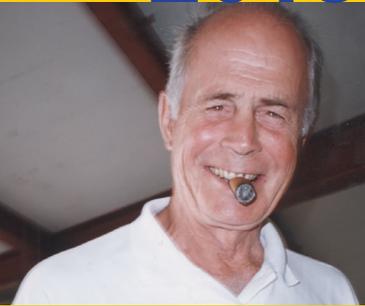


# 2018 Benefit Report



*Fiscal Year 2018 | January 1 to December 31*

**50**  
1968 – 2018 *years of prosperity!*

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

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## Letter from the President

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Dear Readers,

As Solberg Manufacturing, Inc. (SMI) continues to grow steadily each year, challenges become more complicated and consequences costlier. This reality requires a mindful consideration to how we behave when working with each other and an intentional approach to company culture. It requires us to think about how we create our Community at work. SMI seeks to build a Culture of Helpfulness, where we ask for help from others when we need it and do our best to give help to others when asked. It also means that we need to have confidence in each other to get the job done because our customers count on us, so we too need to count on each other.

SMI continues to shine in the area of environmental stewardship as you will read in this report. This year we made additional effort to increase our impact on the social side of the business, and we are making progress. The SCIP program, our involvement with high school programs for students in disadvantaged areas, and our Income Advancement (Employee Loan) program are three examples of our added attention to our local community. I invite you to read this year's Benefit Corporation report. We hope you enjoy it!



Tor Solberg, President  
Solberg Manufacturing, Inc.

## A Message from SMI's Benefits Director

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As the Chief Sustainability Steward at SMI, I am always considering how our operations can be streamlined by utilizing a circular economy mentality. I believe it is our responsibility to use recycled content to reduce raw material usage and to create recyclable products.

Our mission and values over the last 50 years focus on helping our customers discover new possibilities. Our focus on innovation has always been tied to our dedication to the environment. We hope to continue to practice what we preach and help create products and solutions that impact the world for the better. Cheers to another 50 years to come!



Travis Solberg, Chief Sustainability Steward  
Solberg Manufacturing, Inc.



# Our Seven P's

In 2010, Solberg defined seven key categories to track holistic efforts. People, Planet, Product, Property, Power, Prosperity, and Philanthropy have become known as the Seven P's. The number seven in Iroquois tradition indicates a dedication to making decisions with seven generations ahead in mind. This report will use the Seven P's to highlight our commitment to responsible manufacturing.

The 2018 annual Benefit Report is a place to share the year's accomplishments, goals, and challenges. Highlighting these P's in B Corp's five broad performance categories (Governance & Operations, Workers, Customers, Environment, and Community) demonstrates dedication to responsible manufacturing across all our operations.



People



Planet



Product



Power



Property



Prosperity



Philanthropy

# Governance & Operations

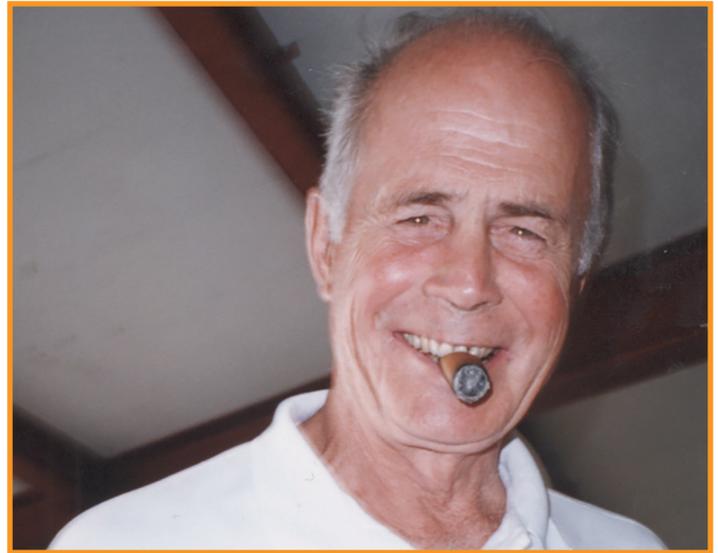
This section evaluates our accountability and transparency, focusing on our Mission and Guiding Principles, stakeholder engagement, and overall transparency of company practices and policies.

## Overview

 Charlie Solberg Sr. started SMI in his garage in 1968. Fifty years later, the company celebrates successes, reflects on challenges, and continues operating with an entrepreneurial and environmental spirit. With the Seven P's in mind, Solberg strives to stand out as a progressive air filtration and silencer manufacturing company.

## Highlights

-  In 2018, SMI implemented a four-person Leadership Board to review policies and set strategy.
-  SMI capped its period of renovation, getting up to speed with new equipment and maximizing workspaces to support growth.
-  SMI teams updated the Code of Conduct.
-  SMI highlighted its guiding principles on the walls of its headquarters to reinforce codes of conduct.
-  As an extension of holistic efforts, SMI applied for and received the Illinois Governor's Sustainability Award for the second time. This honor is granted by the Illinois Sustainable Technology Center (ISTC). SMI was awarded in the category of "Continuous Improvement."



Charlie Solberg Sr. courageously quit his job to start the company in his garage back in 1968.

## Challenges

In 2018, the Leadership Board was implemented. In 2019, the challenge is to implement updated codes of conduct and strategy in all areas of the company.

## Goals

In 2019, SMI will implement codes of conduct on a global level.

# 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

 In 2018, SMI celebrated 50 years in business. More than 59 staffers (37% of the workforce) have been at Solberg for at least 10 years, and 22 have dedicated more than 20 years! “People” is one of SMI’s Seven P’s. The company is dedicated to running the business in a manner that supports its people.

## Highlights

-  ♦ The Employee Loan Initiative (known as “Income Advance”) had another successful year. This company-funded lending program helps staff with housing, education, and/or emergency funds. This program reached an all-time high in 2018, with \$117,000 granted to 39 full-time employees, doubling from \$57,200 loaned the year prior to 30 employees.
-  ♦ SMI implemented the current living wage for all employees who have worked at least one full year at SMI.
-  ♦ Staff improved the safety program via documentation and training and ramped up injury/first aid reporting. In 2018, SMI met its goal of zero OSHA recordable incidents.
-  ♦ SMI bolstered its marketing group by hiring two digital marketing professionals.
-  ♦ A third Pit Crew was created at the production facility to engage Production Leads in the organization and planning of daily activities, thereby streamlining operations. This has led to increased involvement and responsibility for members of the Pit Crew.
-  ♦ For its 50th anniversary, SMI celebrated past and present employees and their families with a companywide event at the world-famous Tempel Farms. The Lipizzaner horse show displayed remarkable high performance, inspirational trust between the horse and its trainer, and a beautiful connection to nature – the same values that SMI strives for.

- ♦ The building renovations at SMI’s headquarters met LEED standards and resulted in a healthier workplace due to lower VOCs, multiple HVAC zones for added comfort, and adjustable-height desks.



*SMI has strong employee loyalty. Eight of the 11 staffers shown in this 1992 photo are still with the company today.*

## Challenges

SMI manufactures products and solutions for customers in more than 60 countries worldwide. It is a big task to remain competitive in a developed country competing with lower-cost countries. The Pit Crews serve as a vehicle to minimize management oversight by pushing responsibility to the Crews. The challenge is to successfully engage employees in giving meaning to their work. SMI strives for all its employees to exhibit care in everything they do, understanding that the business family counts on them to be their best each day.

# 50

# Workers



*SMI proudly received its second Illinois Sustainability Award in 2018, this time for "continuous improvement."*

## Goals

- ◆ Improve professional growth of the production department by providing outside resources for production methodology training.
- ◆ Review feasibility for English as a Second Language (ESL) training.
- ◆ Create and execute companywide strategic planning.
- ◆ 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.

# Customers

This section measures our impact on customers. It covers how our products promote public benefit. It also spans our efforts in creating products that solve environmental issues or reduce negative effects. Categories include health improvement, environmental preservation, economic opportunity, arts/sciences, and capital support to purpose-driven enterprises.

## Overview

Over the past 20 years, SMI has introduced numerous products that benefit the environment. Some new products reduce emissions from the crankcase of combustion equipment, while others enable new vacuum technologies to conserve water supply worldwide. Three series of products have been added or improved in 2018.

## Highlights

### Air & Gas Pollution:

-  ♦ Advanced Crankcase Ventilation (ACV) systems capture hazardous oil mist and particulate emissions on land and in marine shipping and oil platforms to ensure environmental compliance. ACV systems protect an engine's turbocharger, intercoolers, and inlet air filters while keeping it free of oil mist. SMI sold hundreds of these systems in 2018.
-  ♦ The SME series is our standard line of blower-assisted oil mist eliminators that function in the same market. Their modular configurations ease utility while providing for reliable performance. The SME series enjoyed a quick launch in the 2nd half of 2018 and is expected to grow fast in 2019.
-  ♦ In Australia, a thermal carbonization systems' company employs an SMI vacuum product in a solution that converts agricultural waste into biogas. This solution is sold to numerous end customers where connection to the natural gas pipeline is too costly. In the U.S., a manufacturer of natural gas generators is using SMI products as part of a system that converts gas released at wellheads and drilling locations into usable fuel for rural generators.

### Noise Pollution:

-  ♦ A seed farm that transfers seed was receiving continued complaints and threats of legal action over the noise level its blowers produced. Its farming equipment supplier proposed a large SMI air silencing product for the seed farm's blower, which would be far quieter. In the year-plus that it has been in use, all problems and noise complaints have subsided, and the customer is extremely satisfied with SMI product performance.

### Water Conservation:

-  ♦ The challenges of conserving a clean and sustainable water supply are great in many areas of the world. Despite water being an increasingly scarce resource, many industries require it as a consumable. SMI's filtration technologies enable equipment manufacturers to supply process equipment without the use of water.
-  ♦ Solberg's vacuum filtration was utilized in a rotary screw vacuum pump installed at a craft beer company in Oregon to eliminate excess water consumption. In addition to saving the company nearly \$40,000 annually in water, sewer, and energy costs, it drastically reduced the amount of wastewater.

## Challenges

Because SMI provides solutions that are often implemented into a larger scope project, it can be difficult to collect exact data on the impact of the company's products.

## Goals

- ♦ Leverage customer successes to drive awareness. We hope to get more data on how our solutions are being used to solve challenges. This will help us both refine our products and sell them to additional customers with similar needs.
- ♦ Continue to work closely with customers to reveal new areas where we can better contribute to their reduction of energy and water usage.
- ♦ Help create a new pollution-reduction product.

# Environment

This section showcases our significant efforts in minimizing our effect on the environment. This spans our energy- and waste-reduction measures, as well as other actions to enhance stewardship.

## Overview

 Environmental preservation has been a core value at SMI for all its 50 years. The company engaged in a number of projects in 2018 to reduce its carbon footprint. In addition to enacting operational measures, SMI continued its purchase of carbon footprint offsets.

## Highlights

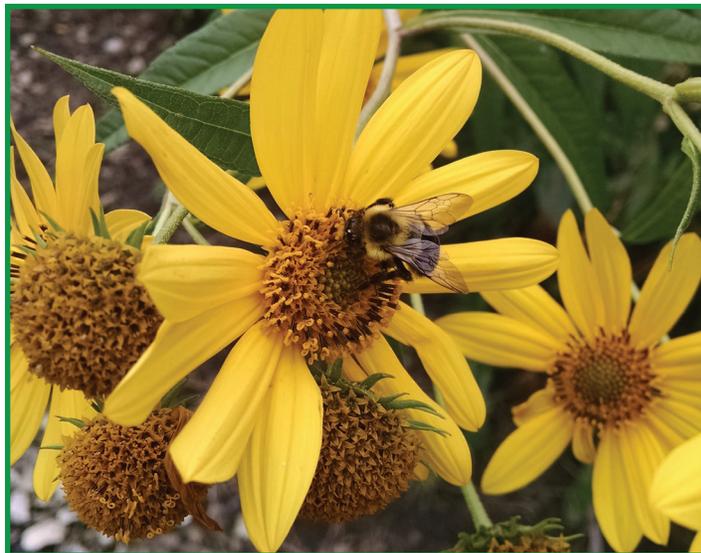
### Carbon Emissions Offset

 We completely offset Scope 1, 2, and some 3 emissions in 2018 as part of our balancing of impact.

 We offset 100% of our Scope 2 (electricity) indirect emissions by purchasing wind RECs for each megawatt of electricity used from the grid. We offset much of our Scope 1 (natural gas and company owned vehicles) emissions by using energy generated through our three solar installations. This includes those previously in place in 1151 plus our large install at 1025, which operated for its first full year in 2018. In addition to producing much of our own energy used during the day at our production facility with the 438MW generated, we were able to return an estimated 152MW back to the grid.

 In 2018, SMI incorporated emissions from salesforce airline travel (~133 metric tons of CO<sub>2</sub> emissions) into our total carbon emissions volume as part of our first-time exploration into Scope 3 emissions. This enabled us to better understand our full impact so we can more clearly and completely address emissions.

 Remaining Scope 2 and 3 carbon emissions (387 tons) were offset by donations to Cool Effect, a nonprofit crowdfunding organization for worldwide environmental projects. We split our \$3,757 of donations among three important projects:



*Our pollinator flower garden is working well with a bee on these sunflowers.*

-  ♦ The Alto Mayo Protected Forest project, which works to save trees, preserving nearly 450,000 acres of tropical forests.
-  ♦ Qori Q'oncha Cookstoves, which provides families in Peru with clean cookstoves. The cookstoves not only protect them against smoke inhalation but deliver roughly 30-40% savings in fuel.
-  ♦ Native American Methane Capture, a venture that is capturing methane from coal seams and redirecting it to pipelines for use by homes, businesses, and schools.

# Environment

## Additional Improvements

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◆ SMI invested in a new air compressor for its warehouse and a new ComEd transformer to handle its 1MW ESS battery.
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◆ We launched Solberg Fabrication Industries (SFI), which is serving as a metal fabrication shop, enabling us to more responsibly manage our metal needs and reduce transport from incoming materials shipment. In the future, we will build this into an ASME-certified welding shop.
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◆ SMI's main office is in the certification process for Silver LEED certification. The other two buildings were too small to invest in LEED certification; however, they were built to LEED standards.



- ◆ SMI maintained stringent recycling protocols — from the lunchroom to the factory floor — resulting in more than 80% of its waste being diverted from landfills.



- ◆ SMI will participate in the U.S. Department of Energy's *Better Plants* program for an additional year to help capture energy efficiencies across our larger building space, which we expanded in 2014. Final numbers will be reported in next year's report.

The following table shows the last ten years of energy costs. Remarkably, despite the new equipment and 50% additional factory space added over that time, SMI is paying less for Total Energy Cost than in 2008. This is mainly because of the three onsite solar installations, two of which at 1151 have already recovered their cost.

Year	Gas	Electricity	Total Energy Cost	Savings
2018	\$ 38,481	\$ 72,353	\$ 110,835	\$ 19,298
2017	\$ 36,623	\$ 85,544	\$ 122,167	\$ 7,966 <i>1025 solar panels activated in June 2017</i>
2016	\$ 26,356	\$ 83,138	\$ 109,494	\$ 20,639
2015	\$ 29,753	\$ 70,634	\$ 100,387	\$ 29,746
2014	\$ 48,087	\$ 69,430	\$ 117,517	\$ 12,616 <i>Moved to 1025 from 680</i>
2013	\$ 27,212	\$ 66,993	\$ 94,205	\$ 35,928 <i>Extra 1151 solar panels installed</i>
2012	\$ 25,789	\$ 59,790	\$ 85,579	\$ 44,554
2011	\$ 24,822	\$ 63,854	\$ 88,676	\$ 41,457
2010	\$ 24,722	\$ 64,035	\$ 88,757	\$ 41,376 <i>1151 solar panels installed (20% of bldg.)</i>
2009	\$ 31,999	\$ 80,471	\$ 112,470	\$ 17,663 <i>Lighting retrofit in October</i>
2008	\$ 41,766	\$ 88,367	\$ 130,133	
			<b>Total Savings since 2008</b>	<b>\$ 271,244</b>



# Environment

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## Challenges

- ◆ The solar panels at SMI's 47,000-square-foot plant in Itasca were underperforming for a large part of the year due to massive inverter failures throughout the system.
- ◆ The 1MW battery intended for frequency regulation continued to experience delays due to overheating in the battery cells. Once fully active in 2019, the battery will help the grid during local energy spikes and in times of excess energy availability.

## Goals

SMI continues to seek out ways to manufacture leaner, maximize resources, reclaim waste, and otherwise reduce its carbon footprint. In 2019, focus will be on attaining the full benefit of its solar system, streamlining shipping (reduce/combine shipments), and achieving peak efficiency from the battery system.

# 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

 In 2018, the Solberg Community Involvement Program (SCIP) was launched to increase community outreach efforts. The program's team identifies partners and rallies coworker involvement in community outreach programs. The SCIP team organized six events this year, setting them up for many more in 2019. Management granted all staff the ability to participate in two four-hour events annually with paid time off.

## Highlights

-  SMI partnered with local organization Earth Paint to donate paint-cleaning supplies.
-  SMI made donations to a local group called Openlands, a land trust organization called Save Our Redwoods League in California, and several other environmental land trusts to comply with LEED accreditation.
-  In 2018, direct employee donations raised over \$3,000 for the Itasca Food Pantry.
-  SMI hosted "Manufacturing Days" for a second straight year, bringing in STEM (science, technology, engineering, and math) students from two area high schools and one afterschool program to learn about manufacturing through plant tours, hands-on exercises, and career panel discussions. The participating schools were Pritzker College Prep, Harper High School, and an after-school program called Embarc.



*SMI conducted a number of community events to showcase the company while promoting careers in manufacturing.*

## Challenges

Goal-setting, more rigorous planning, and added structure for SCIP will help the group succeed as we continue to build out the program in 2019.

## Goals

SMI is targeting 500 volunteer hours of SCIP time next year.

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## *Illinois Benefit Corporation Status*

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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*

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### *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