

DMI Companies

ANNUAL
SUSTAINABILITY
REPORT

2019

“DMI is providing solutions for a better world by improving the sustainable environment.”

Ray Yeager, President/CEO

The Year's Overview – Presented by Ray Yeager (President/CEO)

Dear stakeholder,

In previous years, I indicated how our success breeds more success in a multitude of ways. The Annual Report follows the same outline of DMI Sustainability efforts and the benefit to our stakeholders.

DMI Companies aspires to be a leader of sustainable efforts throughout the United States. We focus on sustainability in our corporate strategy through innovative products, operations, and employee engagement (i.e. culture change). A sustainable environment requires culture change. At DMI, all of our employees ***make a difference***. From the board room to the shop floor, everyone is a contributor, and everyone is an environmental steward.

Our business performance has the commitment to environmental, social and community stewardship by:

- Reducing the environmental footprint
 - Continually increasing our reduce, recycle and reuse efforts;
 - Implementing projects for waste minimization, and energy and water savings;
 - Working within the supply chain - building owners, engineers, contractors, distributors and vendors to create energy and labor-saving products.
- Engaging in sustainability issues
 - Speaking to stakeholders such as employees, industry groups, universities, legislators, community leaders, various administrative agencies, and our board of directors to promote sustainability;
 - Increasing transparency and disclosure of our sustainable performance through our Annual Sustainability Report.
- Supporting sustainable development
 - Collaborating with stakeholders to grow sustainably while considering the social, economic and environmental impact of our decisions;
 - Creating an innovative infrastructure to support our product development, our operational lean enterprise and our corporate sustainability culture.

DMI Companies began our sustainable journey from day one. We like to say, "Sustainability is in our DNA."

Our most recent (2019) accomplishment - Zero Waste to Landfill Silver certification through the U.S Green Building Council's TRUE certification process at our Monongahela Facility - was years in the making. It was made possible by our employees who dedicated their efforts to such a worthwhile endeavor. And remember, just around the corner will be other zero waste to landfill facilities 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.

By thinking and acting sustainably, we will continue to deliver excellent customer service and produce strong financial results and position the company for a strong future. The future is here! If you have any questions or comments about this subject or others, please feel free to correspond with me at RYeager@DMICompanies.com

Sustainability Strategy – Presented by Paxton Bucheral (Sustainability & Environmental Compliance Manager)

ZERO WASTE STRATEGY

In last year's annual report, we made the commitment to have our Monongahela facility certified through the Total Resource Use & Efficiency (TRUE) program, 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 by awarding credits when certain milestones are achieved. I am pleased to announce that as of March 2019, our Monongahela facility has been awarded the TRUE Silver Zero-Waste certification, reaching a waste diversion rate of 94.49%.

We aim to improve our diversion rate to over 97% over the next few years as we expand our recycling, reduction and reuse opportunities across all DMI Companies' sites. The TRUE program will be used to help us define, pursue and maximize our zero-waste goals while reducing our carbon footprint and supporting community health. Our focus will expand beyond diversion rates and look towards upstream policies and practices to put our goals within reach. Continued implementation of this program offers a platform for perpetual improvement that leads to advanced certification levels and aligns with DMI's sustainable core concepts: people, planet, and profit.

In 2018, a Green Procurement policy was enacted to support DMI's sustainability program with initiatives to minimize potential environmental impact. As of 2019, DMI's Procurement Department has received training on environmentally-preferred purchasing standards set forth by the U.S EPA. The procurement team supports our reduce-recycle-reuse efforts by minimizing the creation of waste through reduced packaging, and by buying green products containing recycled content where possible.

Our current waste program is providing a sustained benefit to the bottom line as we were able to avoid \$87,000 worth of expenses in 2019. The list below summarizes some of our recycling and reduction efforts during the calendar year:

- 2,469 tons of metal **recycled**
- 79 tons of wood **recycled**
- 44 tons (combined) of cardboard & plastic film **recycled**
- 9 tons of totes and drums **recycled**
- 59 tons of pallets **reused**
- 55 tons of steel pallets **returned** to vendor
- 5 tons of plastic steel coil spacers **returned** to vendor

Although 2019's recycling markets proved volatile, our Monongahela location was able to divert 2,751 total tons of waste from landfill - a 95.76% diversion rate. We are committed to increasing this quantity year over year and incorporating our sustainability program throughout every single DMI facility across the country.

ENERGY & WATER CONSERVATION

Energy conservation continues to be a top priority at all DMI facilities. In 2019, we took advantage of multiple energy rebates to improve our infrastructure while simultaneously reducing energy consumption and costs. Solar panels, LED lighting, skylights and energy-efficient air compressors are a few examples of our continued initiatives. Continued on the next page are our combined energy statistics in 2019:

- Electricity consumption: +5.11%
- Water consumption: -26.28%
- Natural Gas consumption: -9.85%

We remedied our excessive natural gas usage (2018) by installing air curtains and repairing gas leaks. The addition of ultra-low-flow toilets and water-efficient coffee systems at our Monongahela and Charleroi facilities have assisted in our continued reduction of water usage. Although we missed the mark on electricity consumption, we are addressing our current use of occupancy sensors and LED lighting to help us get back on track in 2020.

We continue to maximize our impact on the community's energy conservation efforts, as well. By taking advantage of energy rebates, we installed two electric vehicle charging stations at our Monongahela facility, available for public use. At our annual Manufacturing Day with local school students, we participated in Energy Efficiency Day alongside representatives from the Keystone Energy Efficiency Alliance (KEEA).

Workforce Development – Presented by Katie Hager (Workforce Development Manager)

As you probably know, DMI Companies has been investing greatly in upgrading and updating our systems, equipment and processes as part of our journey towards building the Factory of the Future. While these efforts will result in numerous improvements across DMI, the most significant benefits will directly affect our people - employees and customers.

Equipment upgrades such as fiber lasers, robotics arms and other automation features have reduced much of the labor-intensive work, improved safety and provided opportunities for employees to increase their skills and knowledge to advance on their career pathways. Instead of performing heavy lifting and rigorous manual work, these employees have been trained to operate and maintain the new automated systems that will do this work for them. Many repetitive jobs have been replaced with more exciting, higher-skilled advanced technology roles. This has resulted in many new opportunities for employees throughout DMI Companies. Just one example of this are the two Monongahela employees who are currently being trained as Maintenance Technicians so they can ensure overall machine and system efficiency around our new advanced manufacturing systems.

Implementations including DMIOne, MES, CPQ, VPI and more will integrate and optimize aging manual and automated processes to fill gaps, reduce errors, improve communication and drive process improvement. In preparation for these advancements, we have been conducting extensive training to prepare those who will be using the new systems. The result will be an improved employee and customer experience from ordering to production planning, and shipping.

In addition, automation and data analytic capabilities provided by these upgrades can help identify, control and optimize energy resources which will further our sustainability goals and provide cost-saving opportunities. The combination of these changes will better enable us to respond to change, meet customer needs, protect our environment and keep up with industry advancements. This will not only contribute to our continued profitable growth, but it will also further our position as an employer of choice and an industry leader.

Our People – Presented by Melissa Lourimore (Human Resources Manager)

Former Supreme Court Justice Oliver Wendell Holmes Jr was quoted as saying, “A mind that is stretched by a new experience can never go back to its old dimensions”. As we step into the next phase of the Industrial Revolution, Industry 4.0, we as a Company will be stretched in ways we’ve never before experienced or imagined when DMI Companies began over 40 years ago. As a company that is more broad than deep, it is those very experiences that allow all of our employees to grow and thrive professionally and personally.

In our home city of Pittsburgh, PA, Heinz 57 is a shortened form of a historical advertising slogan "57 Varieties", by the H. J. Heinz Company. It has come to mean anything that is comprised or mixed from a lot of parts or origins. That is an excellent way to describe all of the employees of DMI Companies. We are a group of individuals diverse in education, training and work experience. Each of us brings things to the table others do not have and makes the sum greater than all the parts.

DMI is rich in history and looks forward to blazing trails as we step into this new decade. We will continue to adapt to changes in the industry, economy and compliance requirements. There is no doubt we will pull together as a team to face each challenge and overcome it to allow us to continue to meet the needs of our customers and achieve the goals we have set for ourselves.

It continues to be a challenge to find and retain great people for openings for all companies in the United States due to record low unemployment rates and high demands. DMI works hard to show the world that a career in manufacturing is a path to great personal success by providing a stable and safe workplace with a fair compensation package that includes generous health and retirement benefits.

Our Ownership, Board of Directors and Senior Management are proud of the team we have built and feel confident that we will go into the future with the utmost integrity and professionalism that will allow us to continue to be the world leader in HVAC products, service and design for many, many years to come.

Financial Growth & Stability – Presented by Dan Bruno (Chief Financial Officer)

DMI Companies 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 we 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!