



Our CSR Mission

TRIPLING THE POSSIBILITIES

2014 was a milestone year for Solberg. Most notably, we grew three-fold—moving from our 17,000-square-foot production facility to a fully remodeled, 49,000-square-foot plant. The larger space, building 1025, effectively triples our manufacturing footprint and enables us to house inventory on-site. We also elevated our environmental commitment and adherence to LEED guidelines. We entirely renovated the interior to ensure better air quality, productivity, and energy efficiency. We also redesigned our floor plans to enhance employee collaboration and improve product manufacturing workflow. Drafters and production planners are stationed at our new facility, and positioned to work closely with plant employees to quickly resolve drawing issues and address other ways to improve our products.

Our new facility is located across from a park and lake, allowing us great views and better coexistence with nature. To this end, the shipping doors were painted green, helping the building blend in with its natural surroundings. We also planted native prairie plants along the back of the building.

The building was just one of the many exciting changes we experienced this year, as you will learn throughout this report.

Continuous Quality Improvement

In 2014, we attained a 97 B Corp score versus a 97.7 in 2013. Our original May 2011 certification score was 91. Starting in 2015, Solberg will use the B Corp assessment as a measure for continuous improvement in the U.S., later expanding this to our international facilities.

OUR PHILOSOPHY

Since our inception, Solberg has been dedicated to operating safely in our environment while promoting a “conscious culture.” Every employee contributes to our “P7 Tree,” which supports an in-depth focus on The Triple Bottom Line practice of “People, Planet, and Profit”—bringing positive, responsible change across People, Planet, Product, Property, Power, Prosperity, and Philanthropy.

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 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.

Our
P7
Tree



2014 HONORS AND RECOGNITIONS

Global Environmental Leadership – Solberg Manufacturing Inc. was recognized for creating the *most positive overall environmental impact* by the nonprofit B Lab in its third annual “B Corp Best for the Environment” list. This list honors businesses that earned an environmental score in the top 10% of more than 1,200 Certified B Corporations from over 120 industries on the B Impact Assessment, a rigorous and comprehensive assessment of a company’s impact on its workers, community, and environment. Honorees were recognized among micro, small, and mid-sized businesses worldwide.

Next-Generation Innovation – Solberg received special mention in the June 2014 *Bloomberg BNA Corporate Law and Accountability Report*, which detailed the Defense Department’s Digital Manufacturing and Design Innovation Institute and companies that are making improvements through breakthrough initiatives. The report highlighted Solberg for its innovative manufacturing processes and support of Tier 1 operations and Small to Mid-sized Enterprises (SMEs). Indeed, Solberg’s filtration, separation, and silencing technologies are giving a competitive edge to customers across the globe.



People



◀ Standing Work Environment

HEALTHY WORKPLACE, HEALTHY EMPLOYEES

Thoughtful practices to protect our employees and promote healthy lifestyles continued in 2014. Once again, we took new initiatives to ensure Solberg is a place where the best people want to work.

Enhanced Health & Safety Practices

In the 4th quarter, Solberg established a new Health & Safety team. The team authored a Health & Safety Vision, Mission, and Policy Statement and, in October, began the government-sponsored OSHA Safety Challenge. We expect to complete this challenge by January 2016, and we will continue to adapt practices for even greater results.

Focus on Employee Health

Our 2014 employee health initiatives culminated with our Safety Team’s Health & Safety Vision, Mission, and Policy Statement presented by the President, reinforcing Solberg’s commitment to its safety and health programs. We also provided our free annual health screening, bringing a valuable service to nearly 40% of our team. This screening remains a voluntary, paid-time-off event.

Annual Employee Health Screening

Year	Total Employees Participating in Biometric Screening	Total Employed
2014	54	136
2013	65	127
2012	63	113
2011	43	110

Manufacturing Improvements to Promote Well-Being

As we planned our relocation, Production seized the opportunity to adjust manufacturing processes to heighten safety, minimize fatigue, improve air quality, and elevate overall health and wellness.

Improvements included:

- A new, variable-speed-drive, “silent” air compressor creates a more pleasant audible space.
- Transition to large-capacity welding gas tanks, monitored online and refillable 24/7 from outside, which is safer than individual tanks that could get knocked over.
- Improved welding smoke-extraction system to increase exhaust to keep smoke away from their breathing zone.
- Quality, production planning, and drafting all relocated to new, stand-up desks, making it healthier for employees rather than sitting down all day.
- Sound-proof picture windows from office to factory floor, enabling views to outside green space for all office and production personnel.
- New windows throughout factory for natural light and improved airflow of outside air for production personnel.

Combined, these improvements help reduce material handling, improve work areas, and improve efficiencies. With the added space, the building is better organized with specific cabinets and storage space for everything we use. Lastly, we have incorporated a 5-S system (Sort, Set in Order, Shine, Standardize, and Sustain)—improving efficiencies and making life easier on our staff.

Striving to Achieve Zero Incidents by End of 2015

Year	Production Hours – Annual	Production Employees	Average Hours Per Production Person – Annual	OSHA Recorded # of Safety Incidences – Annual	Days of Restriction – Annual	Days Lost Due to Incident – Annual
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
2011	127,281	58	2,195	4	13	0



Planet

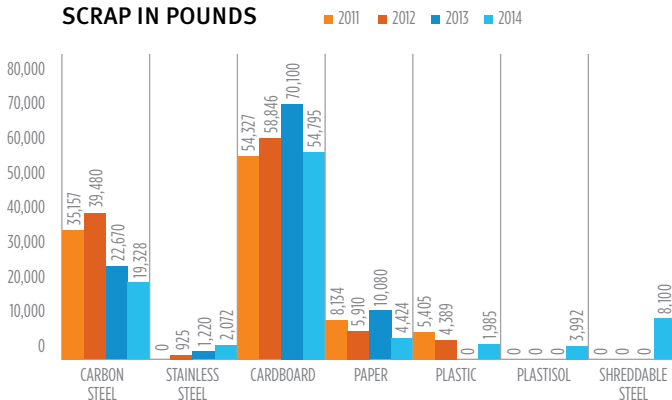
MAKING A DIFFERENCE IN OUR COMMUNITIES AND WORLD

Solberg is committed to our planet, implementing responsible practices that benefit our society. In 2014, we made many positive gains:

Landfill Diversion

Since moving into the new facility, we found a supplier that provides us with smaller scrap containers, allowing us to use several designated areas across our production floor instead of a single bin. This not only reduces unnecessary load-carrying but also allows us to track scrap by specific area. The graph below includes data for plastisol and shreddable steel—covering the majority of materials we use.

SCRAP IN POUNDS



In 2014, two notable improvements in recycling scrap were achieved. First, after more than two years, we found a buyer for our plastisol scrap—a huge win that saved 3,992 pounds of waste over this timeframe. Another huge step in reducing waste was the ability to ship “shreddable” steel or scrap filter elements that contain metal and media (partially made elements that are rejected in-process) to a specialty recycler. For decades, this material had not been recyclable. With these two gains, the vast majority of our product is now completely recyclable—creating a full circle from raw material to production to end of life.

Reducing Our Carbon Footprint

In 2014, we reduced our transportation footprint by going from three days using a semi-trailer to one day using a semi-trailer and three days using a light-duty truck. Not only has this saved costs on fuel, but it has also significantly reduced our greenhouse gas (GHG) emissions. In fact, using the EPA’s *Simplified GHG Emissions Calculator**, our GHG emissions for the light-duty truck are 66% less than the previous three days’ semi-trailer use, despite double the miles being driven!

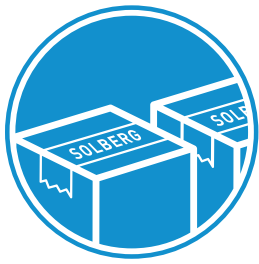
The Garden Club

Five Garden Club members prepped the soil this year with mushroom compost, producing a bountiful harvest of kale, Brussels sprouts, broccoli, and potatoes. While our green bean and snap pea crop were a bit disappointing, they were equally delicious. Surplus vegetables were shared with the company.

In other land cultivation efforts, we started composting through a small grant received from the *Compost Program* at Loyola University Chicago. We are generating roughly 50 pounds of compost per week. In addition to garden growth, next year we look forward to seeing how the new prairie seed planted in back of our facility takes root and adds to the greenery of our environment.



* www.epa.gov/climateleadership



Product



◀ First tanks painted in-house

ENHANCING OUR SUPPLY CHAIN

Better, More Sustainable Packaging

As more product is shipped, more packaging materials can easily be used. So, as our business has grown, Solberg has ramped up efforts to reduce packaging by optimizing materials used. We supported this process by purchasing special equipment to crumple 100% recycled packaging paper, creating volume coverage within a given box. This step augmented our existing waste-reduction initiatives of using corn foam pads; 100% recycled paper honeycomb, biodegradable clear plastic bags; recycled black plastic bags; incoming paper; and multi-layer cardstock.

We scrutinized our material use and logistics methods in 2014, resulting in new ways to decrease product damage during shipment despite the demand for smaller, lower-dimensional-weight packaging. For one, we used slotted chipboard pads to separate small filter silencers—reducing this product category's shipping damage to zero.

In 2014, with nearly 100,000 boxes shipped worldwide, we maintained a very low product damage report.

Packaging Damage Reports

Year	Number of Packaging Damage Reports	Shipments per Day	Total Shipments
2014	47	130	32,731
2013	46	129	33,023
2012	46	123	31,025

Increased Power Generation Sales

In 2014, Solberg grew global sales by 13.5% through significant increases in the centrifugal/turbo compressor market and demand for our open- and closed-crankcase ventilation systems in the reciprocating engine market. Our systems capture harmful oil mist fog and smoke, coalescing power and returning it back to the crankcase for reuse. The more products we sell, the less pollution caused to the environment!

Proprietary Formulas That Reduce Phthalates/VOCs

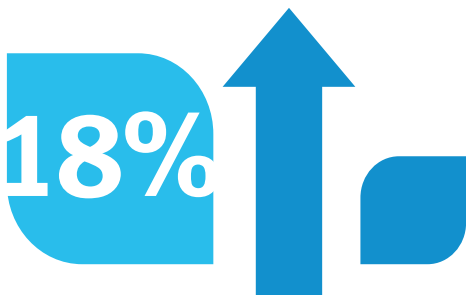
At each end of a filter element is a soft, plastic seal made of plastisol, which is formulated with either adhesive or non-adhesive ingredients. Making sure these ingredients are safe is crucial. To accomplish this, we monitor VOC and phthalate levels closely. In 2014, our primary supplier spent more than six months testing and producing our adhesive plastisol as non-phthalate, by using 19% bio-derived chemicals. This resulted in plastisol with just 0.34% VOCs by weight—a 92% reduction from our previous formula! We are working to improve our other plastisols by increasing their bio-derived compounds.

Reducing Emissions and Hydrocarbons

Solberg has historically used subcontractors to paint products. With more than 80% of work orders for welded parts being 25 pieces or less, we used numerous truck deliveries for very small quantities. To reduce transport costs and emissions—as well as reduce shipping time—we installed a small-batch, environmentally friendly powder-coat paint room. Through this action, we have kept work in house, streamlining production and eliminating several deliveries.

Continued Improvements

Our dedication to our people and environment continues to generate new ideas. However, some ideas fail to gain traction. Our proposed “Reusable Pallet Wrapz[®]” program to reduce stretchwrap fell short due to the second person required. Additionally, our anti-slip, 100% recycled chipboard sheet packaging initiative met some hurdles. We continue to refine these ideas to identify new options to yield success.



RISING DEMAND FOR OUR SUSTAINABLE TECHNOLOGIES

Year-on-year unit sales of air/oil separation products grew by 18% in 2014, resulting in a compound annual growth rate of 19.2% over the last five years.



Property

OUR SUSTAINABLE WORK ENVIRONMENT

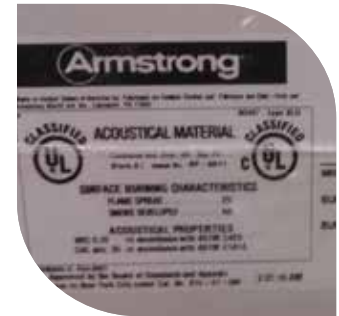
LEED principles were followed during our relocation and included the following actions: We replaced a Roof Top Unit (RTU) from the 1980s that used chlorine containing R22 with a high-efficient Puron RTU that does not emit ozone-depleting gases.

Other improvements included:

Low water consumption ▶



▼ Water-based, concrete floor finish for our new office and kitchen contains no VOCs or harmful solvents.



Excellent, 88% biobased ceiling tiles ▲

▶ 99% natural, 58% recycled, formaldehyde-free insulation used in the walls for sound attenuation.

▼ Low chemical emissions improve air quality across the plant.



▼ Energy-efficient, moisture-resistant panels support smarter insulation.



▲ Production meets office and outside street view.





Power

OUR RESPONSIBLE APPROACH TO ENERGY

Energy is a key focus area for Solberg. Energy intensity is the amount of energy needed to produce one unit (product). In 2014, we produced 1,659,983 units, a 12% increase since 2011. Despite our year-to-year unit volume increase, we remain on track to achieve our voluntary, 10-year, 25% reduction of energy use. The “PEITs Tool” graph below represents both Itasca facilities combined.

Energy Utility

In 2014, we took a number of energy-related actions. Most notable was installing new equipment, including a high-capacity, low-maintenance compressor; a state-of-the-art HVAC system; an element curing oven; a paint room oven; a paint dispenser; a drill press; and two pleaters, among other items. Additional consumption savings were captured by refurbishing older equipment returning performance to “new equipment” levels. In one instance, temperature settings were reduced by over 100 degrees with perfect outcomes. This equipment added 430 AMPs to our existing 2,340 AMPs, increasing our electrical usage by 18%. Even so, our new building efficiencies recaptured 10% of this, netting just an 8% increase in electrical use. 1025 also increased its natural gas capacity by 157%, but usage in therms increased by only 15%.

1151 BUILDING

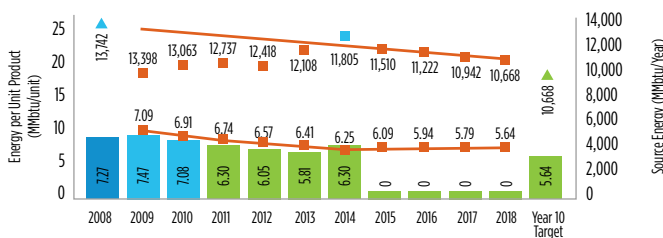
Striving to Become “Carbon Neutral”

Solberg has been purchasing Renewable Energy Certificates (RECs) for all electricity usage since 2009. Onsite solar panels have been offsetting electricity usage at our Headquarters since 2010. Starting in 2013, more electricity was offset since the roof went from having 210 to 321 solar panels. Recently, we decided to take actions to offset natural gas usage in a similar way. Since there is no industry standard, we are devising our own methods. Striving to minimize environmental impact and become carbon neutral, we are starting to report this year on our overall progress in neutralizing Solberg’s carbon footprint. In order to do so, we are utilizing the EPA’s revised *Simplified GHG Emissions Calculator*.

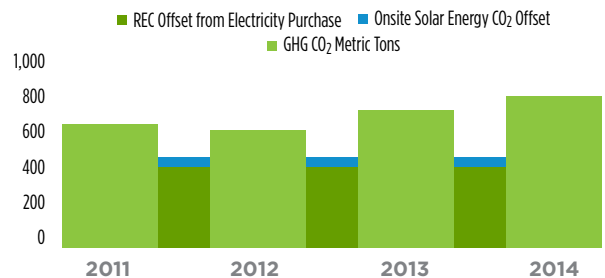
Future-Driven Equipment Additions

Purchasing a new curing oven that handles our largest standard elements was a step to prepare us for the future. At 20" diameter by 29" tall door height, the 685 is the largest standard element where the new oven eliminates much of the handling that was required previously with our hot plates. With the wider conveyor belt, many elements that previously ran on the energy-intensive hot plates have been diverted to the new oven, saving significant energy.

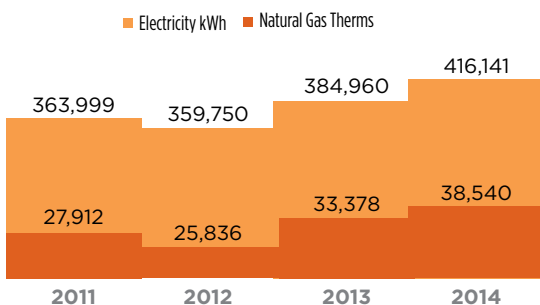
PEITs TOOL
PLANT’S ENERGY INTENSITY TRACKING SCORECARD
(Adjusted for Weather & Production Variations)



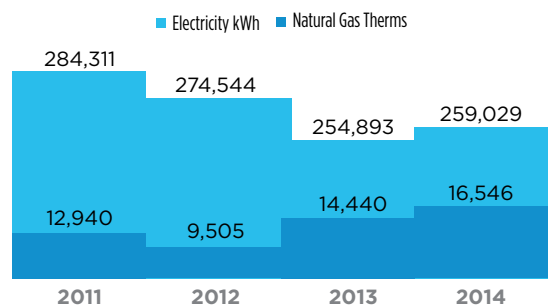
STATIONARY COMBUSTION AND ELECTRICITY AND MOBILE SOURCES—GHG CO₂ METRIC TON EMISSIONS



PRODUCTION BUILDING TOTALS



WAREHOUSE, ASSEMBLY, AND OFFICE





Prosperity



▲ View from office

ENHANCING FINANCIAL PERFORMANCE

Increased Product Sales

Solberg had another strong year in 2014, selling more than a million replacement elements for the second year in a row. We also saw record sales in 12 of the 62 product types we track—four of these having hit previous record highs in 2013.

Expanded Production Capacity

Our new facility gives us triple the space, providing plenty of room to accommodate our increasing sales volumes for years to come. Additionally, since we were able to design the space to our needs, we integrated a number of LEED principles and manufacturing efficiencies. This included adding factory windows for natural light, and better airflow and HVAC, while redesigning space for efficiencies. Instead of walls separating production from office space, we added a series of glass picture windows to visually connect office, production space, and outdoors.

Reduced Transport Costs and Effects

Because more materials are able to be stored in designated rack spaces, travel between the two facilities has been cut. Our new paint room has further reduced transport to and from subcontractors. These benefits make a surprisingly significant environmental difference in GHG emissions alone.

Optimized Space for Productivity

Experts from the Illinois Manufacturing Education Center made several plant layout recommendations. With their assistance, we created a streamlined production flow and more comfortable and workable areas. The new office boasts standing desks with director seats, allowing people to stand or sit whenever they like.

New Solar Energy Benefits

Our 321 panel solar system has offset the equivalent of 19 acres of forest (from Enphase Energy microinverter site) throughout its lifetime.

Year	Total \$ Saved
2014	\$26,624
2013	\$28,427
2012	\$19,700
2011	\$13,555
2010	\$3,600 from 5 months of operation

Cost-Saving Logistics and Recycling Initiatives

Various transportation efforts and customer shipment efficiencies have enabled us to cut freight costs—and related emissions—every year. This includes “loose loading” to optimize containers. We also increased money received from recycling by 22% over 2013, due to smart scrap-management processes.

Year	Total Percentage Reduction in Per-Capita Freight Cost from Previous Year
2014	-8.9%
2013	-9.7%
2012	-12.7%
2011	-15.4%
2010	-8.7%
2009	Base Year

Year	Total Money Received from Recycling
2014	\$6,131
2013	\$5,033
2012*	\$9,194
2011*	\$9,276

* 2011 and 2012 reflect steel values that were nearly double those of 2014. Solberg's recycled scrap amounts have increased every year.

Office ▼





Philanthropy

GIVING BACK TO OUR STAFF AND COMMUNITIES

Our history for giving dates way back to our beginnings under our founder Charles Solberg Sr. Every year, Solberg employees participate in events and activities that better our communities.

Rewarding Our Employees

Throughout the year, a number of company-sponsored lunches are held to show appreciation for our hard-working employees. Lunches that exceed a half-hour are considered paid time off. Last year, our Second Annual Corn Roast yielded an entire bin of stalks to use as compost. Other lunches included tamales, which are purchased monthly to support local businesses.

Beautifying Our Communities

Several Solberg employees and their children volunteered in the DuPage County River Sweep at Itasca Salt Creek last spring. We removed trash, branches, and debris to help the creek flow freely and reduce flooding. We also cut down some invasive Buckthorn trees to allow the sun to shine on new seedlings, which will hopefully become plants and protect against erosion.

Encouraging Healthy Habits

In 2014, we encouraged drinking more water at work by giving everyone at our USA-based facilities a “Made in USA” Nalgene water bottle. We also sponsored a half-hour, paid-time walk in honor of National Walk Day. This resulted in bonding between colleagues from both buildings while encouraging exercise.

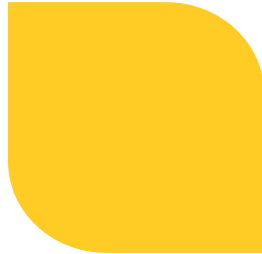
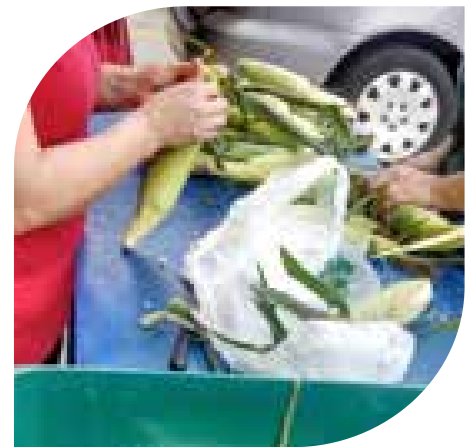
LifeSource Blood Drive

Our second annual blood drive brought out 25 donors, collecting 27 units of life-giving blood. This donation exceeded last year’s results by 3 units, and will assist an estimated 81 people. This program is offered as paid time off.

Promoting Fitness

Complementing our popular Fitness Club Program, our new production facility has a fully equipped exercise room with a bench press, elliptical bike, treadmill, rowing machine, and other equipment. While efforts to start up Pilates and yoga stalled out, many employees gather in the exercise room or meet at a local health club for pickup basketball and group workout sessions.

Second Annual Corn Roast ▶



▲ National Walk Day



New Fitness Facility ▶