



Our CSR Mission

Our Sustainable Future

For more than 40 years, we have built Solberg on the foundation of industrial growth while upholding high standards of environmental responsibility. We are committed to providing products and systems that protect mission-critical machinery while preserving the environment. We believe these worldwide commitments help to better communities, encourage the achievement of our employees, and help our customers to succeed.

We partner with our customers, colleagues, and suppliers to help them innovate and discover new possibilities. Around the world, we engineer, manufacture, and deliver solutions for the equipment that powers our lives. From compressors to turbines, vacuum pumps to reciprocating engines, Solberg's filtration, separation, and silencing products can be found on the most challenging applications.

Our Philosophy

Going into the next ten years, we will have a broad approach to work on having a "conscious culture" in our company, with all employees contributing and energizing our "P7 Tree" model: Product, People, Planet, Property, Power, Prosperity, and Philanthropy.

The P7 Tree is inspired by the Iroquois' Great Law of Peace, by which its people put the needs of seven future generations before their own. Our philosophy dictates that we factor in seven key ideas associated with the Triple Bottom Line business practice — "People, Planet, and Profit" — and 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 ethics and desires 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.



2012 Awards

Illinois Benefit Corporation – In December of 2012, we decided to make a quiet yet large statement: On January 2, 2013, Solberg would become an Illinois Benefit Corporation. This title indicates that we are a profit-based company that commits to making business decisions based on the environmental and societal implications. This has been added to our corporate legislature, and will further our corporate social responsibility (CSR).

ENERGY STAR® Certification – The Solberg headquarters office has been tested and passed to become an ENERGY STAR building. ENERGY STAR is a voluntary program through the U.S. Environmental Protection Agency (EPA). Focusing on superior energy efficiency, it helps businesses and individuals save money and protect the environment. We wanted this certification to aid us in becoming LEED® (Leadership in Energy and Environmental Design) Existing Building; Operations and Maintenance certified in 2013.

Honorable Mention: State of Illinois' Continuous Improvement Award – Solberg attempted to receive the State of Illinois' Continuous Improvement Award for sustainability excellence. Although praised for our leadership in this field, we were not chosen. It encourages us to hear that other private and public enterprises are doing good things for our environment, and together we are making a difference.

Our P7 Tree





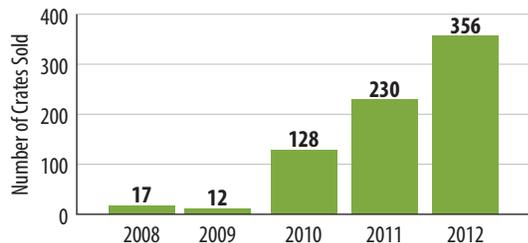
Product

Packaging with Environmental Solutions

When it comes to making sure our products arrive in perfect condition, our packaging techniques are effective and take our environmental responsibility into account.

- **Secure and Sustainable Packaging** – In 2012, our total number of shipments rose 4.5% from the previous year. Of all shipments, we received only 6 complaints for damaged units in comparison with 21 complaints from 2011. Being able to deliver products securely and in a sustainable way to our customers is a high standard we hold ourselves to, and it's what our customers expect. To make this possible this year, we have been making more use of corn foam sheets, made from local corn products, to secure the product to ensure deliveries arrive intact.

Crate Sales by Year



- **Our CSR Reaching Further** – Some of our customers require special packaging protocols that challenge us in how to meet their important marketing goals while minimizing the environmental impact. For example, previously a customer would package each item in its own cardboard box. As their product supplier, we have changed the packaging from boxes to biodegradable plastic bags that lessen the environmental impact by saving more than 5,000 pounds of cardboard.

Preservation through Product Innovation

At Solberg, we continually work toward creative solutions to meet the needs of our customers. Discovering new methods and making environmentally minded changes in our processes have resulted in positive developments in our products.

- **Product Efficiency Protecting the Environment** – In 2012, we began supplying the steel-making industry with reverse pulse filters for dry vacuum systems. The transition to dry vacuum systems from steam ejectors has resulted in a 90% reduction in long-term operating costs. They also consume less energy. Dry vacuum systems eliminate the need for a wastewater pond that is full of particulate matter, which requires environmental clean-ups. Our filters are able to increase the amount of particulate matter that is captured, making the dry system environmentally preferred. This market is projected to more than double in sales in 2013.
- **In-house Solutions Creating New Products** – Building upon our innovations in 2011, which resulted in noise reduction by 5% in certain compressors, we formed a new silencing solution. This solution increases the silencing capacity, while using less materials. We installed this new silencing solution as “the onion,” which has decreased the sound by 1–3 dba (decibels adjusted). This difference is noticeable to the human ear and enables the operator to hear others in front of the compressor, which is good for safety and communication. We plan to use this in-house innovation for new products in 2013.
- **Follow-up on 2011 RICE/NESHAP Standards** – Due to new RICE/NESHAP (Reciprocating Internal Combustion Engine/National Emission Standards for Hazardous Air Pollutants) regulations in 2011, we received an additional 100 orders in 2012 for our crankcase ventilation systems that enabled end users to meet compliance. Our crankcase ventilation systems nearly eliminate emissions emanating from the crankcase.



◀ Blower-assisted re-circulating exhaust systems enable clients to handle exhaust, while maintaining natural pressure levels for proper functioning. We have found that ship owners tend to prefer this design.



People

Transforming Company Culture

In addition to our environmentally minded goals, we have a vision to make Solberg a place where the best people want to work. To make this possible, the safety and wellness of our employees are always foremost. In 2012, we hosted two fitness programs, offered a health screening, and encouraged our employees to make green decisions in their personal lives.

- **Walking for Wellness** – In 2012, we had 62 employees participate in an eight-week pedometer program. Participants were divided into two teams and competed to see which team totaled the highest number of steps at the end of the eight weeks. Members were rewarded with a company-sponsored lunch. The program was highly regarded and encouraged participants to live an active, healthy lifestyle in and out of work. Charles Solberg Jr., Chief Executive Officer, continues to wear his pedometer, attempting to reach 10,000 steps, or 4 miles, per day.
- **Annual Employee Health Screening** – In 2012, we continued the annual health screening, which is a free service available to all employees. The screening checks cholesterol, blood pressure, and nutrition, and provides a test for various diseases. We saw a 46% increase in participation, largely due to extending this service to workers from labor agencies. We will continue to make this available to our employees.

- **Healthy Choices Keeping Us Looking Good** – During the season between Thanksgiving and New Year's Day, we hosted a "Don't gain, maintain" program encouraging employees to maintain their weight during the holiday season. The program was voluntary, and among the 35 participants, 90% successfully maintained their weight through the holidays!
- **Creating a Green-Minded Culture** – With our company placing a large emphasis on sustainable purchases, we have seen our employees begin to make these decisions in their personal purchases. Numerous employees, stateside and internationally, have purchased alternative-fuel and SmartWay® cars. Together, we are making a difference for the world in which we live.
- **Focusing on Safety First in 2013** – This past year, we saw an increase with injury cases in comparison to 2011. As our main concern is for the safety of our employees, we are placing added emphasis on safety first in 2013. We want to be able to reduce the number of injury-related missed days from 18 days to 10 days or less to keep our employees healthy and working.





Planet

Doing Our Part, Making a Difference

Building a better world through sustainable practices can be seen in our efforts to maintain the environment. 2012 was a very transforming year for us. We reached the goals we set in 2011 and saw a positive impact in the company and for our planet.

- **Reducing the Waste-to-Landfill Rate** – Through our committed practice of smart landfill diversion, we have sustained our 88% diversion rate. We consider this a successful rate because of a 7% increase in sales, which means more products, equaling more trash. By continuing our high standards to reduce our waste-to-landfill rate, we added a new process of recycling wood and defunct elements, and our international suppliers now send product in reusable wood crates.

In 2012, while we paid a total of \$2,591 in waste disposal, we **gained \$6,200 by leveraging practices of smart landfill diversion** in selling our scrap metal. In comparison with 2010, this is a \$3,262 increase.

2012 Landfill Diversion Statistics

	9% increase in recycled cardboard from inbound shipments
	3% increase in recycled scrap metal from our manufacturing process
	27% decrease in the amount of excess paper produced in our manufacturing process
	58% decrease in plastic recycled from inbound shipments, which is now used as packaging material

- **CSR Purchasing Guideline** – After implementing a CSR purchasing guideline in 2011, we have been pleased with how our company has utilized this resource. We began using a non-oil sweeping compound for the shop floors. The non-oil is an environmentally preferable product compared to the oil sweeping compound used previously. In the Europe offices, all company cars are highly efficient, getting at least 40 miles per gallon. In Belgium, Tom Janssens, Sales Manager, encourages his team to purchase eco-friendly products by providing them with the financial resources to do so. In 2013, we hope to spread these practices companywide.
- **Lowering Our Transportation Carbon Footprint** – In 2012, we began working with a freight vendor to start tracking our transportation carbon footprint and can now begin to assess our transportation environmental impact. We have concluded so far that it is a necessity to optimize space on a pallet to lower our transportation footprint. In order to do this, we work with our customers to order in quantities that maximize the amount of space used on a pallet for shipping by truck. Our Mexico facility has reduced its transportation footprint by half this past year by shipping one 53-foot container, as opposed to multiple smaller containers, maximizing rail transportation and minimizing truck usage. Our United Kingdom and Belgium locations were efficient and cost-effective by combining their shipments to a single container to reduce empty space.
- **The Garden Club** – The Garden Club, which is open to all employees, increased the garden surface area by 15% this year. We grow more than 15 different fruits and vegetables and offer the harvest to employees as a healthy food choice. Due to the drought in Chicago, Illinois, we used more water than expected, resulting in poor growth for the tomatoes; however, we had a successful crop of peppers. In 2012, we also planted six new trees on our property. We will soon be harvesting plums, cherries, and peaches. The club's popularity is growing slowly, and we hope to involve more employees in 2013.





Property

Thinking Globally for Maximum Impact

Being a sustainable-minded manufacturing company, we place a large focus on improving our practices to create a better world. This includes our properties and facilities worldwide.

- **International Locations Leveraging Their CSR** – Our location in Belgium purchased a climate system in its office that mixes outdoor air with indoor air. Employees have shared that they feel healthier and no longer have itchy noses and eyes. The Slovakia team installed new insulation in the floors, walls, and ceilings during the summer of 2012. Thus far, there has already been a 50% savings in electricity.
- **Energy Use Worldwide** – Also in 2013, we look forward to having our international facilities report on their energy use and share what has worked and what has not. We are looking to cultivate a climate of international collaboration and create more transparency across the company.

Pursuing Our Goals

We have high-stretch goals to be an ENERGY STAR and LEED Operations and Maintenance certified facility, and the changes we're making to revolutionize our production and manufacturing processes are bringing us closer to these goals daily.

- **Becoming an ENERGY STAR Building** – In 2012, we tested our 1151 headquarters building for certification as an ENERGY STAR building. ENERGY STAR is a voluntary program through the U.S. EPA. Focusing on superior energy efficiency, it helps businesses and individuals save money and protect our climate. We scored an 81 out of 100. One must receive a score of at least 75. In 2008, the building started at a 67.
- **Moving Toward LEED Certification** – In 2012, we began working toward our goal of having our headquarters certified as a LEED Existing Building; Operations and Maintenance. We have received our initial assessment and have a collaboration plan for 2013 to accomplish this.





Power

Reducing Energy Intensity

As we work to reduce our energy intensity, or the amount of energy it takes to produce one unit (product), by 25% from 2008 to 2018, it was helpful this year to individually review our headquarters buildings. In each building, we discovered achievable changes that will aid in reaching our energy-reduction goals. Our practice of conscious energy usage is paying off.

680 Building

- **Lowering Energy Usage** – There were some simple changes that took place to reduce the total amount of energy used at the 680 building. These changes consisted of closing the compressor tank valves at night to limit air loss, and switching to a lower-horsepower compressor for the second shift. Overall, we saved more than 4,000 kilowatt hours (kWh), demonstrating that our small changes are making an impact in saving energy — especially considering we added two new pieces of equipment to the manufacturing floor.
- **Changes in Heating for 2013** – In our efforts to reduce the energy intensity, it became clear to us that in 2013 we need to enhance our methods of heating. Our heating equipment is at least 10 years old and proving to be a wasteful use of energy. Purchasing a new oven and installing radiant heating are possible ideas.
- **Progress in Improvement** – There were a couple measures we took to reduce energy intensity in 2012, such as a tankless water heater and a natural air makeup system, which did not produce the results we were hoping for. So, in 2013, we will be looking into new ways to improve these processes.

1151 Building

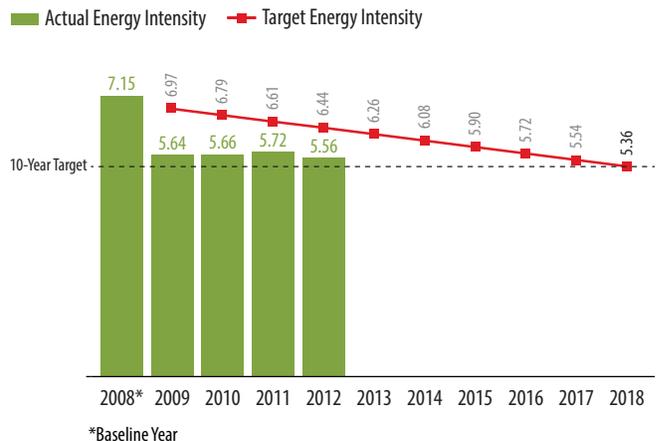
- **Small Changes, Big Impact** – Again, there were small yet impactful alterations that were made to reduce our energy usage in the 1151 building. We began closing the 80-gallon compression air tank at night, which eliminated the cost of repumping it every morning. This also reduced the morning load time, allowing for the compressor to be on for almost an hour less each day. In 2012, these alterations saved us more than 5,500 kWh of energy usage. This past year we also reconstructed the air line to our main filter-silencer turntable machine. This required increasing the size and eliminating additional connections, resulting in a more efficient running of the machine.
- **Changes in Heating for 2013** – To our satisfaction, the heat usage for 2012 was more than 3,000 therms (thrm) lower than last year. We believe most of this was due to a warmer winter. In 2013, we hope to implement changes similar to those implemented in the 680 building to reduce our heating energy use.
- **Maximizing Our Solar Power** – In 2012, we maximized our solar energy production and, therefore, our solar Renewable Energy Certificate (REC) revenue, by purchasing 111 more solar panels to complete our solar rooftop. With the new panels, we have the ability to generate up to an additional 26 kilowatts (kW). Between the two systems, we now have the capability to generate 74 kW of energy. In 2012, our peak energy usage at this location was 98 kW, which occurs in the morning. By practicing smart energy usage and utilizing strategic scheduling processes, we have the ability to completely power the 1151 building for a few hours at the end of the day through our solar rooftop.

We decreased our greenhouse gas (GHG) emissions produced from electricity and heat by 36 metric tons.

In 2011, we produced 684 metric tons in GHG emissions, but in 2012 we lowered this to 648 metric tons. The decrease is attributed to our production of solar energy and a reduction in energy usage.

GHG emissions produced from our product manufacturing registered lower than one ton this past year. The U.S. EPA does not require companies with GHG emissions from manufacturing that are lower than five tons to report their emissions. **We share these figures to show our commitment to environmental responsibility.**

Energy Intensity Reduction 10-Year Target





Prosperity

Solar Energy Helping to Power Profits

Energy from our rooftop solar panels has played a significant role in increasing our profits through energy savings and RECs. In 2012, we generated \$19,700 by producing solar energy.

- Energy generated by our rooftop solar panels reduced our electricity costs by \$6,000 in 2012. In comparison with 2011, this is approximately \$1,500 in increased energy savings.
- Our contract that began in 2011 with SREC Trade generated more than \$13,000 this year in the sale of our RECs, continuing to accelerate our return on investment (ROI) for our rooftop solar panels.

A Penny Saved Is a Penny Earned

Leveraging our P7 Tree model, we were able to increase our profit through strategic shipping, waste management, and solar energy. The conscious culture created by our P7 Tree model was designed to improve the world we live in, and we are continually grateful in the ways that it gives back to us. In 2012, we had a 7% increase in sales, resulting in employee bonuses for each quarter. We are grateful for our loyal customers, dependable suppliers, and contractors who make what we do possible.

- **Reducing Costs through Strategic Shipping** – By implementing strategic shipping methods, we have been able to reduce our costs and more effectively deliver our products. An example of this new method is displayed in how we fill international orders. Since the beginning of 2012, shipping pallets for the United Kingdom and Slovak Republic are being fulfilled through Temse, Belgium, instead of directly from headquarters in Itasca, Illinois, U.S.A. The benefits we saw from this were a significant reduction in freight costs and freed-up warehouse space at headquarters.
- **Putting Scrap Metal to Work** – Continuing our efforts for the responsible disposal of waste, a large emphasis is placed on the recycling of scrap metal. In 2012, we generated \$6,200 from our waste diversion, which is just under the 2011 total. In 2013, we plan to continue finding ways to streamline the disposal of our waste.





Philanthropy

Making the World a Better Place

As a leader in the community, Solberg continues to carry out the passions of our founder, Charles Solberg Sr., through the charitable giving of our time, energy, and resources. Donations are in accordance with our Annual Charitable Donations Guideline and have proven to be very rewarding.

- **Increased Sales Helping Others** – Every year Solberg donates 1% of its sales according to our Charitable Donations Guidelines. In 2012, we were pleased to be able to increase our donations by 7% due to a 7% increase in sales. Part of our charitable giving went to the Alliance for the Great Lakes. The Alliance works to conserve and restore the world’s largest freshwater resource through education, policy, and citizen involvement. We are happy to support this cause due to the positive impact the Alliance has on people and the environment.
- **Support in Times of Need** – After the events of Hurricane Sandy on the East Coast in October of 2012, a donation of \$10,000 was given to the American Red Cross to offer relief and meet the needs of those affected.
- **First Annual Volunteer Day** – In April of 2012, Solberg hosted its first company Volunteer Day. Coinciding with Earth Day, the event partnered Solberg employees with the Cook County Forest Preserve to help restore a former farm field in Barrington, Illinois, into a native prairie by planting native prairie plants. Attendance for our first volunteer day was low with only three employees participating. Next year, we plan to build enthusiasm and engage more employees in our commitment to serve others.
- **Making Dreams Come True** – In the United Kingdom facility, kitchen and toilet paper rolls are regularly purchased through GoCharitable.com, a fundraising office supply store. GoCharitable.com donates 50% of all profit to help support the Starlight Children’s Foundation. The Starlight Children’s Foundation works to make the dreams of seriously and terminally ill children come true. These dreams range from holiday celebrations to meetings with famous athletes to exciting vacation experiences.
- **Circus with a Purpose** – In the spirit of making dreams come true, the United Kingdom office generously gave two disabled children tickets to attend the Circus Starr circus. Circus Starr, known as the “circus with a purpose,” helps raise funds for local charities, and donations like the one from Solberg allow disabled children to attend for free.



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