



2022 Benefit Report

Fiscal Year 2022 | January 1 - December 31



protecting your equipment • protecting your environment

MESSAGE FROM

Charlie

2022 ended with excellent sales growth! During COVID-19, SMI was an essential company, and was needed to provide filters for food, power, and hospital industries. Supply chain problems, plus increased costs from suppliers, continued to mount. As customers stocked up to make sure they wouldn't be caught short, we did too. At Solberg, we intentionally brought in 50% more inventory than normal just to keep up with demand. Our warehouses were snug, but our people found a way to fit all incoming stock within Solberg buildings. New customers with great opportunities discovered our company. A new customer placed one of the largest single orders in Solberg's history. We're thrilled to be a part of an environmentally friendly application supplying 47 stainless steel tanks including filter elements for low pressure Renewable Natural Gas. Bring on the new customers!

CHARLIE SOLBERG



MESSAGE FROM SMI'S

Sustainability Director

In 2022 we were fresh off a record sales year, COVID-19 restrictions ended, and people were overall optimistic. Our team was fortunate to participate and be selected for the inaugural Real Leaders Eco Innovation awards, finishing 13th out of 50 top applicants. For the first time, we explored the volume of oil Solberg products capture. Our objective was to determine a way to calculate how much volume of oil we capture in discharged air from industrial equipment. We determined our filtration products captured nearly 2 million gallons of oil from contaminating the air in 2022 alone! This number was created by assigning an engineered estimate per product group. We continue to periodically refine the process since the value seems to be remarkable. Regardless, our team's efforts are truly making an environmentally friendly difference in our world.

TRAVIS SOLBERG



Our Seven P's

In 2010, Solberg defined seven key categories to track holistic efforts. Today our 7 P's are: Prosperity, People, Product, Planet, Philanthropy, Property, and Passion. The number seven in American Indian tradition indicates a dedication to making decisions with seven generations ahead in mind. Solberg focuses on long term decisions by incorporating our 7 P's in business decisions.



PROSPERITY



PEOPLE



PRODUCT



PLANET



PHILANTHROPY



PROPERTY



PASSION

B CORP

Overview

Solberg MFG in the USA was first certified in July 2011. We use the B Corp assessment as our third party public benefit score. Every 3 years B Corps administer a verified score on their assessment for each member. We received a 105.4 verified score on our last assessment. B Corps asked us to include our international entities into our overall B Corp score. We will see on our next verified report up in April of 2024. In the meantime, feel free to ask us questions and share ideas for our improvement.

<i>Category</i>	<i>Current Score</i>	<i>Previous Score</i>
<i>Governance</i>	14.9	14
<i>Workers</i>	21.8	21
<i>Customers</i>	2.8	0
<i>Environment</i>	44.1	44
<i>Community</i>	21.6	24
<i>Overall Score</i>	105.4	103

Prosperity / Governance

Our Guiding Principles provide the blueprint for prosperity to all engaged with the company.

Highlights

- Prior to our International Sales Meeting, we had an entity managers meeting at Wingspread in Racine, WI to reflect on our accomplishments, discuss areas for improvement, and finalize our next 10-year vision statement. Wingspread was created by the great architect Frank Lloyd Wright of Oak Park, IL. The concept was to be in a place representing creative ideas that change and open people's perspectives beyond their imaginations. Our people were encouraged to think beyond their current reality much like the pioneer Frank Lloyd Wright.
- COVID-19 restrictions lifted, bringing our international sales and engineering colleagues to Chicago for an in-person meeting for the first time since 2018! Traditionally, our international entity leaders and sales teams come to the Chicago area every other year to meet as a business family. 2022 was especially important as we finalized our third 10-Year Worldwide Vision statement, setting up each entity's chance to pen their respective 10-Year Visions. These inspiring Vision Statements provide the basis for our annual Strategic Plans worldwide. Suffice it to say that the entire group was fired up to put in the hard work and dedication to realize our 10-Year Vision Statement!
- The International Sales Meeting had an inter-departmental EXPO that included key suppliers for the first time. Bringing in key suppliers drove home the point that Solberg succeeds as a family (one of our Guiding Principles) where suppliers play a key role in our success and are truly a part of our business family. As Always, each department presented its contributions to Solberg using their respective Strategic Plans to inform our international teams how they contribute to the success of Solberg. Our international teams had plenty of takeaways, most importantly how essential each department was and the amazing job they do.
- Every year, we host a summer family picnic to bring all our families together celebrating and acknowledging that each one of us have families we care for and support via Solberg. Getting to know the extended families of our workers drives home how important Solberg is to our collective general welfare. This year, SMI USA had its biggest yearend holiday party yet, with 230 people in attendance, and as a result helped enrich our colleagues' relationships with each other.
- SMI utilized subsidiary Solberg Fabrication Industries (SFI), to fabricate custom tanks for customer orders more than ever. SMI is a half mile away from SFI's building, which enables us to accelerate special orders to our customers worldwide. Not only does SFI help us remain strategically cost competitive, SFI also allows us to lower our freight emissions by bulk raw material shipments.
- We maintained about 60% of our supplier spend with local suppliers within 50 miles of our location in Chicago area. This strategy helps us contribute to the local community to enhance lives, minimize shipping costs, and collaborate face to face.



We had great attendance at our annual winter holiday party.

Goals

- Employees becoming more accustomed to the Sharepoint/intranet site after it's creation in 2021.
- Maintaining better employee retention than 2022.

Challenges

- A lot of progress was made on creating an employee survey that will be distributed in 2023. A task group negotiated on every single question.
- Consistently keeping up with living wage rate throughout a year. With cost of living spiking, it takes us an extended time to catch up to the current living wage.

People / Workers

People are our most important resource.

We do what we can to make it a special place to work where people feel the company cares for them.

Highlights

- Human Resources improved our Team leads' job performances through selective course trainings such as conflict management, project management, and time management – all in Spanish and English. 23 courses were taken by 10 people. If employees cannot find time during their workday to complete training, they are encouraged to use their own time to improve their skillsets.
- This year, free biometric screenings were given out where 31 women and 27 men participated.
- TED training was administered during our International Sales and Management meetings under the backdrop of VUCA which means Volatile, Uncertain, Complex, and Ambiguous and describes the growing characteristics of the world we live in. Our objective was to give our colleagues the tools to communicate, collaborate, and problem solve together at an elevated level described by The Empowerment Dynamic (TED). By elevating the ways in which we interact with each other, our chances for success in challenging times skyrocket.
- SMI USA distributed 39 loans to its employees this year for a total of \$193,800. The Income Advance Program is used for supporting employee's family members, new car purchases, and home improvements. This program allows Solberg to safely provide emergency funds to those employees who are experiencing financial hardship. This year's contributions doubled from 2021.
- The English as a Second Language class was offered for the third consecutive year! This year's class had 14 students.



Goals

- 27 individuals participated in the Manufacturing Miles Step Program, accumulating a total of 16 million steps. Our goal in 2022 was to exceed 31 individuals.
- Keep up with paying Living Wage rate changes during a year.

Challenges

- Roll out events to include production personnel's involvement with office personnel at after-work events in Itasca.

Product / Customers

Providing Public and Environmental benefit through the Products we produce.

Highlights

Land Pollution

- We received our largest domestic Renewable Natural Gas (RNG) order in history. RNG is also known as biomethane, which is upgraded biogas. RNG is created by landfill and digesters in particular and distributed like natural gas in pipelines by pump stations. RNG reduces the dependency on natural gas extraction saving land from digging.
- Sales of filters placed in Vacuum trucks used for cleaning out utilities' spaces, worksites, and other soil remediation areas increased by 1000% to certain customers.
- We received a great order from a plastics' recycling equipment company that processes post-consumer and industrial plastics and returns them to an almost new, virgin state. Our filters remove dangerous particulate and condense harmful vapors under vacuum pressures, enabling the customer to protect and optimize the performance of its gear.

Air Pollution

- A key new customer who makes engines went from 6 oil mist filter capture system orders in 2021 to 118 in 2022. We estimate our product saved 790,454 gallons of oil mist from being emitted in 2022.
- In 2022, three of our top 10 customers were oil mist capture related. A customer that makes fuel cell generators and the previously noted RNG customer were top 10 customers in 2022.
- A new customer, in partnership with the Norwegian University of Science and Technology, created Carbon Capture Utilization for markets not previously possible using a patented fiber material. We sold them several custom solutions, including a knockout tank that separates liquid and particulate from the process. Our customer is starting off with carbon capture for oilfield flue gas, Lime and Cement production.



Filtering renewable natural gas was a big part of our success in 2022.

Noise Pollution

- A small family-owned company in the United Kingdom used a special silencer package to greatly improve noise pollution.

Water Pollution

- Oil mist capture in the marine industry is a key market of ours. Our products improve the lifespan of equipment and minimize potential oil emissions into the water and air.

Goals

- Track products sold to soil remediation industry.
- In 2022, we increased sales in 10 of 12 product categories related to oil mist capture. In 2023, we aim to increase sales in all 12 categories.

Challenges

- We are pursuing various vacuum applications requiring vapor condensing filtration. We need to bring all our knowledge together in one easy-to-access location. These applications involve chemicals that would otherwise be emitted into the atmosphere or break down equipment. Some examples include plastic extrusion, transformer oil, and EVA lamination.
- Our filter silencer category decreased in # of units sold. We must find a way to grow sales



SOLBERG

Planet / Environment

Assessing how we manage our impact on the environment through a wide range of business decisions.

Highlights

- Participated in the inaugural Real Leaders Eco Awards where we placed 13th out of 50 companies. Our environmentally and chemical-friendly material sourcing along with our oil mist capture product line all played a big part in this recognition. This Award prompted us to determine the estimated total amount of gallons of oil captured from being released into the atmosphere by Solberg products. There are 17 product categories that are within oil mist capture. They range from elements, to vacuum canisters, to blower-assisted exhaust systems, and to large, fabricated tanks.
- We have a policy of not disposing wood to landfill. Custom-sized pallets are returned to suppliers. Custom wood packaging for metal rolls is also returned. In 2022, hardwood 2x4s were being used because of supply shortages. Those were kept and used in employee's home wood burning stoves. Broken pallets are also picked up. The only wood item discarded were shards of wood.
- We have 3 Monarch waystations that have over 13 milkweeds each. Monarchs rely on milkweed as their sole source of food. The Monarch is now Officially listed as Threatened in the United States.
- We were recognized as a top leader in our size category in the last year of B Corporations' Best for the Environment award. A company must score in the top 10% of all B Corps to be recognized in this category.



Goals

- Aim to stay committed to being a responsible manufacturer, especially when it comes to reducing our environmental footprint. Our decisions regarding material use, shipping, product design, and product longevity have significant impact on resources. We will continue developing products necessary for our customers while minimizing the environmental impact they have.
- Continue to encourage suppliers to use eco-friendly materials, ship responsibly, and reduce their overall environmental footprint.

Challenges

- Now that sales travel is back to see customers face-to-face, it's challenging to compute and determine the offset amount we pay through Cool Effects, a 501c3 company. 98.5% of our expense (donation) goes to the cause!

Philanthropy / Community

Measuring our various ways of doing community outreach

Highlights

- Solberg Community Involvement Program (SCIP) had a solid increase from 248 to 400 hours of community service PTO or a 61% increase in participation from 2021.
- We partnered with a box supplier to generate Toys for Tots gifts for children for the Christmas of 2022. We filled up two large boxes which we were told was easily the most of any of their customers.
- Alliance for the Great Lakes is one of the top charities we support where Travis Solberg represented Alliance Great Lakes at a Garden Club of Barrington event to educate the guests all on the great lakes.
- Openlands, who we donate to, is the primary land use consultant for Chicago's Museum Campus green renovation. The Field Museum, a member of the campus along the lakefront and another philanthropy we support, already has converted a chunk of lawn grass to native flowers. Field Museum's change attracts butterflies, birds, and people seeking peace in nature.
- This year, we added Doctors Without Borders, UNICEF, and Global Giving to our philanthropy. Each of these groups enable us to meet our donations goals within the category of Humanities.
- The Solberg team volunteered at a FEED 6 Hunger Heroes food-packing event at Chicago's All State Arena. Our team packed 67 boxes, equaling 14,472 meals of the 100,000 overall meals packed. All meals will be distributed to local veterans in need. (See Photo)
- Philanthropy increased by 20% from 2021 which enabled us to support numerous new groups that broadened our total impact through Giving. Environmental groups maintained over 50% of all donations.
- We made a monetary donation to Ya'axche Conservation Trust who protects and improves indigenous land in southern Belize. We also donated to Frontline Resources Institute, Openlands: Nature for All Campaign, and Delta Institute. All four organizations focus on land use in low-income areas so that they too have parks, stormwater management, and other beautification. In addition, we donated to Global Giving Girls Fund who supports women in three 3rd world countries. We donate to many more groups that are heartwarming.



Our SCIP program provides paid volunteer time for our workers in order to help benefit local, non-profit organizations.

Goals

- Carry out Personal visits to the organizations to which we donate.
- Where appropriate, donate at the most effective time throughout the year instead of donating at yearend through our Donor Advised Fund.

Challenges

- Ensure that as our annual Giving budget grows, we are thoughtfully and intentionally giving via a disciplined review process.



SOLBERG

Property

Spotlighting changes in physical locations.

Highlights

- We were able to decommission our faulty FR LG battery at our Itasca location. We plan to install and commission a new ESS battery for our 1025 Hilltop location as soon as possible.
- Our onsite orchard and vegetable garden had a great year. Any employee is welcome to join the Saturday morning garden club to reap the bounty reward of fresh vegetables.



The pandemic shortages led us to over-stock on supplies, filling every extra space in our warehouses, so that our customers could continue to rely on us for timely orders.

Goals

- Buy a new Frequency Regulation Battery (FR) thereby improving the efficiency of Grid Power generation.
- Successfully generate honey from our beehives. After a banner honey distribution year last year, the 1025 beehive did not produce any honey this year. In addition to providing bees a healthy environment to thrive and make honey, fall is a special time of year distributing honey to our employees who pay for jars.

Challenges

- Installation of one hundred new solar inverters at 1025 Hilltop did not help our solar production as planned. We're reassessing and determining what our next steps will be.

Passion

Expanding our connection with one another to “Do the Right Thing”. Caring and stepping up to help each other out is in our DNA.

Highlights

- Our colleagues came together to help Reyna, who is a battling cancer. They sold chicken mole lunch plates that in total raised \$770. We also held a raffle for Tequila, which collected an additional \$1,363. Another cosmetics raffle generated \$817 more. In total \$3153 was generated by compassionate coworkers for Reyna! Through various raffles, we raised \$980 in donations for another coworker who was in need of critical surgery. We are succeeding as a Family.
- The production team organized a grab-bag Christmas party for the first time as a sign of excellent friendship at work.
- Our Sustainability manager mentored three Loyola University Chicago student groups for the Abrams Sustainable Business Challenge, where they developed pilot projects seeking a \$20,000 cash prize. Abrams Sustainable Business Challenge: Baumhart Center: Loyola University Chicago (luc.edu)
- We ranked 97th out of 200 winners in the 2022 Real Leaders award. As one of the few manufacturers, we participate in this annual responsible business award. This recognition is a testament to our commitment to making a positive impact in all aspects of our business, beyond just financial success.
- 49 of our domestic Suppliers received loaves of bread from a local Chicago delicious European bakery. This fun tradition has carried on since the 1970s.



Our annual Breast Cancer Awareness walk continues to be a success. This year we walked nearly 150 miles and raised \$3761.

Goals

- We intend on putting our guiding principles to work by creating and distributing the first employee NPS survey probing company sentiment that reveals employee engagement and satisfaction at work. The intent of the survey is to learn how we're doing from our employee's perspective and then initiate programs that improve overall happiness at work. With hard work and dedication to improving how we treat our employees; Solberg aims to have a highly engaged and high performing workforce that separates us from the pack!

Challenges

- As Solberg endeavors to grow sales, Solberg needs to become more intentional about how we interact with each other, be cognizant of communicating with each other “above the line”, and reinforce the tenants of our Company Guiding Principles.



SOLBERG

ILLINOIS BENEFIT CORPORATION Status

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 that 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

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