906
Actual Monthly Electricity Consumption (Site) MWH (MMBtu)	9,351	7,129	7,057	7,023	6,902	7,042	7,287	8,242	8,591	7,383
TOTAL (MMBtu)	13,742	10,671	10,986	11,109	10,486	11,535	12,819	13,896	14,654	13,289
Adjustment Method	Model Yr.	Forecast								
Modeled Monthly Natural Gas Consumption (MMBtu)	4,391	3,995	6,666	3,131	3,026	752	2,234	4,371	6,263	6,950
Monthly Natural Gas Consumption (MMBtu) Annual Savings	0	454	2,737	-955	-558	-3,741	-2,298	-1,283	200	1,044
Modeled Monthly Electricity Consumption (Site) MWH (MMBtu)	9,351	8,650	9,390	9,745	9,951	9,535	9,373	8,398	8,583	8,492
Monthly Electricity Consumption (Site) MWH (MMBtu) Annual Savings	0	1,521	2,333	2,722	3,049	2,494	2,086	156	-8	1,109
Total Modeled Energy Consumption (MMBtu)	13,742	12,646	16,056	12,876	12,977	10,287	12,607	12,769	14,846	15,442
Total Improvement in Energy Intensity (%)	0.00%	15.62%	13.73%	19.20%	-12.12%	-12.12%	-1.68%	-8.82%	1.29%	13.94%
Annual Improvement in Energy Intensity (%)	0.00%	15.62%	15.96%	-17.85%	5.47%	-31.32%	10.44%	-7.14%	10.11%	12.65%
Total Energy Savings since Baseline Yr. (MMBtu/yr.)	0	1,975	5,069	1,767	2,491	-1,247	-212	-1,127	192	2,153
New Energy Savings for Current Year (MMBtu/yr.)	0	1,975	3,094	-3,302	724	-3,738	1,035	-914	1,318	1,961
Adjustment for Baseline Primary Energy Use (MMBtu/yr.)	0	-1,097	2,314	-866	-765	-3,455	-1,136	-973	1,103	1,700

Challenges

Reducing our impact while growing our business is difficult yet sensible, as focusing on sustainability helps us both save money and reduce our environmental footprint. Joining initiatives such as the *Better Buildings, Better Plants* program to reduce our environmental impact by 25% over a 10-year period reinforce our commitment to sustainability.

Goals

By the end of 2018, we hope to report at least a 25% reduction in energy intensity completing our *Better Buildings, Better Plants* program commitment that was signed in 2008.

Other 2018 goals include:

- Have our new LEED-certified office fully functioning.
- Increase bike use between buildings.
- Determine viability of adding in-house trucking for local deliveries.
- Determine viability of adding solar and battery power plants in remaining buildings.

There are many serious ways we work toward sustainability. There are also some fun ways!

- For example, we maintain a community garden and a community bike for anyone interested in farming or getting eco-friendly transportation between buildings — and, we keep bees! Last year, we harvested 20 pounds of honey.

Community

This section articulates SMI's supplier relations, diversity, and involvement in the local community. It also showcases our practices and policies around community service and charitable giving.

Overview

We maintained our commitment to give at least 1% of our annual revenue to philanthropic causes. Our team committed hours helping at food banks, participating in nature cleanups, and selling fundraising merchandise. Our newest outreach activity in 2017 was opening our factory to inner-city high school developmental programs that promote college education after high school.



SMI's Manufacturing Day offered the opportunity for students, residents, and businesses to see manufacturing in action with special product demos and instruction.

B Impact Assessment Score	Solberg	Median Score
Community	24	17

Highlights



One of our ongoing goals is to contribute to our community by fostering relationships with Chicago-area schools to increase awareness of exciting opportunities within manufacturing. Many inner-city kids never see the world outside their immediate neighborhood and thus have no idea that there are exciting career possibilities for them. Such a situation risks those kids getting involved in gangs and going down a dangerous path that is very difficult to get out of. In 2017, we hosted our first-ever Manufacturing Day and invited high school students to tour our facilities and office and learn about what we do. We showcased product innovations and our company culture to pique students' interest in manufacturing as a career path. The day was highlighted by plant tours, hands-on exercises in quality control, filter assembly, and a career day panel discussion. We intentionally focused on our B Corps certification and environmental initiatives!



We also co-sponsored a career day with Embarc, a three-year program that provides community-driven, experienced-based learning opportunities to low-income high school students. During this event, we focused on hands-on exercises to familiarize students with manufacturing. These included activities in quality control, measuring devices and techniques, and creative and logical problem-solving exercises for real-world applications.



SMI generated over \$5k for Alzheimer's research through a company-sponsored walk. The event was run during business hours, allowing time for all interested employees to participate.



Our donations to the Itasca, IL, food pantry nearly doubled, with staff raising \$1,468 through t-shirt and merchandise sales as well as contributions. Additionally, 27 SMI volunteers worked together to pack 9,288 meals in just two hours!

Challenges

We fell short of a 2017 Benefit Report goal of securing more donated time involvement outside of work. While SMI volunteers always express enthusiasm after participating in our events, the real challenge is enlisting staff to participate in the first place. Overcoming time constraints, family obligations, and distances is a real challenge. Equally challenging is finding common ground when there are so many different charitable interests. Still, we encouraged more staff to get involved by allowing for volunteering during work hours. We will continue to build on this idea over the next year.

Goals

SMI has a number of goals in Community that we hope to achieve in the coming year. First, we look to increase participation in volunteer opportunities by launching a new internal company program (SCIP), organizing events throughout the year in which employees can participate. Next, we plan to organize at least three inner-city high school field trips to SMI, showing students that there is much opportunity outside their respective neighborhoods where they can grow and prosper after college. Finally, our community outreach events were as fruitful for SMI employees as they were for the students. Thus, we will be hosting more Manufacturing Days in 2018!

SMI's Mission Statement

We partner with our customers, colleagues, and suppliers to help them innovate and discover new possibilities.

SMI's 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 drive us to outperform the competition.

WE LOVE OUR PLANET — Every day we all do our part to lessen the environmental impact of our business. We actively seek ways to protect and preserve our environment.

To this end, we apply these Guiding Principles to everything we do, ensuring we operate a safe manufacturing environment while promoting a conscious culture.

Benefit Corporation Extended Transparent Commitments:

Statement from the Benefits Director

Solberg Manufacturing, Inc. (SMI) once again upheld its commitment to sustainability and continuous quality improvement throughout 2017. All initiatives were evaluated by our leadership to maximize public benefit. All activities were in compliance with Benefits Corporation requirements. No management actions, board of directors' decisions, or legal actions affected the company's ability to deliver on our intended public benefits.



Travis Solberg, Benefits Director
October 1, 2018
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Ownership Facts

Solberg Manufacturing, Inc. (SMI) is privately held, and 100% owned by the Solberg family. Such interests are divided among directors Tor Solberg and Charlie Solberg, both of whom hold operational roles within the company.