

Solberg Manufacturing Inc. (SMI) Benefit Report

Fiscal Year 2016 | January 1–December 31

State of Incorporation: Illinois

Letter from the President

Dear Readers,

With Travis Solberg's help, we are consistently making progress each and every year. It's really great when you have someone as passionate as Travis is — not only about the environment but also about all our people at our factories and beyond. Though Travis gets impatient with his uncle (that would be me) and father at times, his drive to make Solberg Manufacturing Inc. (SMI) the best it can be is absolutely appreciated. Thanks Travis!

Being a manufacturer of filtration equipment presents its challenges because inlet filters are many times a “need” in customers' minds, not necessarily a “want.” This means that we need to abide by one of the golden rules: There are 100 pennies in a dollar, and you need to watch every one. With that in mind, one would think that initiating sustainability measures would increase costs that we are unable to pass on to our customers. The reality is that our investments are paying off in each area of the business and making us more agile. The consistent progress we make each year is truly inspiring and motivating us to continue our efforts in being a “Business for Good”!

I hope you find this year's report as important and inspiring as we do.

All the best,



Tor Solberg, President
Solberg Manufacturing, Inc.

A Message from SMI's Benefits Director

Welcome to our 2016 recap. This year went by quickly; however, we accomplished many great things, including enacting the “living wage” for all regular employees! Also, we offset 100% of our carbon emissions in the U.S. by supporting wind energy and methane production at a landfill in Nebraska. I view our strong participation as a commitment to future generations.



Travis Solberg, Benefits Director
Solberg Manufacturing, Inc.



renewable **choice**
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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 2016, from third party B Lab (B Corporation), encompass all of our facilities around the world. This year was the first time our foreign offices were included in the assessment. No major change was noted in our score because of this.

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. 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.**

The certified 2017 B Lab impact assessment shows our 2016 scores. This is noteworthy, as it is our first score exceeding 100 points.

B Impact Report

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.

Results at a Glance

Certified Year	Score
2016	103
2015	96
2014	98
2011	91

Our Seven P's

A Measurable Approach to Positive Benefit

SMI's commitment to operating in a sound fiscal, environmental, and social manner led to 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. Everything we do takes these areas 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

In 2016, we delivered benefit in a number of ways in each category. The following pages cover 100 specific instances of measured benefit, with **22 in People**, **16 in Planet**, **7 in Product**, **7 in Power**, **14 in Property**, **27 in Prosperity**, and **7 in Philanthropy**. In 2015, we had 73 mentions.

Governance & Operations

This section evaluates our accountability and transparency, focusing on our Mission and Guiding Principles, stakeholder activities, and overall benefit of company operations and policies.

Overview

Our Chief Sustainability Steward, a third-generation Solberg, leads our environmental and societal efforts, assessing initiatives and accomplishments on a continual basis with our leadership team. *Since the B Impact Assessment was updated to include a specific “governance” category in 2013, we have improved our score by only one point. This is in part due to historical operations and having many longtime legacy systems. Governance will become a higher priority in future years.*

Highlights

In 2016, SMI:



Increased activity of our employee loan program, helping employees needing emergency funds or big-ticket items. These loans are available to our hardworking staff without heavy scrutiny or lengthiness. SMI trusts its employees and wants to help them thrive both professionally and personally. To make it easy to repay, employees have payments debited from their paychecks. All loans are structured to debit no more than 15% of an employee’s weekly pay. In 2016, we loaned \$67,900 to full-time employees — more than double what we issued in 2015.



Held an internal tradeshow to showcase each department’s responsibilities. Beyond being a great opportunity for departments to interact and share insights, the tradeshow helped our sales staff better understand each group’s needs which in turn led to increased support. This tradeshow also boosted awareness of each others’ accountability to the customer.

Highlights

- Installed gigantic Guiding Principle signs to remind employees of our foundation.
- Installed cranes to help with heavy-unit hazard prevention.
- Enjoyed a visit from Illinois State Representative Christine Winger and the Illinois Manufacturing Association (IMA).



Christine Winger, IL State Rep, and Jerry Peck of the IMA with Mike Carroll.

Challenges

Temporary employee training is an ongoing challenge. It is continually difficult to ensure new people quickly learn and perform at a high level to best serve our customers.

Goals

SMI has a number of governance initiatives for 2017:



Begin to create a new board of directors. Our goal is to have a sound and objective team who can provide strategic and growth support.



Participate in a B Corps Diversity and Inclusion program. This will help us examine how we treat all employees with regard to training, input, compensation, and other metrics.

Revise 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.

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 and safety practices.

Overview

SMI's goal for 2016 was to increase its lowest wages to the living wage for all regular and temporary employees who completed the internship period. We also hoped to raise the hourly minimum wage to match Chicago's minimum wage for workers during the internship period.



In addition, we sought to improve working conditions. In 2016, SMI added a number of new safety enhancements on its manufacturing floors. Our efforts resulted in our fourth consecutive year of zero days lost to incidents. We were also able to reduce our OSHA recordable incidents. Two incidents — one where a worker sprained an ankle and another where a team member sustained a wrist injury — added 46 and 14 days respectively to our days of restriction.

Year	Production Hrs. – Annual	Production Employees	Avg. Hrs. Per Production Person	OSHA Recordable Incidents	Days of Restriction	Days Lost Due to Incident
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

Highlights

In 2016, SMI:



Achieved its goal of having all employees post-internship receive the living wage. We also maintained Chicago's minimum wage for new employees, which is approximately 27% higher than the national average. This is well beyond what is required by our county.



Coordinated an OSHA visit to review our production facility and conduct a VOC exposure test, which we passed with flying colors. Using the auditor's suggestions, we were able to enhance our voluntary respirator program; remove nip points and other machine guarding; and augment electrical safety through the creation of an energy control program. We also had two employees become NFPA-certified for equipment maintenance. The auditor noted that he was impressed with our workers' job approach and demeanor. The free OSHA visit was not announced in advance to our staff, enabling an accurate and fair evaluation and insightful visit.



Expanded our professional development opportunities, having 87 employees participate in interactive lessons and teamwork exercises, as well as OSHA 10-hour training, NFPA 70e electrical safety training, and Illinois Manufacturing Education Center (IMEC) job supervisor training.

Highlights

- Created taped walkways and work areas and installed blue lights on forklifts to improve safety.
- Changed direction of dust hog exhaust filter to blow away from personnel.
- Added live plants on production floor to increase oxygen.
- Provided biometric blood screening for 62 employees.
- Provided 10 extra break minutes for production staff who work more than 8-hour shifts. The extra rest makes SMI a better place to work, while exceeding labor laws.
- **Some inspired employees converted an inbound crate into a lunch table!**

Challenges

While we achieved many improvements, safety remains our greatest challenge. We recognize that we need to consistently get *days of restriction* as close to 0 as possible.

Goals



For 2017, we aim to reduce the noise level in the welding and grinding departments from above 85 decibels to 80 decibels — the most rigorous noise level regulation in the world. Our other key focus area is to continue to expand professional training. We believe that greater knowledge goes hand-in-hand with safer, more efficient operations. We hope to do so by hosting more events similar to the inside trade show, as nearly 70% of those participants were active in professional development.



With the help of our hardworking employees, we have the ability to fulfill small and large orders.

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

Our products support our customers and make our world a better place to live. SMI makes a difference in the following categories:



Air Pollution:



SMI sold a record number of high-efficiency air/oil separation units to new customers in Japan. These units remove oil fumes and mist that normally emit into the air, helping reduce hydrocarbon byproducts and extending machinery life.



Noise Pollution:



We continued to make strides in 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/ Marine Pollution:



We created a filtration system for a fish pellet customer where our solution eliminated their problem of having hazardous oil mist and water mixtures get released into the atmosphere.



SMI has developed oil mist filtration systems for engines and turbine lubrication systems. Our products prevent oil emissions from contaminating surrounding water and sea while reducing slips and falls on deck. It's estimated that up to 25% of all emissions from reciprocating engines come from engines' crankcases!



Our highly efficient separator system eliminates vented oil mist and smoke while controlling engine pressure in crankcases and lube oil reservoirs.

Challenges



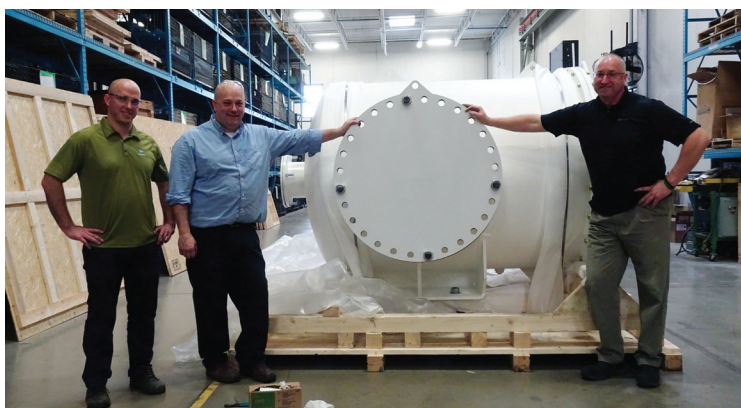
Despite our best efforts, we still received shipping damage complaints, getting 58 such notifications in both 2015 and 2016. That said, we shipped more orders in 2016 than in 2015, so the overall shipping damage complaints fell to less than 1% of overall shipments. Still, our goal is to get to zero complaints so that none of our customers are ever inconvenienced!

Once again in 2016, we were unable to attain B Corp recognition and scoring for our Customer initiatives. There is simply too little industry data to substantiate the benefits we deliver.

Goals



In 2017, SMI is poised to be even more active in areas where our products benefit health and safety. Across our customers' many activities — from beer-making to dry powder mixing to steel manufacturing — SMI's filtration solutions are being applied to make these processes more sustainable. Our goal is to have the best solutions to help our valued customers achieve their goals.



SMI was proud to support the Tesla Hyperloop project with one of our large vacuum tanks that protects the vacuum pump — a core component of how the Hyperloop functions. Hyperloop is a proposed mode of transportation that would exceed airliner speed, using alternative fuels.

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



This is the first year we offset 100% of our Itasca, IL, facilities' electricity, natural gas, and local truck transportation. We work hard to uphold the three R's — Reduce. Reuse. Recycle. — through internal and external activities. Such efforts have consistently resulted in strong B Corp scores since we were first certified in 2011.

Highlights

SMI chose a new electric injection molder over a hydraulic model because of its 60% projected reduction of energy.

We purchased “opportunity” chargers that help reduce energy used to charge forklifts. The new chargers are 96% efficient, whereas most older, box-style chargers top out at 65% efficiency. This has resulted in a 47% gain in charging efficiency.

Our 1151 building was able to leverage solar power savings again in 2016. Considering our track record over the past seven years, we expect to achieve our ROI in just over half the projected time frame.

Year	Return (SRECS and energy usage only, tax credits excluded)
2016	\$47,557
2015	\$41,945
2014	\$28,696
2013	\$28,421
2012	\$20,565

Highlights:

- Reduced greenhouse gases.
- Installed VFDs to replace full-power motors, reducing electricity consumption and improving dust extraction unit life span.
- Started an internal program to repair broken wire baskets and reuse them, instead of scrapping them.
- Recycled 814 lbs. of polyolefin in 2016 after an extensive search for a recycling partner.

Environment



We sustained our extensive recycling program, diverting ~85% of waste from landfills. We have achieved this impressive level for four years running.

Year	Gas	Electricity	Total Energy Cost
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
2011	\$24,822	\$63,854	\$88,676

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

Challenges

Our gains in efficiencies and production were offset by added energy requirements. Our changing product mix has led to more sales of lower volume, higher cost products that are physically larger. This evolution resulted in higher energy intensity numbers, partly due to flat unit sales coupled with new machinery required to manage the more complex product mix. Also, we chose to move some production processes in house instead of using outside suppliers, to reduce manufacturing times. For these reasons, we were unable to meet our energy intensity reduction goal.



SMI invested in a new injection molder in 2016 to increase efficiencies.

Environment



We also added two new 32 amp pleaters and a corresponding transformer.

Goals



Reducing energy intensity remains a critical focus. In 2017, SMI will be making some major capital investments to offset energy intensity. This includes installing a new 635kW solar system. Through improvements such as this, we aim to end the last two years of our voluntary ten-year energy commitment with at least a 25% reduction in overall energy intensity. This will enable us to join the U.S. Department of Energy's Better Buildings, Better Plants Challenge program, helping find solutions to energy usage and reduce our impact on our planet.

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 2016, we increased our cash donations, exceeding our commitment to give at least 1% of our annual revenue to philanthropic causes. We also sponsored and participated in more charitable programs. Such efforts led to a two-point score gain.

Highlights



SMI donated to Openlands, an organization that plants and maintains trees in public areas throughout the Chicagoland area. We also gave \$1,700 to the American Cancer Society's Making Strides Against Breast Cancer walks. In addition to the monetary donation, we had 40 staffers participate, with additional volunteers selling 145 awareness shirts to benefit the organization. We also upped our support to the Itasca, IL, food pantry, providing nearly \$700 to help feed needy families.

We held our annual litter pickup in May. More than 35 employees each spent an hour in our industrial park collecting and properly disposing of garbage and recyclables strewn along railroad ties, bushes, and refuse areas.



This was our first year participating in Project Backpack, with 133 people (staff and family) working together to provide 220 stocked backpacks to needy children at elementary schools.

Highlights:

- Seven SMI employees participated in a University of Iowa program, filling boxes of nutritional macaroni pouches to ship to people in need.
- One employee initiated an additional food drive to support victims of domestic violence.
- We donated extra food grown in our gardens to a local food pantry.

Challenges

We fell short of a 2015 Benefit Report goal of securing more donated time involvement outside of work. While SMI volunteers always express their 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 differing 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

For 2017, we will repeat our objective of increasing community service. We know this is essential to delivering value to our communities and following through on our Guiding Principles. We also realize the reward and impact it brings to the lives of those who volunteer.



SMI team members helped raise awareness for domestic violence by collecting donations for Sarah's Inn.

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 Corporations Extended Transparent Commitments:

Statement from the Benefits Director

Solberg Manufacturing, Inc. (SMI) upheld its commitment to sustainability and continuous quality improvement throughout 2016. 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 our intended public benefit.



Travis Solberg, Benefits Director
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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.