



2018 SUSTAINABILITY REPORT



SPECIAL POINTS OF INTEREST:

- Message from our CEO
- Zero Waste Strategy
- Energy Conservation
- Workforce Development
- People
- Financial Growth

“DMI is building a better world for ourselves and our children by providing a sustainable environment through our products, operations and personal conduct”

**Ray Yeager,
President/CEO**



Overview



Dear Stakeholder,

In previous messages I have stressed that a challenging environment is commonplace in today's business environment. Our success breeds more success in a multitude of ways. With that in mind this Annual Report outlines a small snippet of DMI Sustainability efforts for our stakeholders.

Since 2008 I have had the opportunity and privilege to speak with employees, industry groups, universities, legislators, various administrative agencies, and our board of directors regarding Sustainability. Our awareness has evolved and hopefully improved, but the bottom line is I have attempted to reinforce Culture Change.

This message illustrates our employee efforts to “make a difference.” From the board room to the shop floor, you all contribute. The entire supply chain: builders, customers and vendors contribute as well. Here are just a few examples of what YOU have accomplished over the years:

- The invention of Ductmate 35 connector was an innovative product. It became not only the company moniker, but represented the company's cornerstone business of creating high-quality HVAC accessories.
- The invention of a down set corner design further improving the consistency and sealing properties of the 35 system. A Ductmate connection system gives a nearly airtight cross connection and when installed properly reduces leakage to less than 1% at the connection.
- Sandwich Access Doors, a line of low leakage access doors.
- GreenSeam Pipe and Fittings, a product developed to target the increasingly stringent sealing requirements in commercial and residential HVAC applications. These highly efficient systems are often found in buildings with LEED certification.
- DMI Headquarters achieving Historical Landmark Status. This was a result of extensive renovations and a detailed restoration. The office was built in 1889 and is now one of the top energy efficient buildings of its time in the world. DMI is a focal point of Charleroi's downtown corridor by giving the local economy a much needed boost.
- Our employees contribute to committees in many industry associations such as the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE). ASHRAE is the prevailing authority in the HVAC industry. Ductmate has been a member of ASHRAE and the Duct Design Technical Committee for over 20 years. This committee sets the standard for design throughout the industry.
- DMI was awarded Sustainable Manufacturer of the Year in Pittsburgh in 2008. We were recognized as “THE BEST” firm in the region for our green thinking and sustainable business practices.
- The acquisition of Linx Industries, the world-leading manufacturer of the Safe System and our newest innovation – Linx 21. These self-sealing product lines meet ASHRAE Air Leakage Class 3.
- As the region's leader in Sustainability we participate in Sustainable Pittsburgh CEOs for Sustainability program. A group of senior executives dedicated to “sharing” ideas that inspire innovations for the betterment of our environment.
- DMI's Charleroi office and Monongahela facility recently committed to be aligned with the 2030 Challenge. For more on this exciting challenge check out: <https://architecture2030.org/>

These are just a fraction of the efforts since our incorporation. As you can see, we began our Sustainable quest from the very beginning.

Overview Continued

Engaging People – Changing Culture
100 DOORS – ONE MIND AT A TIME



Remember we focus on Sustainability in our Corporate Strategy through innovative products, operations, and employee engagement (i.e. Culture Change). Speaking of Culture Change, look for the next installment to include a reemergence of “100 Doors to Sustainability.” We were introduced to this model many years ago and have continually embraced the concept. It’s time to bring it back to the forefront of our discerning employees at DMI.

We commit ourselves to integrating Sustainability as a core value for DMI; protecting the health and well-being of our employees and our communities. We actively participate in every community in which we operate. We want these communities to thrive.

The future is here! If you have any questions or comments about this subject or any other topic, please feel free to correspond with me at ryeager@dmicompanies.com.

Ray Yeager, President/CEO

Zero Waste Strategy

The volatility in the recycling markets in 2018 made it abundantly clear how crucial a zero waste strategy is to DMI. Our largest production site located in Monongahela, PA has been striving toward a zero waste goal for the past seven years. In 2018 we diverted 94.49% of our waste from incineration/landfill through recycle, reuse and reduction programs and we will strive to improve our diversion rate by 1% annually.

Our waste program is continually proving to benefit the bottom line with a net profit of \$42,000 over 2017. Below are a few of the items that were recycled/reused in 2018:

- 72.49 tons of Wood recycled
- 38.69 tons of Cardboard recycled
- 20.31 tons of Single Stream (plastic bottles, paper & aluminum cans) recycle
- 4.66 tons of plastic film recycled
- 2,841 tons of metals recycled
- 65.09 tons of wood pallets reused
- 3.68 tons plastic coil spacers reused

A Green Procurement policy was implemented to acknowledge and support DMI Sustainability programs, initiatives and minimize potential environmental impact. The Procurement Department will endeavor to source and purchase green and environmentally preferred products and require packaging material for all purchased products and commodities to be of a recycled content. This policy supports the Sustainability Department initiative to reduce-reuse-recycle through minimizing the creation of waste, reusing materials and the purchase of green products wherever and whenever possible.

We have made the commitment to certify the Monongahela site by the end of the first quarter in 2019 with Total Resource Use & Efficiency (TRUE) administered by GBCI. The TRUE Zero Waste certification program is an Assessor-based program that rates how well facilities perform in minimizing their non-hazardous, solid wastes and maximizing their efficiency in the use of resources. This program is used to define, pursue and achieve zero waste goals, reduce your carbon footprint and support public health. The program goes beyond diversion numbers and focuses on the upstream policies and practices that make zero waste successful and impactful to the bottom line. Implementation of this credit system offers a platform for continual improvement that leads to attainment of advanced certification levels and aligns with sustainability’s core concepts; people, planet profit.

Lisa Pavan, Sustainability/Environmental Compliance Manager

Energy & Water Conservation

Energy conservation continues to be a focus and top priority at all of our facilities. DMI continues to take advantage of energy rebates to improve our infrastructure, while simultaneously reducing energy consumption and costs. Solar panels, LED lighting, skylights, energy efficient air compressors and occupancy motion sensors are a few examples of our continued initiatives. Below are our combined reductions for 2018:

Electric consumption - 9.59%

Water consumption -23.83%

Natural Gas consumption +74%

We continue to have success conserving electric and water, but we missed our target across all sites with natural gas usage. We addressed gas leaks and installed air curtains that quickly adjusted our usage that is already proving a nice impact and reduction for 2019.

We participated in Energy Efficiency Day with social media promotion and highlighted energy conservation at our annual Manufacturing Day with local school students.

Lisa Pavan, Sustainability/Environmental Compliance Manager

Workforce Development

At DMI, we take great pride in our innovative product design and quality production practices. We take even greater pride in the people who work here who make these things happen. A top-notch workforce is essential to any business's success and DMI has one of the best.

Like most businesses these days, DMI is facing the difficulties of finding and retaining the skilled workforce necessary to remain competitive moving forward. Industry growth and a strong economy have fueled the demand for skilled employees. Automation and technology have enabled market expansion and sales growth which has also increased the need for a skilled workforce. While automated systems now perform much of the labor intensive, more mundane tasks, more employees are being upskilled to collaborate with, operate and maintain this technology. The increase in technology requires more employees with advanced skill levels. In addition to these positive growth factors, industry is facing an aging workforce which will only add to the need for new, skilled workers as experienced workers retire.

DMI takes a proactive approach to ensuring that we continue to have the best workforce in our industry by providing a multitude of workforce development programs. We have developed multiple career paths throughout DMI and provide classroom and on-the-job training to our employees. As we continue to leverage technology to grow our business, we will provide additional training and development opportunities to enable our employees to increase their skill levels and advance in their career goals.

We also work closely with several local school districts through a variety of programs to develop our future workforce. Through programs like our annual Manufacturing Day event, BotsIQ, tours, co-ops, internships and more, we provide opportunities for area youth to learn valuable skills while experiencing a variety of wonderful career opportunities in the manufacturing industry. Several of these students have continued on to become full-fledged DMI employees with fantastic career potential. In 2018, we were recognized by the Consortium for Public Education as a "Champion of Learning" in recognition of our work to "create and support outstanding learning experiences for students across our region."

In addition to our dedication to education and career development, we are committed to safety and community. As a result of every employee's efforts, DMI was recognized by SMOHIT as a Safety Champion. Through employee donations and fundraising, our Children's Charities program contributes to multiple causes throughout the year including our 15th year of granting a wish through The Make-a-Wish Foundation. We believe strongly that by investing, not only in today's workforce, but also in the workforce of the future, we can create a better industry, a stronger workforce and a healthier community.

Katie Hager, Workforce Development Manager

People

Steve Jobs was quoted as saying “All I ask is that today, you do the best work of your life”. This is a request every employer should have of their team and one that DMI takes very seriously. In return the company provides a stable and safe workplace with a fair compensation package that includes generous health and retirement benefits.

Our team is made up of a group of individuals diverse in education, training and work experience. We each strive to do our best every day to help meet the needs of customers and goals of the Company. We continue to evolve as a group and think out of the box to improve our processes, efficiencies and cost savings.

DMI continues to be proud of its past and excited about its future. We are built on a strong foundation of ownership and senior management who have steered our path and develop those who will continue the journey. From our newest hire to 40 years of service, our team continues to adapt to changes in the industry, economy and compliance requirements. There is no doubt as we continue to grow in size and capabilities, we will face each challenge and overcome it.

In 2018, unemployment rates fell below 4% and hit a 17 year low. Through 2030, it is believed that the Baby Boomer generation is reaching age 65 at a level of 10,000 people per day. These facts are causing large gaps in the candidate pool for all companies. Each opening is a challenge to fill as competition is high and candidates are few. It also requires hiring managers to look beyond education and work experience when identifying a candidate with potential. It is now necessary to determine cultural fit and trainability as key indicators of a candidate’s suitability for a role. DMI continues to show that manufacturing in the USA isn’t going anywhere and needs great people. We are pleased to know we act with integrity in each decision made.

We have great people that do great things. Throughout our Company, we have made huge strides in being more sustainable to the earth, continue to raise money for charities that give back to the communities that we live and work in, and focus on the health and welfare of our employees and their families.

Melissa Lourimore, Human Resource Manager

Financial Growth and Stability

DMI takes pride in being a socially responsible corporate citizen and recognizes the importance of Sustainability in that role. We believe that there can most often be great harmony between environmental, ecological, and economical “sustainability”, and always strive to act in ways that ensure those harmonies. Our continued growth and financial success will never compromise our commitment to the Sustainability of future generations!

Dan Bruno, Chief Financial Officer