



# SUSTAINABILITY REPORT 2023



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# About AAON

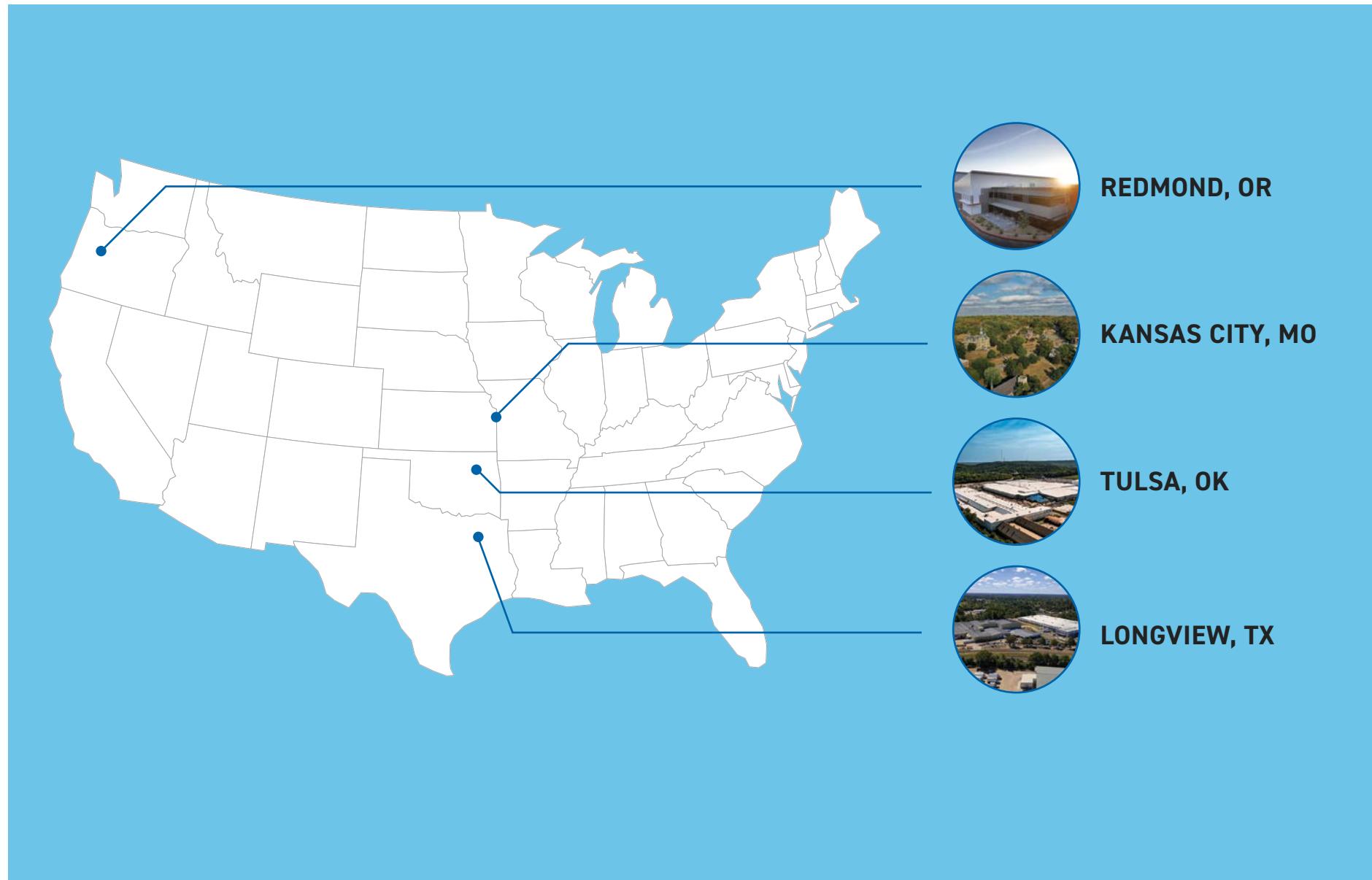
**We lead the charge  
in advancing HVAC  
innovation our world  
depends on.**

AAON, founded in 1988, is a leader in HVAC (heating, ventilation, and air conditioning) solutions for commercial and industrial indoor environments. AAON builds highly configurable HVAC equipment that answers customer-specific needs in any commercial or industrial environment. We are committed to driving the industry forward for a cleaner and more sustainable future.

Our industry-leading approach to designing and manufacturing highly configurable equipment to meet exact needs creates a premier ownership experience with greater efficiency, performance, and long-term value.

AAON is headquartered in Tulsa, Oklahoma, where its world-class innovation center and testing lab allow AAON engineers to continually push boundaries and advance the industry.

# AAON Locations





# Mission

**AAON provides premier HVAC solutions that bring long-term value to customers and owners. By leading the HVAC industry in innovation, we create tomorrow's solutions today.**



# Report Highlights



## ENVIRONMENTAL

54% Non-Fossil Fuel Consuming Units

\$43.7 Million in Sustainable Research and Design

Lower Global Warming Potential (GWP) Refrigerant Transition to R454B



## SOCIAL

30% Officer Team Diversity

3,856 Team Members

66% Overall Workforce Diversity



## BOARD OF DIRECTORS

50% Diversity

25% Female

62 Years Average Age

**\$1.2 MILLION IN CONTRIBUTIONS TO NONPROFIT PARTNERS  
OVER 100 NONPROFITS SERVED**

**\$1,168.5 MILLION IN NET SALES**

**3.4% IN FOREIGN NET SALES**



# About This Report

The 2023 AAON Sustainability/Environmental, Social, and Governance Report (ESG) Report is AAON's sixth sustainability report and covers performance for 2023. The information and data in this report are shared based on the best available information and data at publication and are subject to change. In some cases, information and data are estimated. This report was created in accordance with Sustainability Accounting Standards Board (SASB) standards with reference to Global Reporting Initiative (GRI) standards. The UN Sustainable Development Goals are also referenced.

## FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not historical facts are forward-looking statements and involve risks and uncertainties. For all of these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "confident," "outlook," "project," "should," "will," and variations of such words and other words of similar meaning or similar expressions are intended to identify such forward-looking statements.

These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Important factors that could cause results to differ materially from those in the forward-looking statements include, among others:

- market conditions and customer demand for our products;
- the timing and extent of changes in raw material and component prices;
- naturally occurring events, pandemics, and other disasters causing disruption to our manufacturing operations, product deliveries, and production capacity;
- the impact caused by inflationary cost pressures, national, or global health issues, such as the coronavirus pandemic ("COVID-19"), any variants or similar outbreaks (including the response thereto) and their effects on, among other things, demand for our products, supply chain disruptions, our liquidity and financial position, results of operations, stock price, payment of dividends, our ability to secure new orders, our ability to convert backlog to revenue, and impacts to the operations status of our facilities;
- natural disasters and extreme weather conditions, including, without limitation, their effects on locations where our products are manufactured;

- the effects of fluctuations in the commercial/industrial new construction market;
- the timing of introduction and market acceptance of new products;
- the timing and extent of changes in interest rates, as well as other competitive factors during the year;
- general economic, market, or business conditions;
- credit worthiness of our customers and their access to capital;
- changing technologies;
- the material failure, interruption of service, compromised data or information technology security, phishing emails, cybersecurity breaches or other impacts to our information technology and related systems and networks (including any of the foregoing of third-party vendors and other contractors who provide information technology or other services);
- costs and results of litigation, including trial and appellate costs;
- economic, market, or business conditions in the specific industry and market in which our businesses operate;
- future levels of capital expenditures, R&D, and indebtedness, including, without limitation, our ability to reduce indebtedness and risks associated with the same;
- legal, regulatory, and environmental issues, including, without limitation, compliance of our products with mandated standards and specifications; and
- integration of acquired businesses and our ability to realize synergies and cost savings.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. Except as required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events, occurrences, or developments after the date on which such statement is made. For a discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, please see Item 1A "Risk Factors" included in this Annual Report on Form 10-K, and as otherwise disclosed from time to time in our other filings with the SEC.

# From the CEO

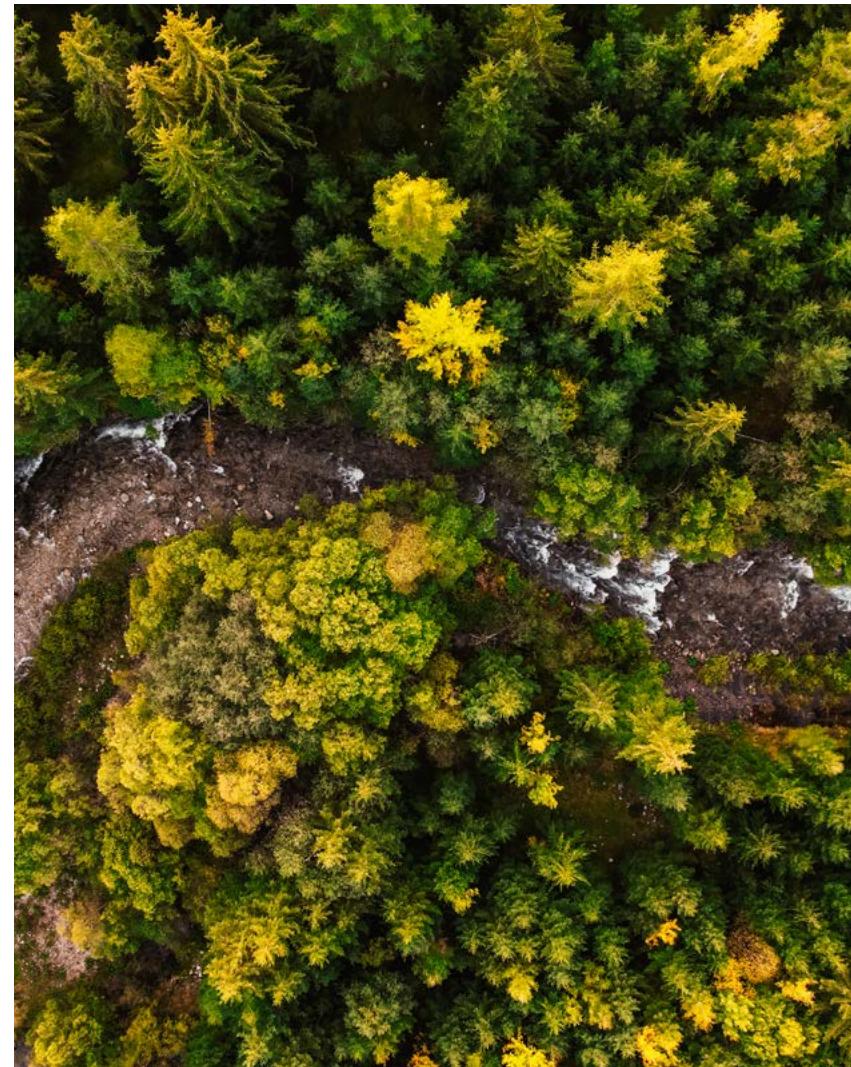
To all our stakeholders, including our employees, customers, sales channel partners, supplier vendors, and stockholders:

I am pleased to report that AAON is committed more than ever to our Environmental, Social, and Governance principles. Our journey toward sustainability and resilience has been steady since the Company began. We continue to evolve our approach to address critical challenges and persist in improving the transparency of our sustainability strategy.

Leading the industry with superior energy-efficient equipment has always been at the forefront of the Company. Just as important, is reducing our scope 1 and 2 emissions, advancing our inclusion and diversity efforts, and improving our corporate governance. At AAON, we strive to be the best stewards of society and we made another leap in our objective in 2023.

As the environment becomes more of a focus in global society due to climate change, the commercial HVAC industry is responsible for developing more sustainable, energy-efficient products. In the U.S., commercial buildings consumed approximately 17% of total energy consumption in 2022 and made up about 16% of carbon emissions, per the Energy Information Administration. Advancing technologies enable the industry to improve building operations and reduce energy consumption and carbon emissions. AAON has been a leader in the decarbonization objectives by producing the most energy-efficient equipment in the North American packaged rooftop market.

Most of our direct competitors in this market manufacture basic equipment that is much less energy efficient.



Leading up to January 1, 2023, at which time the Department of Energy required all HVAC equipment to meet a higher minimum energy efficiency standard, AAON was not required to alter any of its designs because all its equipment had met the standards for several years. On the contrary, the regulation forced much of the rest of the industry to make significant upgrades to their equipment as a significant percentage had not met the new standards.

In 2023, AAON went further by making significant investments and advancements with its heat pump technology. In our view, heat pumps are the likely solution to further progression in decarbonizing buildings as they are fully electric and very energy efficient. Currently, no federal incentives or regulations are driving the transition to this technology in the commercial HVAC industry; however, AAON believes it is responsible for leading in this effort. Until recently, all heat pumps on the market were designed to operate down to only 25 to 30 degrees Fahrenheit, excluding the technology as a solution for most of North America. AAON released its newly branded heat pump called the Alpha Class, which is now the only heat pump on the market today that is operable down to zero degrees Fahrenheit. Furthermore, the Company is in the middle of developing a heat pump capable of operating at much colder temperatures than zero degrees. Most HVAC equipment designed for heating today, which makes up approximately 63% of AAON's sales and a similar percentage of the market's sales, is currently fueled with natural gas. Therefore, this progress is pivotal in significantly decreasing the environmental impact of our customers' buildings and achieving our 2030 objective of deriving 80% of our revenue from HVAC equipment powered by non-fossil fuels.

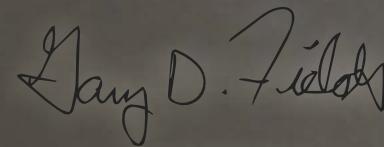


In addition to the achievements we have made with product development, we have made great strides in reducing our carbon footprint. In 2023, we announced a milestone in our sustainability journey, activating more than 400 solar panels on the roof of The Exploration Center, a net-zero facility using advanced building systems, including photovoltaic (solar) electricity generation, geothermal fields, and AAON high-efficiency heat pumps, while providing a world-class experience for visitors and customers. It is one of the most sustainable, energy-efficient buildings in Tulsa, Oklahoma.

We also continue to focus on advancing our social and governance principles. Our operations at every one of our facilities are part of a community where team members live and work. We are honored to in turn apply our talents and resources, giving back to the vitality of our communities. In 2023, our AAON Serves program saw the highest level of team member engagement through AAON Giving Campaigns, volunteer hours, and other contributions to more than 100 nonprofit partners.

I want to emphasize our work toward our unified AAON culture. Teamwork and collaboration are the heartbeat of great companies, and we must continue to focus on these principles in the ongoing effort to improve how we do business every day. Creating the best employee experience and aligning our leaders to support our global operations will lead us to long-term sustainability. As we manage AAON's rapid growth, we remain committed to ensuring all aspects of the business are harmonized and working cohesively towards a bright future for everyone.

I am proud of the progress we are making in positioning the Company for long-term sustainability. We will continue to lead the industry in developing the most energy-efficient HVAC equipment in the world for an economical cost. In doing so, AAON is making a positive impact on the environment and people, and we are leveraging our resources and abilities to make the world a better place.



Chief Executive Officer, AAON



# Timeline

## 1988

AAON, an Oklahoma corporation, was founded.  
Purchase of John Zink Air Conditioning Division.

# AAON

## 1989

AAON purchased, renovated, and moved into a 184,000 square foot plant in Tulsa, Oklahoma.  
Introduced a new product line of rooftop heating and air conditioning units 2-140 tons.



## 1990

Listed on NASDAQ Small Cap—Symbol "AAON".

## 1991

Formed AAON Coil Products, a Texas Corporation, as a subsidiary to AAON, Inc. (Nevada) and purchased coil making assets of Coil Plus.

## 1992

AAON acquires Coils Plus, Inc. and renovates the 110,000 square foot plant in Longview, Texas.



## 1993

Listed on the NASDAQ National Market System.

## 1996

Purchased 40 acres with 457,000 square foot plant and 22,000 square foot office space located across from the Tulsa facility.

## 1998

AAON yearly shipments exceed \$100 million.  
Received U.S. patent for Dimple Heat Exchanger Tube.



## 1999

Completed Tulsa, Oklahoma and Longview, Texas plant additions yielding a total exceeding one million square feet.

## 2001

Introduced evaporative-cooled condensing energy savings feature.



# Timeline

**2003**

Started production of polyurethane foam-filled double-wall construction panels for rooftop and chiller products using newly purchased manufacturing equipment.

**2010**

AAON RQ Series win ACHR News Dealer Design award.  
AAON RN Series rooftop unit named 2010 Product of the Year—Silver by Consulting-Specifying Engineer Magazine.

**2015**

AAON Low Leakage Dampers voted “Product of the Year” by Consulting-Specifying Engineer Magazine.



**2018**

AAON acquires WattMaster Controls, Inc.



**2019**

AAON breaks ground on new facility in Longview, Texas.  
AAON opens Norman Asbjornson Innovation Center.



**2020**

Founder Norman H. Asbjornson transitions to Executive Chairman. Gary D. Fields assumes new role as CEO.  
AAON exceeds \$500 million in sales.

AAON RN Series with Variable Speed Compressors voted “Most Valuable Product”.

**2021**

AAON introduces new low ambient air-source heat pump rooftop units.

AAON introduces the Mobile Experience tour trailer.

AAON RZ Series Rooftop Unit named “Product of the Year” by readers of Consulting-Specifying Engineer Magazine.

AAON acquires BASX Solutions.

**2022**

AAON Zero Degree Cold Climate Air-Source Heat Pumps win ACHR Dealer Design award.

AAON exceeds \$880 million in sales.



**2023**

Grand opening of the Exploration Center.  
AAON Longview announces new expansion plans for 230,000 square foot facility.



AAON launches Alpha Class.  
AAON exceeds \$1 billion in sales.



**BASX**



# Business

AAON provides highly configurable HVAC units, offering solutions tailored to customer-specific needs in any commercial or industrial environment. We are committed to driving the industry forward through the design, manufacturing, and rigorous testing of premium HVAC equipment. Our products serve the commercial, industrial, data center cooling solutions, clean-room new construction, and replacement markets within the HVAC equipment industry.

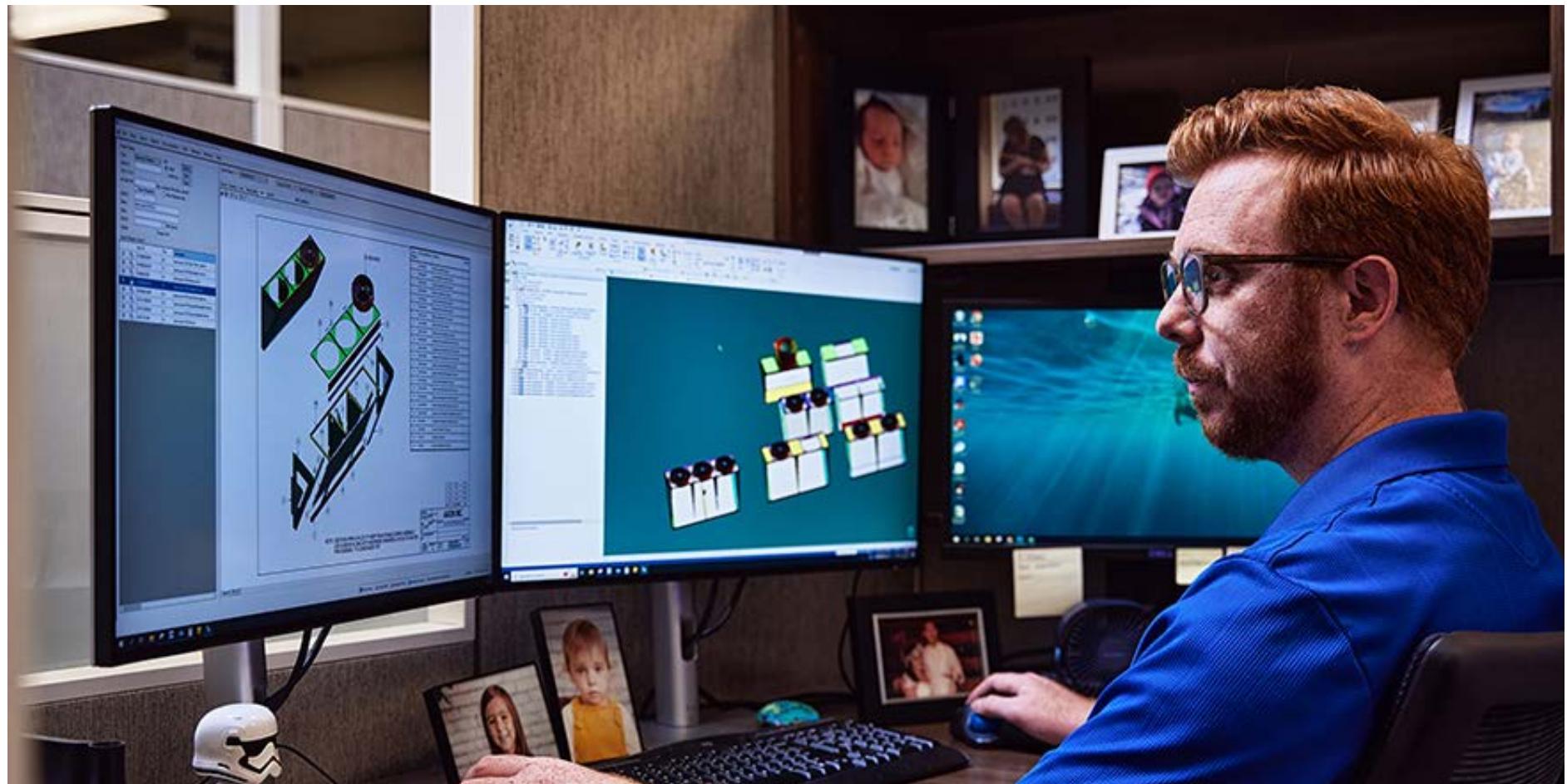
Our business strategy involves mass customization, using flexible computer-aided manufacturing systems to produce standard, semi-custom, and custom equipment. This is achieved by combining the low unit costs of mass production processes with the flexibility of individual customization.

In collaboration with our independent sales offices, we design and manufacture precise semi-custom HVAC products that best serve our customers' needs. In 2023, we made significant improvements and refinements to our sales channels with training and additional support materials. Courses offered include new sales representative training and Masters of HVAC giving this team the opportunity to become solution providers, using AAON as one of the solutions in their toolkits. As of April 2023, our sales force has access to tremendous resources for themselves and their customers at our newly opened Exploration Center in Tulsa, OK.



Our Exploration Center has allowed AAON to transition from being strictly an engineering company providing solutions through manufacturing, to becoming more marketing focused. This marketing strategy enables customers to see the interior components of AAON units, including demonstrations of the processes and components that drive higher performance and greater efficiency. Our product mix, coupled with continued investment in R&D (R&D), underscores AAON's commitment to energy efficiency and improved indoor air quality.

Our dedication to designing and manufacturing innovative HVAC products of the highest quality, efficiency, and performance extends to meeting certification standards of relevant standard-setting bodies, including the American Society of Heating, Refrigeration and Air-Conditioning Engineers ("ASHRAE"), the Air-Conditioning, Heating, Refrigeration Institute ("AHRI"), the American National Standards Institute ("ANSI"), the Air Movement and Control Association ("AMCA"), and the International Organization for Standardization ("ISO").



# Properties

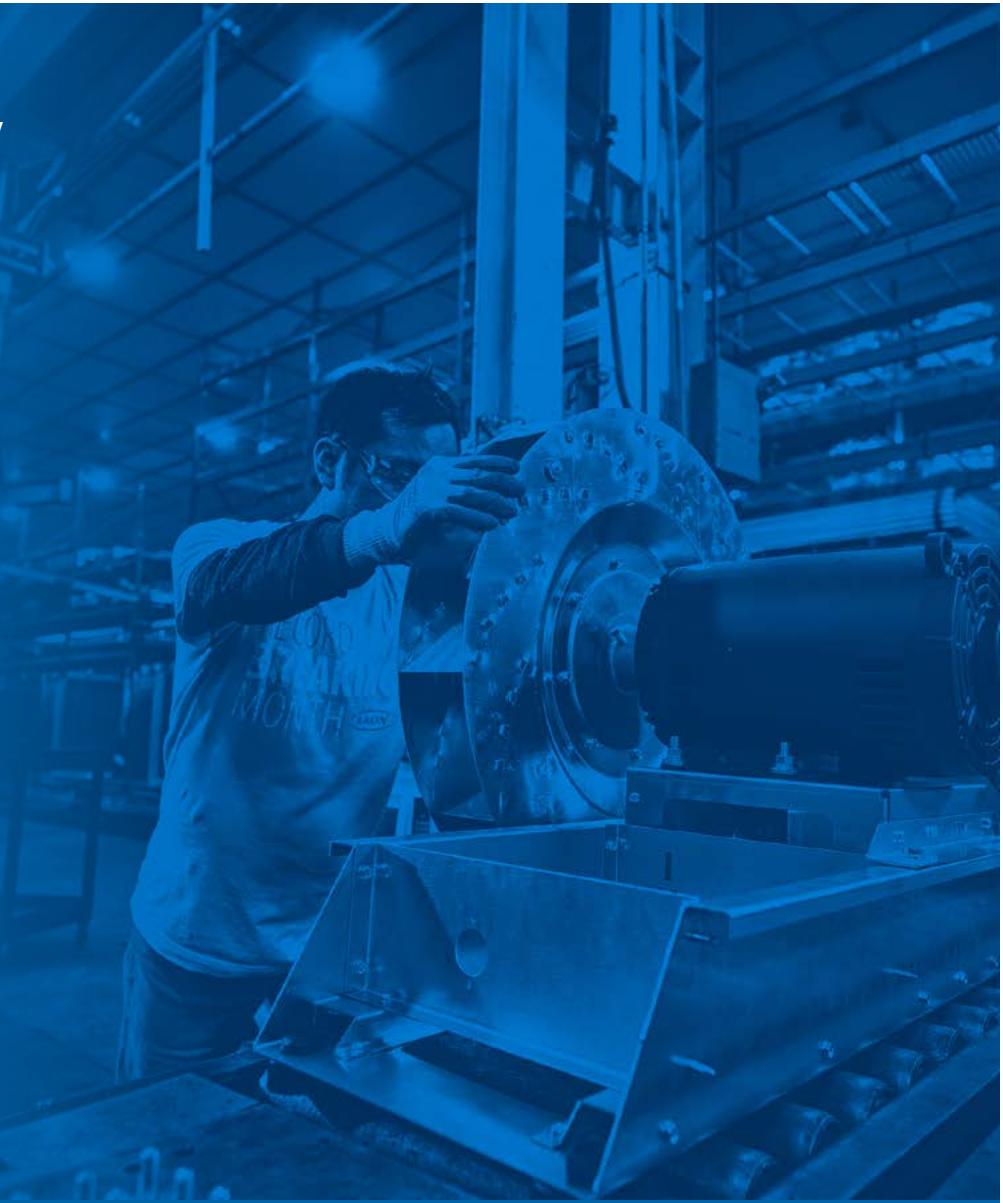
AAON has a strong focus on continuous capital investment for facility improvement. Our manufacturing areas are heavy industrial type buildings, with some coverage by overhead cranes, containing manufacturing equipment designed for sheet metal fabrication, metal stamping, and tube forming.

The manufacturing equipment within the facilities consists primarily of:

- Automated sheet metal fabrication equipment, supplemented by presses and tube bending equipment.
- Assembly lines of cart and roller-type conveyor lines with variable line speed adjustment.

AAON owns and leases our properties and facilities, as described below. All facilities are well maintained and are in good condition, suitable for the conduct of our business. Subassembly areas and production line staffing are based upon line rates set by production management.

An internal committee conducts consistent and comprehensive evaluations of all underutilized spaces. The most recent findings revealed that more than 35% of space could be repurposed for valuable uses and for construction of additional buildings at our Tulsa location.



## AAON TULSA

### 2425 South Yukon Avenue – Tulsa, OK

One of our plant and office facilities is a 342,000 square foot building on a 12-acre tract of land.

- 327,000 square feet of manufacturing/warehouse space
- 15,000 square feet of office space

Across the street from the original facility are additional facilities on approximately 79-acre tract of land (2440 South Yukon Avenue).

- 940,000 square foot manufacturing/warehouse building
- 70,000 square foot office building
- 40,000 square foot building used as warehouse space located on a 6-acre tract

In 2023, we acquired an additional 17-acre tract of land adjacent to the east side of the current 12-acre tract. We also lease a 198,000 square foot warehouse space which is used for additional inventory storage.

Our AAON Administration buildings and warehouse are located east of our Yukon Avenue location at 1602 W 21st Street and 2020 S Union Ave W in Tulsa.

- Human Resources Building – 13,384 square feet
- Accounting Building – 22,111 square feet
- Planned AAON Academy – 12,000 square feet
- Warehouse – 52,904 square feet

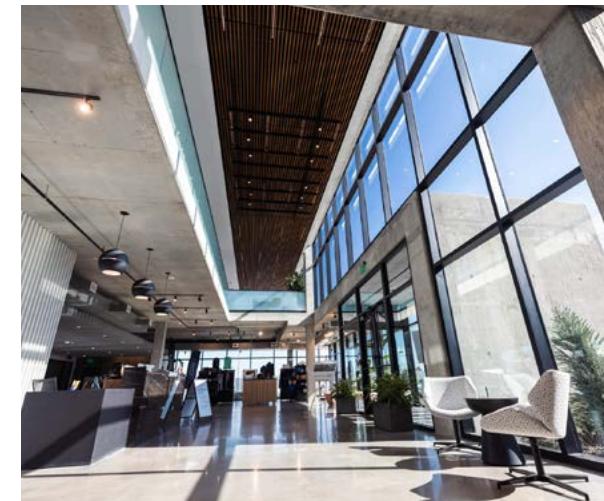




## NORMAN ASBJORNSON INNOVATION CENTER ("NAIC")

The NAIC is a 134,000 square foot stand alone engineering R&D laboratory located on the AAON Tulsa property.

- A three-story acoustical and performance measuring laboratory.
- 12 test chambers, allowing AAON to meet and maintain industry certifications.



## THE EXPLORATION CENTER

The Exploration Center is AAON's newest building at its Tulsa location. The 28,000 square foot facility is adjacent to The NAIC and is a net-zero facility.

- Provides an immersive and educational experience displaying AAON products in a side-by side comparison with competitors' products.
- Serves as an event hub for our stakeholders, our customers, team members, representatives, and investors.

### Building Award:

- ABC 2023 Excellence in Construction Award by the Fleming Construction Group



## AAON RETAIL PARTS STORE

### 9528 East 51st Street – Tulsa, OK

In addition to a retail parts store location at our Tulsa facilities, we own a 13,500 square foot stand-alone building on approximately one acre of land which is utilized as an additional retail parts store, providing customers more accessibility to our products.

- 7,500 square foot warehouse
- 6,000 square foot office space



## AAON KANSAS CITY

### 8500 NW River Park Drive – Parkville, MO

Our AAON Controls design and manufacturing operations are conducted in a leased plant/office near Kansas City in Parkville, Missouri. In October 2022, we modified the existing lease to increase our manufacturing and office space to approximately 86,000 square feet. During mid-2023, we began utilizing this additional space for manufacturing operations.

## AAON LONGVIEW

### 203 Gum Springs Road – Longview, TX

One of our facilities in Longview, Texas, consists of a 263,000 square foot building located on a 13-acre tract of land.

- 256,000 square feet of manufacturing/warehouse space
- 7,000 square feet of office space

A second facility consists of a 222,000 square foot building located on an approximately 22-acre tract of land.

- 210,000 square feet of manufacturing/warehouse space
- 12,000 square feet of office space

In April 2023, we broke ground on an expansion to our 222,000 square foot building. The expansion consists of 237,500 square feet of office and manufacturing space dedicated to unit production. We expect to be able to use this space in late 2024.

## RETAIL PARTS STORE AND ADDITIONAL WAREHOUSE

AAON also owns a 5,000 square foot building utilized as a retail parts store which we lease to a Representative of the Company.

In January 2023, we purchased additional property of 64,000 square feet of warehouse space on a 10-acre tract of land at 115 Kodak Boulevard in Longview, Texas.





## BASX

### 3500 SW 21st Place – Redmond, OR

Our facility in Redmond, Oregon, consists of a 194,000 square feet building on a 13-acre tract of land.

- 169,000 square feet of manufacturing/warehouse space
- 25,000 square feet of office space

We purchased an additional property of approximately one-acre adjacent to our plant and office building to facilitate future growth of our operations. In 2023, we broke ground on an approximately 30,000 square foot fabrication facility on this property. We expect to be in operation in this facility in late 2024.

## LEASED PROPERTIES

We lease several properties near our Redmond, Oregon location. These properties contain approximately 104,500 square feet of warehouse space. We also lease approximately 4,000 square feet of office space located at 1725 Blankenship Road, West Linn, Oregon.

# Risk Factors

The following risks and uncertainties may affect our performance and results of operations. The discussion below contains "forward-looking statements" as outlined in the Forward-Looking Statements section above.

Our ability to mitigate risks may cause our future results to materially differ from what we currently anticipate. Also, our competitors' ability to react to material risks will affect our future results.

## RISKS RELATED TO THE COVID-19 PANDEMIC

**Our business, results of operations, financial condition, cash flows, and stock price can be adversely affected by pandemics, epidemics, or other public health emergencies, such as COVID-19.**

In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The outbreak resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments, school closures, vaccination or testing mandates, and other measures. In addition, governments, and central banks in several parts of the world enacted fiscal and monetary stimulus measures to counteract the impacts of COVID-19.

We are considered a critical infrastructure industry, as defined by the U.S. Department of Homeland Security. Although we have continued to operate our facilities to date consistent with federal guidelines and state and local orders, the outbreak of COVID-19 and any preventive or protective actions taken by governmental authorities may have a material adverse effect on our operations, supply chain, customers, and transportation networks, including business shutdowns or disruptions. During 2023, 2022, and 2021 we experienced some price increases in our components and raw materials, which appear to be a result of COVID-19 and subsequent inflation, as well as supply chain challenges related to certain manufacturing parts.

Even though the COVID-19 pandemic has subsided, we may experience materially adverse impacts to our business due to any resulting economic recession or depression. Additionally, concerns over the economic impact of COVID-19 have caused extreme volatility in financial and other capital markets which may adversely impact our stock price and our ability to access capital markets. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this Annual Report, such as those relating to our products and financial performance.



## RISKS RELATED TO OUR BUSINESS

### **Our business can be hurt by economic conditions.**

Our business is affected by a number of economic factors, including the level of economic activity in the markets in which we operate. Sales in the commercial and industrial new construction markets correlate to the number of new homes and buildings that are built, which in turn is influenced by cyclical factors such as interest rates, inflation, consumer spending habits, employment rates, and other macroeconomic factors over which we have no control. In the HVAC business, a decline in economic activity as a result of these cyclical or other factors typically results in a decline in new construction and replacement purchases which could impact our sales volume and profitability.

### **Our results of operations and financial condition could be negatively impacted by the loss of one or more major customers.**

From time to time in the past we derived a significant portion of our sales from a limited number of customers, and such concentration may continue in the future. The loss of, or significant reduction in sales to significant customers (or a related portfolio group of customers) could have a material adverse effect on our results of operations, financial condition, and cash flow. Further, the addition of new major customers in the future could increase our customer concentration risks as described in Form 10-K.

### **Our results of operations and financial condition could be negatively impacted by the loss of a major third-party representative.**

We are dependent on our third-party representatives to market and sell our products. If such relationships were terminated or impaired for any reason, it could materially and adversely affect our ability to generate revenues and profits. Certain of our competitors with greater financial resources than us could target our third-party representatives for exclusive sales channels. We may not be able to secure additional third-party representatives who will effectively market our products in certain geographical areas. In addition, adding new representatives requires additional administrative efforts and costs. If we are unable to establish new representative relationships or continue current relationships, or terminate and replace our third-party representatives, our business, financial condition, and results of operations could be materially and adversely affected.

### **We may incur material costs as a result of warranty and product liability claims that would negatively affect our profitability.**

The development, manufacture, sale, and use of our products involve a risk of warranty and product liability claims. Our product liability insurance policies have limits that, if exceeded, may result in material costs that would have an adverse effect on our future profitability. An excess of or significant claim(s) could lead to the cancellation of our policies and the loss of and inability to find additional insurance carriers. In addition, warranty claims are not covered by our product liability insurance and there may be types of product liability claims that are also not covered by our product liability insurance.

**We depend on our senior leadership team and the loss of our Chief Executive Officer or one or more key employees or an inability to attract and retain highly skilled employees could adversely affect our business.**

Our success depends largely upon the continued services of our officers and senior leadership team. In particular, our Chief Executive Officer ("CEO"), Gary D. Fields, is critical to our vision, strategic direction, culture, and overall business success. Furthermore, Mr. Fields' extensive industry knowledge and sales-channel experience would be difficult to replace. We also rely on our senior leadership team in the areas of R&D, marketing, production, sales, and general and administrative functions. From time to time, there may be changes in our senior leadership team resulting from the hiring or departure of senior leadership team members, which could disrupt our business. While we have a robust succession plan in place for each one of our officers and senior leadership team members, the loss of one or more could have a serious adverse effect on our business.

We do not maintain key-man insurance for Gary D. Fields or any other member of our senior leadership team. Other than the employment agreements negotiated with certain employees of BASX, we do not have employment agreements with our officers or senior leadership team members that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The employment agreements with the employees of BASX guarantee certain compensation, such as salary and benefits, and employment terms. We do not believe the terms or conditions of these agreements are outside the standard expectation of another employee at a similar level.

**Operations may be affected by natural disasters, especially since most of our operations are performed at a single location.**

Natural disasters such as tornadoes, ice storms, and fires, as well as accidents, acts of terror, infection, and other factors beyond our control could adversely affect our operations. Our facilities are in areas where tornadoes are likely to occur, and the majority of our operations are at our Tulsa, Oklahoma facilities. With the acquisition of BASX in 2021, we now have operations in an area that is, historically, impacted by wildfires. The effects of natural disasters and other events could damage our facilities and equipment and force a temporary halt to manufacturing and other operations, and such events could consequently cause severe damage to our business. We maintain insurance against these sorts of events; however, this is not guaranteed to cover all the losses and damages incurred. Furthermore, we may experience significant increases in our insurance premium costs in relation to these matters that may have a material adverse effect upon our business, liquidity, financial condition, or results of operations.

**If we are unable to hire, develop, or retain employees, it could have an adverse effect on our business.**

We compete to hire new employees and then seek to train them to develop their skills. We may not be able to successfully recruit, develop, and retain the personnel we need. Unplanned turnover or failure to hire and retain a diverse, skilled workforce could increase our operating costs and adversely affect our results of operations.

**Variability in self-insurance liability estimates could impact the results of operations.**

We self-insure for certain employee health insurance and workers' compensation insurance coverage up to a predetermined level, beyond which we maintain stop-loss insurance from a third-party insurer. Our aggregate exposure varies from year to year based upon the number of participants in our insurance plans. We estimate our self-insurance liabilities using an analysis provided by our claims administrator and our historical claims experience. Our accruals for insurance reserves reflect these estimates and other management judgments, which are subject to a high degree of variability. If the number or severity of claims for which we self-insure increases, it could cause a material and adverse change to our reserves for self-insurance liabilities, as well as to our earnings.

## RISKS RELATED TO OUR BRAND AND PRODUCT OFFERINGS

### We may not be able to compete favorably in the highly competitive HVAC business.

Competition in our various markets could cause us to reduce our prices or lose market share, which could have an adverse effect on our future financial results. Substantially all of the markets in which we participate are highly competitive. The most significant competitive factors we face are product reliability, product performance, service, manufacturing lead-times, and price, with the relative importance of these factors varying among our product line. Other factors that affect competition in the HVAC market include the development and application of new technologies and an increasing emphasis on the development of more efficient HVAC products. Moreover, new product introductions are an important factor in the market categories in which our products compete. Several of our competitors have greater financial and other resources than we have, allowing them to invest in more extensive R&D. We may not be able to compete successfully against current and future competition and current and future competitive pressures faced by us may materially adversely affect our business and results of operations.

### We may not be able to successfully develop and market new products.

Our future success will depend upon our continued investment in research and new product development and our ability to continue to achieve new technological advances in the HVAC industry. Our inability to continue to successfully develop and market new products or our inability to implement technological advances on a pace consistent with that of our competitors could lead to a material adverse effect on our business and results of operations. Furthermore, our continued investment in new product development may render certain legacy products and components obsolete resulting in increased inventory obsolescence expense that may have a material adverse effect upon our financial condition or results of operations.

## RISKS RELATED TO MATERIAL SOURCING AND SUPPLY

### We may be adversely affected by problems in the availability, or increases in the prices, of raw materials and components.

Problems in the availability, or increases in the prices, of raw materials or components could depress our sales or increase the costs of our products. We are dependent upon components purchased from third parties, as well as raw materials such as steel, copper, and aluminum. Occasionally, we enter into cancelable and non-cancelable contracts on terms from six to 18 months for raw materials and components. However, if a key supplier is unable or unwilling to meet our supply requirements, we could experience supply interruptions or cost increases, either of which could have an adverse effect on our gross profit.

### We risk having losses resulting from the use of non-cancelable contracts.

Historically, we have attempted to limit the impact of price fluctuations on commodities by entering into non-cancelable contracts with our major suppliers for periods of six to 18 months. We expect to receive delivery of raw materials from our contracts for use in our manufacturing operations. These contracts are not accounted for using hedge accounting since they meet the normal purchases and sales exemption. The use of such contracts could cause us to forego the economic benefits we would otherwise realize if prices were to change in our favor. Additionally, should there be a downturn in the market, we could be committed to purchase more materials than necessary for our production and carry excess inventory which could result in additional costs to the business.



## RISKS RELATED TO ELECTRONIC DATA PROCESSING AND DIGITAL INFORMATION

### **Our business is subject to the risks of interruptions by cybersecurity attacks.**

We depend upon information technology infrastructure, including network, hardware, and software systems to conduct our business. Despite our implementation of network and other cybersecurity measures, our information technology system and networks could be disrupted due to technological problems, a cyber-attack, acts of terrorism, severe weather, a solar event, an electromagnetic event, a natural disaster, the age and condition of information technology assets, human error, or other reasons. To date, we have not experienced a material impact to our business or operations resulting from cyber-security or other similar information attacks, but due to the ever-evolving attack methods, as well as the increased amount and level of sophistication of these attacks, our security measures may not be adequate to protect against highly targeted sophisticated cyber-attacks, or other improper disclosures of confidential and/or sensitive information. Additionally, we may have access to confidential or other sensitive information of our customers, which, despite our efforts to protect, may be vulnerable to security breaches, theft, or other improper disclosure. Any cyber-related attack or other improper disclosure of confidential information could have a material adverse effect on our business, as well as other negative consequences, including significant damage to our reputation, litigation, regulatory actions, and increased cost.

### **We are reliant on information technology.**

We are reliant on information technology in all aspects of our business, operated and maintained by the Company as well as under control of third parties. If we do not invest sufficient capital in a timely manner to acquire, develop, or implement new information technologies or maintain or upgrade current information technologies, we could suffer outages as well as be at a competitive disadvantage within our industry which could have a material adverse effect upon our financial condition and results of operations.



## RISKS RELATED TO GOVERNMENTAL REGULATION AND POLICIES

**Exposure to environmental liabilities could adversely affect our results of operations.**

Our future profitability could be adversely affected by current or future environmental laws. We are subject to extensive and changing federal, state, and local laws and regulations designed to protect the environment in the United States and in other parts of the world. These laws and regulations could impose liability for remediation costs and result in civil or criminal penalties in case of non-compliance. Compliance with environmental laws increases our costs of doing business. Because these laws are subject to frequent change, we are unable to predict the future costs resulting from environmental compliance.

**We are subject to potentially extreme governmental regulations and policies.**

We always face the possibility of new governmental regulations, policies, and trade agreements which could have a substantial or even extreme negative effect on our operations and profitability. Several intrusive component part governmental regulations are in process. If these proposals become final rules, the effect would be the regulation of compressors and fans in products for which the Department of Energy does not have current authority. This could affect equipment we currently manufacture and could have an impact on our product design, operations, and profitability.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as "conflict minerals," originating from the Democratic Republic of Congo and adjoining countries. As a result, in August 2012, the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals in their products. Accordingly, we began our reasonable country of origin inquiries in fiscal year 2013, with initial disclosure requirements beginning in May 2014. There are costs associated with complying with these disclosure requirements, including for due diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes, or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply, and pricing of materials used in our products. As there may be only a limited number of suppliers offering "conflict free" conflict minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

Our operations could be negatively impacted by new legislation as well as changes in regulations and trade agreements, including tariffs and taxes. Unfavorable conditions resulting from such changes could have a material adverse effect on our business, financial condition, and results of operations.

**We are subject to adverse changes in tax laws.**

Our tax expense or benefits could be adversely affected by changes in tax provisions, unfavorable findings in tax examinations, or differing interpretations by tax authorities. We are unable to estimate the impact that current and future tax proposals and tax laws could have on our results of operations. We are currently subject to state and local tax examinations for which we do not expect any major assessments.

	<p><b>We are subject to international regulations that could adversely affect our business and results of operations.</b></p>	<p>Due to our use of Representatives in foreign markets, we are subject to many laws governing international relations, including those that prohibit improper payments to government officials and commercial customers, and restrict where we can do business, what information or products we can supply to certain countries, and what information we can provide to a non-U.S. government, including but not limited to the Foreign Corrupt Practices Act, U.K. Bribery Act, and the U.S. Export Administration Act. Violations of these laws, which are complex, may result in criminal penalties or sanctions that could have a material adverse effect on our business, financial condition, and results of operations.</p>
	<p><b>Changes in legislation or government regulations or policies could adversely affect our results of operations.</b></p>	<p>Our sales, gross margins, and profitability could be directly impacted by changes in legislation or government regulations or policies. Specifically, changes in environmental and energy efficiency standards and regulations related to global climate change are being implemented to curtail the use of hydrofluorocarbons which are used in refrigerants that are essential to many of our products. Our inability or delay in developing or marketing products that match customer demand while also meeting applicable efficiency and environmental standards may negatively impact our results.</p> <p>We are transitioning to a new refrigerant with lower global warming potential for our HVAC systems and must be fully compliant under current governmental regulations by 2025. We expect to incur costs associated with this transition related to the purchase of the new refrigerant as well as additional sensors and detectors on our HVAC systems. In addition, we expect to incur costs to our facilities, specifically costs to store and use the new refrigerant in production; however, we do not expect these costs to be significant. Due to the increased flammability of the new refrigerant, the insurance industry may require higher premiums for companies once the conversion begins. Furthermore, due to the expected increased demand of the newer refrigerants as well as the older hydrofluorocarbon refrigerants (as they are phased out), we expect to see increased manufacturing costs related to purchases of refrigerants and could see higher costs for future warranty claims. As with any significant regulatory change, delays or other changes to implementation timing could also have a negative impact on our operations and profitability.</p> <p>Additionally, regulations that reduce or eliminate the use of fossil fuels such as natural gas and propane may reduce or eliminate sales of gas fired equipment for which AAON holds a strong market position. This will result in a shift to more air- and water-cooled heat pump type units to provide space heating. This shift in product line could affect production productivity, material costs, and aftermarket warranty costs.</p> <p>Future legislation or regulations relating to environmental policies, product certification, product liability, taxes, amount and availability of tax incentives, and other matters may impact the results of each of our operating segments and our consolidated results.</p>
	<p><b>We are subject to climate-related risks.</b></p>	<p>As climate change continues to be a challenge across the globe, AAON recognizes there are risks specifically related to climate. There could be stricter regulations on refrigerants, energy efficiency, and the use of fossil fuels. The price of electricity could increase, or the Company's operations could be affected by climate change related weather events or water shortages. These risks could impact the Company on a short-term or long-term basis.</p>

# Materiality

In a world marked by continuous change, we consistently evaluate and align our strategy and reporting with a wide range of corporate responsibility topics that are crucial for our business and stakeholders. The material topics are identified through an annual risk assessment and stakeholder engagement. This guides our internal and external engagement, resource allocation, and strategy adaptation in areas related to environmental, social, economic, and governance topics.

For 2023, we have identified the following as material topics:

- Stakeholder Engagement
- Innovation and Efficiency
- Environmental Responsibility
- Climate Change
- Cybersecurity
- Occupational Health and Safety
- Talent Attraction and Retention
- Diversity and Inclusion
- Community Engagement and Investment
- Corporate Governance
- Ethics and Compliance

Each topic is aligned as noted within the UN Sustainable Development Goal framework.



# Stakeholder Engagement

## TEAM MEMBERS

AAON team members are a crucial stakeholder group. We promote and encourage open communication through surveys, development conversations, and internal communication software, including Microsoft Teams and AAON's Intranet. We support culture, engagement teams, focus groups, and the use of our 'Ask Here' feature in our HRIS system. This feature enables direct communication with Human Resources (HR) for making suggestions and receiving feedback on assorted topics.

We encourage additional communication to each manufacturing production line through Toolbox Talks, our daily working environments, Paycom, Everbridge, our Culture and Engagement surveys, AAON TeamHub, Internal TV monitors, newsletters, and social media.

## CUSTOMERS

Customer feedback is encouraged through dialogue, product information, and service training. AAON also has the following support teams and resources:

- **Sales and Aftermarket Support** – Customers can contact their AAON representative for sales and aftermarket related assistance.
- **Service and Technical Support** – AAON provides service and technical support to its customers by contacting AAON Technical Support directly.
- **Controls Support** – Customers can contact AAON Controls Support team.
- **General Inquiries** – Customers can contact AAON through its website.



## SALES FORCE

We employ a sales staff of 82 individuals and utilize approximately 59 independent manufacturer representatives' organizations having 139 equipment sales offices to market our products in the United States and Canada. Sales are made directly to contractors or end-users, with shipments from the Tulsa, Oklahoma; Kansas City, Missouri; Longview, Texas; and Redmond, Oregon facilities to the job site. AAON sales staff provides product information and support in several ways:

- **Sales Support** – The representative can provide sales-related and after-market support.
- **Technical Support** – Guidance and support teams for the customers' technical questions.
- **The Mobile Experience** – Allows customers to immerse themselves in AAON's products in action.
- **The Exploration Center** – Interactive displays for customers' experiences highlighting AAON products.

## INVESTORS

AAON interacts with its investors through its Investor Relations department. The Director of Investor Relations is the primary contact. Through their correspondence, AAON provides updates and information through various channels including:

- **Investor Presentations** – Sharing the Company's performance and plans.
- **News and Events** – Updates about the Company, including financial results, dividend announcements, and changes in executive leadership.
- **Financials** – Financial reports that allow investors to understand the Company's financial health.
- **Governance** – Sharing the Company's governance practices.
- **Annual Reports** – Providing a comprehensive overview of the Company's performance over the past year.



## SUPPLIERS

AAON, a leader in HVAC solutions for commercial and industrial environments, interacts with its many suppliers in several ways:

- **Product Quality** — To produce highly configurable equipment to meet our customer demands, we require high-quality products from our suppliers.
- **Sales** — To support AAON's sales growth, we need to maintain a strong relationship with our suppliers.
- **Cost Management** — AAON closely monitors and manages its costs with suppliers.
- **Supplier Network** — AAON continually strives to build relationships with suppliers to ensure the smooth operation of the supply chain.

## GOVERNMENT

AAON's interaction with the government includes:

- **Regulatory Compliance** — The EPA (Environmental Protection Agency) Technology Transition Rule, which is driven by environmental concerns and strict enforcement of Global Warming limits for the HVAC industry.
- **Government Projects** — AAON provides HVAC solutions for government projects, focusing on energy efficiency, comfort and air quality, security, maintenance and repair, budget constraints, and regulation compliance.
- **Representative Network** — AAON Representatives continually strive to build relationships with government entities to ensure the smooth operation of the supply chain.
- **Engagement in Government and Industry Affairs** — AAON's Government and Regulatory Affairs staff member represents AAON on the Department of Energy Advisory Committee.

## COMMUNITIES

AAON is highly active in the communities in which it operates.

- **Community Partnerships** — AAON collaborates with community stakeholders including nonprofits, other businesses, Chambers of Commerce, and other local entities.



# Supply Chain

## SOURCES AND AVAILABILITY OF RAW MATERIALS

The most important materials we purchase are steel, copper, and aluminum. We also purchase from other manufacturers certain components, including coils, compressors, electric motors, and electrical controls used in products. We attempt to obtain the lowest possible cost in our purchases of raw materials and components, consistent with meeting specified quality standards.

We are not dependent upon any one source for raw materials or the major components of our manufactured products. By having multiple suppliers, we believe that we will have adequate sources of supplies to meet our manufacturing requirements for the near future.

We attempt to limit the impact of price fluctuations on these materials by entering cancelable and non-cancelable contracts with our major suppliers for periods of six to 18 months. We also have current contracts involving refrigerant that range from three to five years. We expect to receive delivery of raw materials from our contracts for use in our manufacturing operations.



AAON's supply chain processes have been successful due to several key factors:

### Pricing Strategy

AAON's agility, supplier relationships, and market-savvy approach allow us to thrive even in a fluctuating market.

In the steel market, many competitors opt for contract prices or the Commodities Research Unit (CRU), which locks in pricing throughout the year. AAON has taken a different path. Here is AAON's approach to steel procurement:

- **Strong Supplier Relationships** – AAON actively cultivates robust relationships with our suppliers. These connections allow us to navigate the market more effectively.
- **Market Riding** – Instead of locking in prices, we ride the market. When the steel market experiences an uptick, we can wait for prices to drop again. This flexibility enables us to make strategic purchases.
- **Large Quantity Purchases** – By leveraging our relationships and market knowledge, we often buy large quantities of inventory when prices are favorable. This approach contributes to our cost savings.
- **Cost Savings** – Over the past 12 months, AAON's steel purchasing strategy has resulted in impressive cost savings.
- **Customer Benefit** – We pass these savings on to our customers by avoiding price increases due to steel volatility.



### Operational Efficiencies

AAON has managed to achieve volume growth, reflecting the efficiencies gained from developing its workforce and facility improvements. These investments have led to increased efficiencies at all locations, allowing the Company to mitigate some impacts of the disruption to the supply chain.

### Investment in Manufacturing Capacity

AAON has invested in significant amounts of manufacturing capacity over the years, which has allowed production output to outpace bookings. This has helped normalize the size of the backlog and the length of the lead times.

### Strong Sales Channel

AAON's sales channel has never been stronger, and the current marketing efforts will help continue to strengthen market penetration.

### Adaptability

AAON's unique configurable manufacturing operations and flexible engineering team have allowed it to cope better than most of its competitors with supply chain constraints.

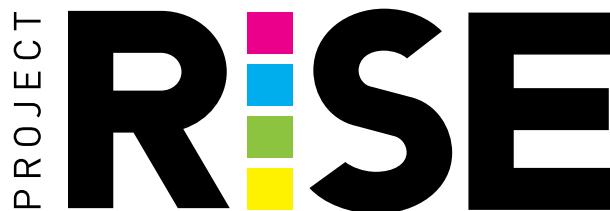
These factors have contributed to AAON's ability to navigate supply chain disruption and achieve record sales and earnings.

### Conflict Minerals

AAON is committed to ethical business practices and compliance with the Conflict Minerals Rule, which is a regulation that aims to prevent the use of minerals that finance conflict in the Democratic Republic of Congo and adjoining countries. The policy requires their suppliers to perform due diligence and report annually on the presence of conflict minerals in the products they manufacture.

# Enterprise Resource Planning

Enterprise resource planning (ERP) systems can play a significant role in facilitating sustainability reporting by automating data collection and analysis. AAON is committed to improving our technology and revamping our core business processes.



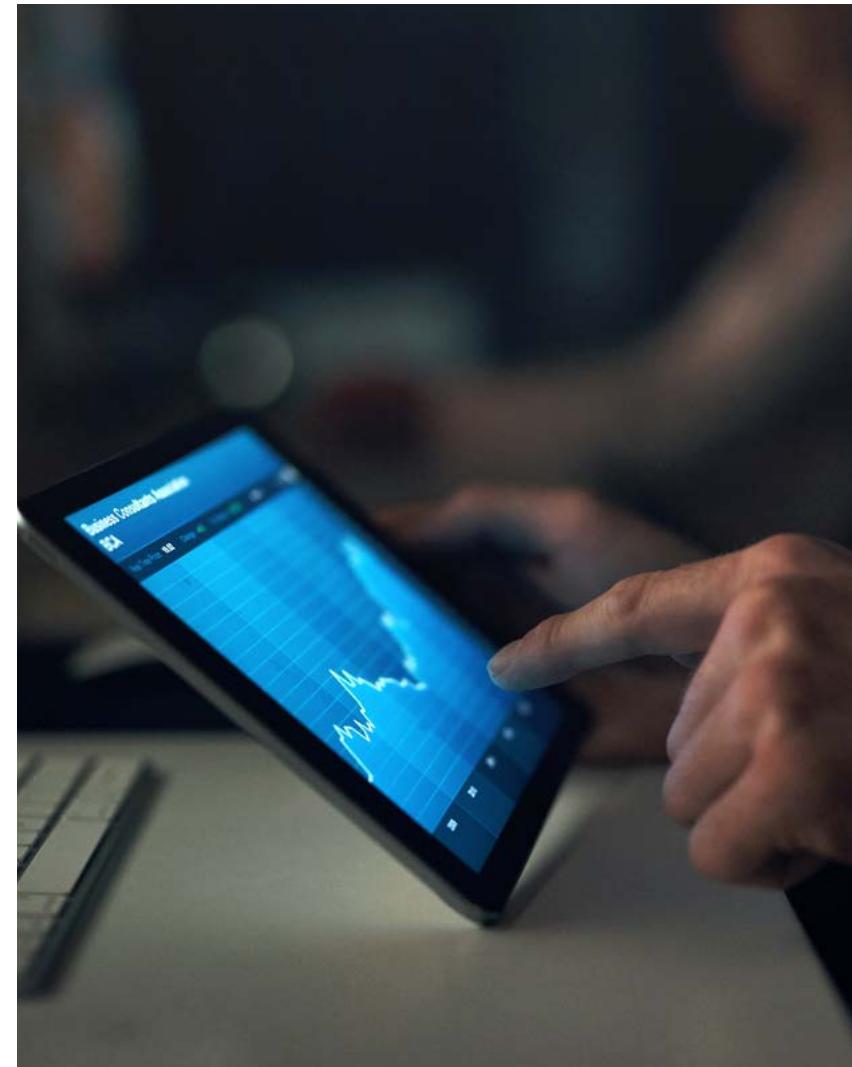
Project RISE is AAON's business transformation of our core processes and enabling technology.

This investment in the Company and our team members will support future growth and will further enable our company values and culture through an integrated technology platform. It will provide real-time financial performance to make strategic decisions and continue success well into the future.

In 2023 AAON completed the Project RISE Explore Phase.

- 98 design workshops confirming AAON's adoption of Best Practice Business Processes
- 70+ Business Process Owners, IT Analysts, and Subject Matter Experts from all locations were selected for achieving important milestones during the project.

Project RISE will be implemented in structured phases, deploying new technology solutions and processes at AAON Longview and BASX. Implementation at AAON Tulsa and AAON Kansas City facilities will follow.



# Research and Development

**Our products are engineered for performance, flexibility, and serviceability.**

This has become a critical factor in competing in the HVAC equipment industry. We must continually develop new and improved products to compete effectively and to meet evolving regulatory standards in all our major product lines. We self-sponsor our R&D activities, rather than needing to be customer sponsored.

R&D activities have included:

- RQ, RN, and RZ (rooftop units)
- H3, SA, V3, and M2 (air handling units)
- CF (condensing unit)
- SA and SB (self-contained units)
- Component evaluation and refinement, development of control systems, and new product development



R&D expenses incurred:



The significant increase for the year ended December 31, 2022, was related to the inclusion of a full year of operations of BASX as well as our commitment to product performance and innovation.

The NAIC R&D laboratory facility includes many unique capabilities, which, to our knowledge, exist nowhere else in the world. A few features of The NAIC include supply, return, and outside sound testing at actual load conditions.

Testing of up to:

- 300-ton air conditioning system
- 540-ton chiller system
- 80 million BTU/hr. gas heating test capacity

## ACCREDITATION

The NAIC carries accreditation from AMCA (Air Movement and Control Association) International, Inc. for standards AMCA 210 (aerodynamic performance rating) and AMCA 300 (reverberant room sound testing).





## ENVIRONMENTAL APPLICATION TESTING

Environmental application testing capabilities include -20 to 130°F testing conditions, up to 8 inches per hour rain testing, up to 2 inches per hour snow testing, and up to 50 mph wind testing. We believe we have the largest sound-testing chamber in the world for testing heating and air conditioning equipment and are not aware of any similar labs that can conduct this testing while putting the equipment under full environmental load. The unique capabilities of The NAIC will enable us to lead the industry in the development of quiet, energy efficient commercial and industrial heating and air conditioning equipment.

The NAIC currently houses 12 testing chambers. These testing chambers allow us to meet and maintain AHRI and U.S. Department of Energy ("DOE") certification and solidify the Company's industry position as a technological leader in the manufacturing of HVAC equipment. Current voluntary industry certification programs and government regulations only go up to 63 tons of air conditioning. The NAIC contains both a 100 ton and a 300-ton chamber, allowing us to uniquely prove to customers our capacity and efficiency on these larger units.

The NAIC was designed to test products well beyond the standard AHRI rating points and allows us to offer testing services on our equipment throughout our range of product applications. This capability is vital for critical facilities where the units must perform properly and allows our customers to verify the performance of our units in advance, rather than after installation. These same capabilities have allowed AAON to develop low ambient air-source heat pump products that are unique in being able to address the growing need for these type of units that address electrification initiatives and commitments.

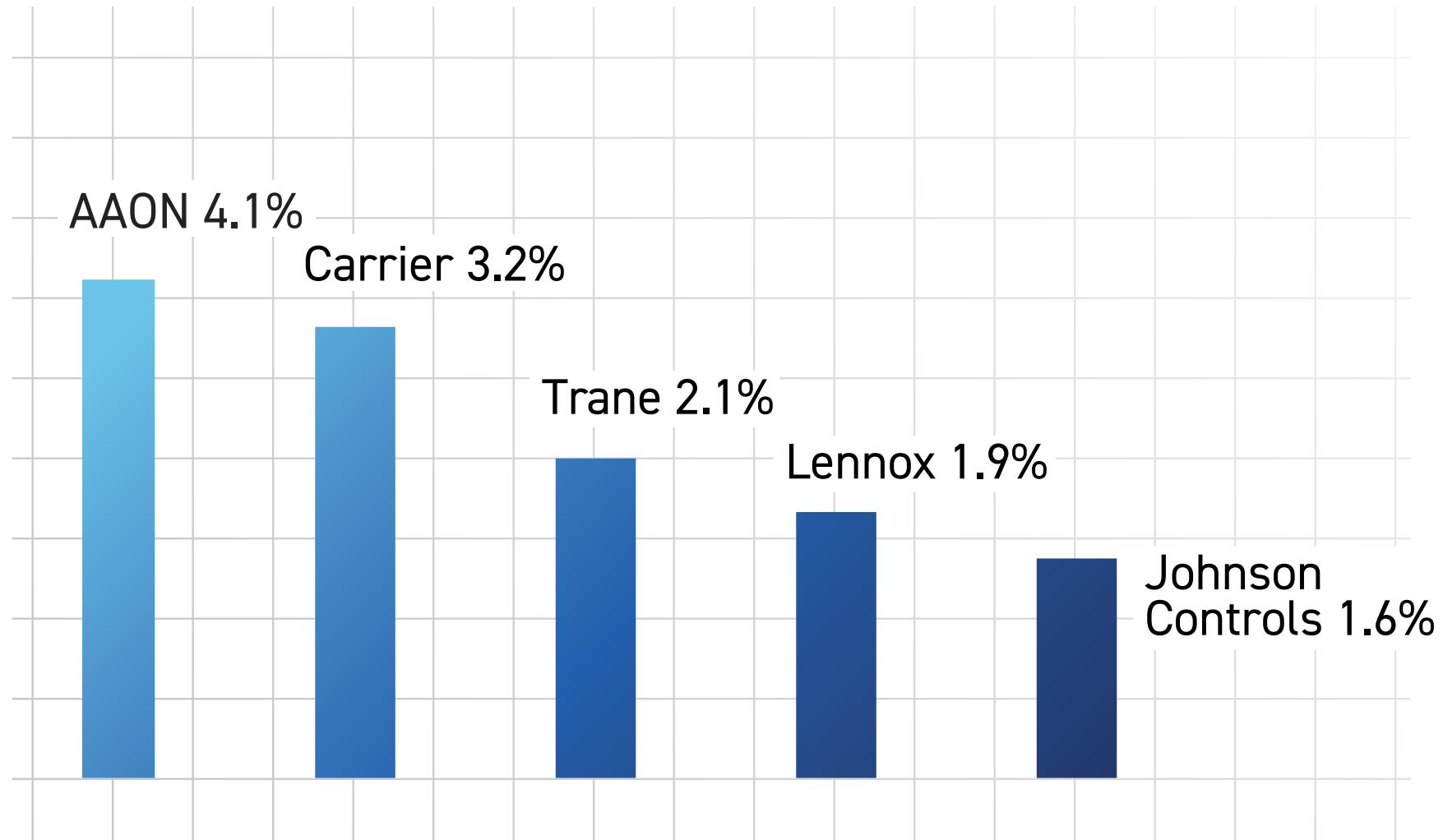


## ELECTRONICS PROTOTYPING LAB – AAON KANSAS CITY

Our new Electronics Prototyping Lab features a fully functional Surface Mount Device (SMD) production line. The production line incorporates automated pick-and-place equipment able to quickly and accurately place devices as small as 0.1mm by 0.2mm, the same technology scale used in cell phones. The production line also includes a profiled reflow oven

to assure reliability in the finished prototypes. The Lab has allowed us to increase our speed to market and incorporate cutting-edge technology into our control designs. In addition, it allows our Controls Engineering team to utilize their hardware and software skills to outpace our competitors in responding to market changes and upsets.

## 2023 R&D DATA AS A PERCENTAGE OF EQUIPMENT SALES





# Patents, Trademarks, Licenses, and Concessions

Patents, trademarks, licenses, or concessions are not considered material to our business operations, except for those described below. AAON holds several patents related to the design and use of our products. We consider these patents important, but no single patent is pivotal to the overall conduct of our business.

We proactively obtain patents to advance our strategic intellectual property objectives. We own specific trademarks that we consider crucial in the marketing of our products and services, and we safeguard our trademarks through national registrations and common law rights.

Our patents have legal terms of 20 years, with expiration dates ranging from 2023 to 2039. The Company's trademarks, some of which are significant to its business, are registered or otherwise legally protected in the U.S.

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## 2004

**U.S. PATENT NO. 6715312**

De-superheater for evaporative air conditioning  
Issued April 6, 2004

**U.S. PATENT NO. 6792767**

Controls for air conditioner  
Issued September 21, 2004

**U.S. PATENT NO. 6802543**

Door Handle  
Issued October 12, 2004

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## 2005

**U.S. PATENT NO. 6729096**

System for installing suspended ceiling  
Issued January 11, 2005

**U.S. PATENT NO. 6929452**

Plenum Fan Banding  
Issued August 16, 2005

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## 2016

**U.S. PATENT NO. 9234603**

Air Damper  
Issued January 12, 2016

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## 2023

**U.S. PATENT NO. 11808282**

Propeller fan assembly with silencer seeds and concentric hub and method of use  
Issued November 7, 2023



# AAON Products

**AAON builds several types of HVAC units, each designed for performance, adaptability, and serviceability.**





## ALPHA CLASS

The AAON Alpha Class is leading the charge towards sustainable HVAC solutions, accelerating the adoption of cleaner, more efficient technology that propels the decarbonization movement forward.

AAON Alpha Class air-source heat pumps, available in capacities ranging from two to seventy tons, offer exceptional versatility and industry-leading features to meet the growing environmental and regulatory needs. The Company's premier HVAC solution is highly configurable and optimized for diverse environments. It features variable speed compressor technology, all-electric or dual-fuel options, Dedicated Outdoor Air System (DOAS) capability, energy recovery, and low global warming potential refrigerant. The AAON Alpha Class is engineered for higher efficiency and lower emissions, utilizing the same double-wall rigid polyurethane foam-injected

panel construction that AAON is known for, which helps retain useful heating and cooling energy within the building.

Ushering in a new era of excellence, AAON Alpha Class air-source heat pumps can operate reliably at lower ambient temperatures than traditional heat pumps and offer higher heating capacities over a wide range of operating conditions. The Company's air-source heat pumps perform well in climates where other heat pumps cannot, saving energy-related costs year-round. The performance of the AAON Alpha Class is tested and verified down to an ambient temperature of zero degrees Fahrenheit.

With its first-of-its-kind omni-climate performance, the AAON Alpha Class offers the innovation that our future demands.

## AIR HANDLING UNITS

Air Handling Units offer best-in-class flexibility with indoor units, outdoor units, packaged units where all the refrigerant components are in one unit, or split units that consist of a condenser unit and air handler. Our Air Handling Units, self-contained units, heat pumps, and coils are suitable for all sizes of commercial and industrial buildings. They are engineered for any application imaginable and provide a premium solution for any application.

Our air handling units consist of the indoor H3 and V3 Series and the modular M2 Series, as well as air handling unit configurations of the RQ, RN, RZ, and SA Series units. The SA, SB, and M2 Series indoor packaged, water-cooled, or heat pump self-contained units offer cooling capacities of 3 to 70 tons.

## AAON SPLIT SYSTEMS

AAON Split Systems offer the same quality you can expect from packaged Rooftop Units. One of the many ways we deliver on this lasting value is by equipping all our Air Handling Units with direct drive backward plenum fans. The absence of a belt and pulley system eliminates belt losses and results in higher overall efficiencies and consistent performance, especially when faced with changes in system conditions, like varying duct pressures or airflow demands. Direct drive fans do not require belt maintenance, thereby maximizing energy efficiency and reducing maintenance needs. Furthermore, direct drive backward-curved plenum fans also ensure optimal air circulation and ventilation.



## UNITARY PRODUCTS

We purchase certain components, fabricate sheet metal and tubing, and then assemble and test the finished products. Our primary finished products consist of a single unit system containing heating and cooling in a self-contained cabinet, referred to in the industry as "unitary products." Other finished products are coils, air handling units, condensing units, makeup air units, energy recovery units, rooftop units, heat pumps, and controls.

These units are designed with rigid polyurethane foam insulated cabinet construction and direct drive-in reverse bent plenum fans, allowing the units to have quiet, energy efficient airflow with high static pressure capacities setting the industry standards for longevity.

## PACKAGED ROOFTOP UNITS

Packaged Rooftop Units contain all the necessary components for heating and cooling, including a compressor, condenser, evaporator, and air-handling unit.

AAON rooftop and condensing unit markers primarily consist of units installed on commercial or industrial structures, less than ten stories in height. These units are innovative, efficient, and engineered for top performance.

AAON offers three groups of rooftop units:

- RQ Series, offered in 5 cooling sizes ranging from 2 to 6 tons
- RN Series, offered in 28 cooling sizes ranging from 6 to 140 tons
- RZ Series, offered in 15 cooling sizes ranging from 45 to 261 tons

The RQ series and RN Series, 2 to 50 tons, feature the option of our Zero Degree Cold Climate Air-Source Heat Pumps. Our Zero Degree Cold Climate Air-Source Heat Pumps are fully electric and extremely energy-efficient, making them a critical solution to meet the increasing demand for building decarbonization in cold climates. With variable speed operation, these heat pumps provide energy-efficient heating and cooling throughout the seasons. The heat pump performance has been tested in The NAIC lab down to an ambient temperature of 0 degrees Fahrenheit. This is significant because until now, this fully electric, highly energy-efficient technology was only operable down to 30 degrees Fahrenheit. This now opens a much larger percentage of the North American market for investing in heat pump technology.

A direct fired gas heater is the ideal solution for high CFM (cubic feet per min) makeup air and a large temperature rise requirement. It offers increased capacity and efficiency, a high turndown ratio, and a cooling system.



RQ Series



RN Series



RZ Series

## CONDENSING UNITS

A condensing unit is a key component of an air conditioning or refrigeration system that is responsible for transferring heat from inside the building to the outside. It consists of a compressor, a condenser coil, a fan, and controls, all housed in a single unit. Our condensing unit, the CF Series, is available from 2 to 60 tons.

As regulatory agencies increase the minimum standards to ensure progress in sustainability and energy efficiency, many of AAON's products far exceed these standards and are among the highest-efficiency products currently available.

In the period leading up to this point, a large part of the industry was compelled to revamp the designs of a substantial portion of their product offerings. This led to an increase in manufacturing costs and prompted steep price hikes. However, as AAON's entire product range already complied with the elevated standards, we were able to enforce more modest price increases compared to the rest of the industry. We are confident that this will enable AAON to broaden our market penetration, thereby increasing the proportion of buildings that benefit from our highly energy-efficient HVAC equipment.

AAON products exhibit a wide range of performance characteristics, with cooling capacities spanning from 2 to 261 tons and heating capacities from 7,200 to 4,500,000 British Thermal Units (BTUs). In a standard commercial building setup, one ton of air conditioning is typically required for every 300–400 square feet. Consequently, a 100,000 square foot building may necessitate the use of multiple units. AAON's packaged rooftop units, equipped with two-stage compressors, are fine-tuned with high-efficiency evaporator and condenser coils and variable-speed fans. This results in an AHRI Certified performance reaching up to 20.3 SEER (Seasonal Energy Efficiency Ratio) and 22.5 IEER (Integrated Energy Efficiency Ratio).

The AAON H3/V3 Series energy recovery wheel air handling units are designed to provide 100% outside air ventilation in an energy-efficient manner. They achieve this by reclaiming energy that would typically be lost through building exhaust.



SB Series



CF Series



V3 Series

The energy recovery feature is offered in our RQ, RN, RZ, and SB semi-custom units, as well as the H3, V3, and M2 air handling units. This feature is our response to the mandate of the Clean Air Act, which requires an increase in fresh air in commercial buildings. Our products are engineered to rival the top-tier standard products in the market.

The dimensions of these markets are influenced by the number of completed commercial and industrial buildings and the demand for replacements in existing structures. The replacement market is made up of products used in existing units to substitute or enhance components that are worn out or damaged, like low leakage dampers, high-efficiency heat exchangers, and contemporary controls.

The markets for new commercial and industrial constructions are prone to cyclical variations as they typically trail the housing market. The housing market is affected by cyclical elements such as interest rates, inflation, consumer expenditure patterns, employment rates, the economic climate, and other macroeconomic indicators. During periods when new construction is low, we focus on the replacement market and the benefits that highly energy-efficient equipment offers to property owners.

## BUILD AMERICA, BUY AMERICA PROGRAM

There are multiple federally funded initiatives pertaining to the HVAC industry providing direct incentives for high quality domestic manufacturing jobs. These include the Buy America Act, the Build America Buy America Act, Federal Transit Authority (FTA) Buy America Act, and the Inflation Reduction Act domestic content tax credits.

AAON is proud to have its products engineered, tested, and manufactured in the United States. By aligning with these supported initiatives, AAON has contributed to the retention of American tax dollars within our communities.

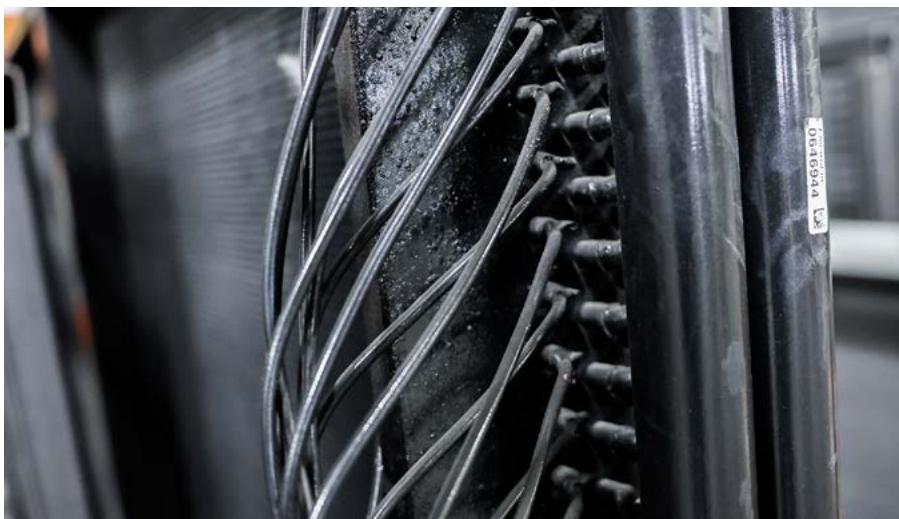


# Featured Components

## CONDENSER FAN

AAON's latest design is a condenser fan assembly that generates lower sound pressure during operation and minimizes blade deflection without sacrificing performance.

- **Lower Sound Pressure** — The fan assembly is designed to operate quietly, which can be beneficial in environments where noise reduction is important.
- **Minimized Blade Deflection** — This design minimizes blade deflection, which can improve the fan's performance and longevity by reducing the stress on the blades during operation.
- **Maintained Performance** — Despite the lower sound pressure and minimized blade deflection, the fan assembly is designed to maintain high performance and is a significant achievement in fan design.



## POLYMER E-COATED COILS

AAON's Polymer E-Coated Coils are designed to extend the coil's lifespan and protect them in corrosive environments. This E-Coating allows coated coils to perform as designed with less than a 1% reduction in heat transfer. After two continuous years of simulated harsh coastal service, Polymer E-Coated Coils saw no degradation in performance, as compared to a 60% reduction in coil performance of a non-coated coil.

These coils can be paired with AAON air handling units, creating a complete dual fuel split system with hot water, steam, electric, or gas heating.



## DIRECT FIRED GAS HEATER

AAON's Direct Fired Make-Up Air Handler is a highly efficient heating solution designed for various commercial and industrial applications.

- **High Efficiency** — The direct drive heating process has a 92% efficiency rate.
- **Fuel Flexibility** — The burners can operate on either natural or liquid propane (LP) gas, achieving very high temperature increases.
- **Wide Operating Range** — The heaters can operate reliably down to -40 degrees Fahrenheit (-40 degrees Celsius) with all valves modulating a 30:1 turndown.
- **Environmental Friendliness** — The direct fired heating process is environmentally clean.
- **Customizability** — All MN Series units can be highly customized to meet your exact requirements.
- **Versatility** — The MN Series can be applied in many applications, meeting specific needs.



## INVERTER SCROLL COMPRESSORS AND EVAPORATOR COOLING

AAON's Inverter Scroll Compressors and evaporator cooling are part of the high-efficiency HVAC solutions.

**Inverter Scroll Compressor** — These compressors provide load-matching cooling and the highest efficiency ratings when operating at part-load conditions. They are available in the RQ rooftop units.

**Evaporator Cooling** — This feature is part of AAON's chillers and outdoor mechanical rooms. It provides efficient cooling through the unit's refrigeration circuit.

**Versatility and Performance** — The RQ Series units, which include the Inverter Scroll Compressors, are highly configurable and optimized for diverse environments. They offer quiet, energy-efficient airflow with high static pressure capacities.

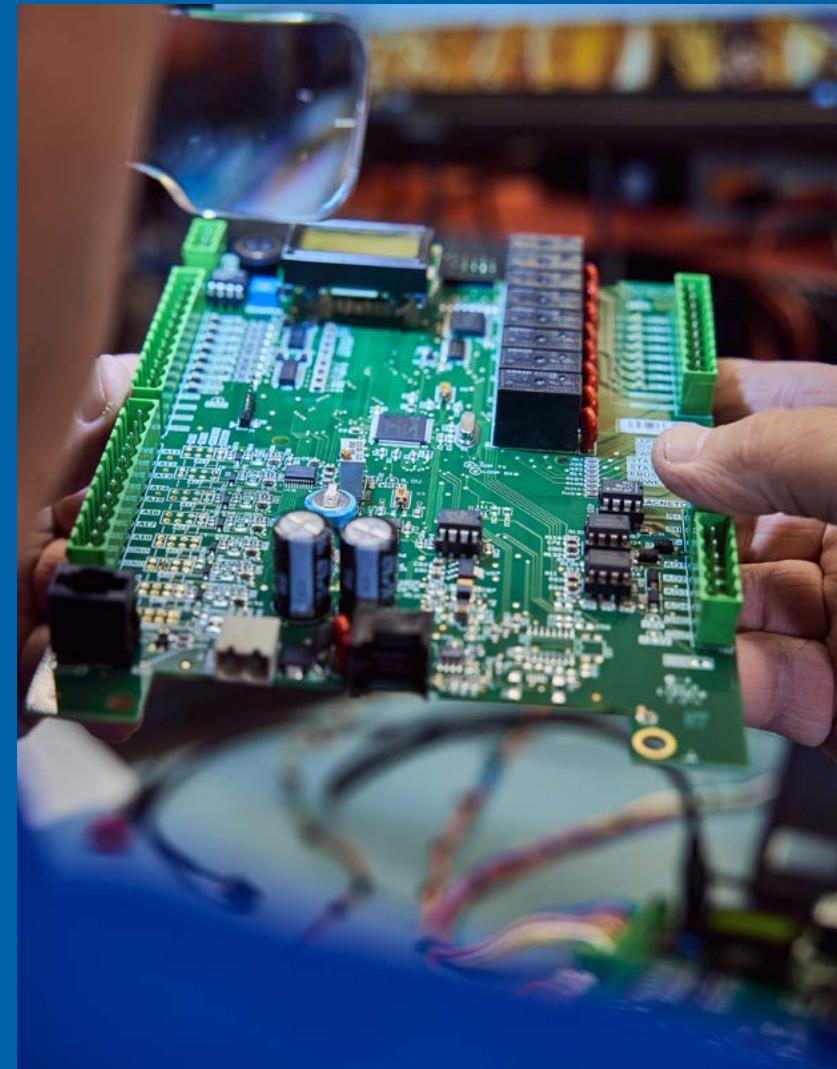
**Wide Range of Capacities** — AAON offers a wide range of offerings from 2-70 Tons in both packaged rooftops and split systems. These Variable Speed Compressors are capable of running down to 0 degrees Fahrenheit outside air temperature.

# Controls

The AAON Controls team works in our Kansas City facility. This facility is about 86,000 square foot underground of a refurbished limestone mine. Being underground and switching all our lighting has significantly reduced our carbon footprint due to air conditioning and lighting energy usage.

**We are transforming this facility into a world-class electronic manufacturing facility with heavy emphasis in robotic automation to continue improving our efficiencies and be a better steward of our natural resources.**

We provide factory-developed and tested control options for variable air volume systems associated with AAON units and other HVAC-related equipment.





We offer several control options:

- **Prism 2** – A Windows-based graphical interface that allows you to interact with your AAON digital controls.
- **VCCX2 Controller** – This controller is used for configuring and setting up AAON units.
- **A2L Mitigation Module** – This is a safety module that allows our units to use the new A2L (low global warming potential refrigerants) refrigerant safely and efficiently.
- **BACnet General Controller (BGC)** – A unique input/output module that allows a BACnet front end to read its inputs and command its outputs.
- **General Purpose Controller (GPC-XP)** – A versatile controller providing flexibility with user-defined inputs and outputs, and a wide range of applications.
- **Sub Cool Monitor** – A unique device designed to optimize the performance of HVAC systems.

Prism 2 is a comprehensive Windows-based graphical interface that enables you to interact with your AAON digital controls. The program offers standard, user-friendly status, setpoint, and configuration screens for each type of controller. It also includes options for custom screens that can display floor plans, equipment photos, or user-defined summary screens. Prism 2 gives you the ability to access and control schedules, trend logs, and alarm conditions. The program can be configured for direct on-site installation, remote modem connection, or Transmission Control Protocol/Internet Protocol (TCP/IP) internet connection.

The VCCX2 Controller is a configurable unit controller that is used when you are looking for versatility in air volume situations. It can control up to eight digital compressors and four stages of heat. The controller is fully integrated with the AAON Refrigerant Systems Modules (RSM). The VCCX2 controller offers advanced dehumidification capabilities for airflow monitoring. This controller is easy to use with a 2x8 inch display and buttons that allow for status and alarm notifications as well as BGC configurations.

AAON is a pioneer in the usage of A2L refrigerants. These refrigerants have a lower global warming potential than currently used refrigerants. The tradeoff of using these refrigerants is that they are more flammable and require special safety sequences to keep our units operating properly. Our A2L Mitigation Module is a standalone module that operates with AAON controls or 3rd party controls to provide these safeties.

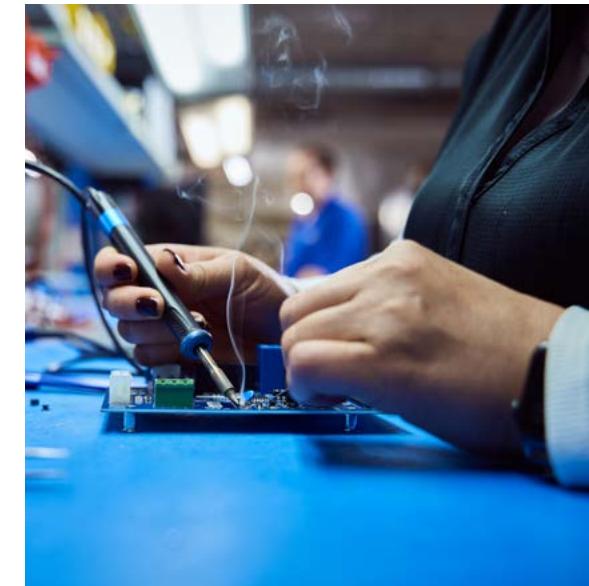
The BGC is a unique input/output module that allows a BACnet front end to read its inputs and command its outputs. Its versatility includes 8 analog inputs, 8 wet contact binary inputs, 8 relay outputs, and 4 analog outputs. It operates as a standalone controller and has a user-friendly interface along with advanced features. Some of these features include scheduling, alarms, and trends.

The GPC-XP is a versatile controller that provides flexibility with user-defined inputs and outputs, a wide range of applications, sensor averaging like CO<sub>2</sub>, and a master scheduler for the site with up to eight unique schedules per GPC-XP.

The Sub Cool Monitor is a unique device designed to optimize the performance of HVAC systems. It offers configurations for various refrigerants and a variety of pressure transducers, including 250 psi, 500 psi, and 667 psi. This monitor is connected to the Controller. It monitors the subcooling of the refrigerants in the system, which is crucial for the efficient operation of the HVAC unit.

Most of our controls comply with the Underwriters Laboratories category ZPV12 and are certified by BACnet Testing Laboratories. This ensures that our products meet internationally recognized standards for safety, traceability, conformance, and production quality. Our economizer function is certified under California Title 24, which helps to minimize energy consumption. We use proven sequences of operation to optimize the performance of our HVAC units.

AAON controls are user-friendly and configurable, offering a variety of application options for HVAC units. We customize our controls to meet the unique requirements of our customers. Our control solutions enhance the unique features and capabilities of our products.



# Wiring

AAON provides unit-specific wiring diagrams in both ladder and point-to-point forms. These wire diagrams feature color-coded drawings that correspond with the required color-coded wires. This wire is stored and prepped in an internal warehouse location convenient and close to AAON Manufacturing production lines. The wiring area can dye the wire a variety of colors with a striping machine. High-usage pre-colored wire can be ordered from our vendor, with the ability to stripe as needed.

A Komax machine is used to cut the wire into designated lengths and add connectors. These orders are submitted by the production line, based on the engineering requirements defined on the manufacturing work orders. The ability to have daily orders submitted to the wiring department directly from the production line ensures that the wiring department is issuing only what is needed, making the process efficient and sustainable.

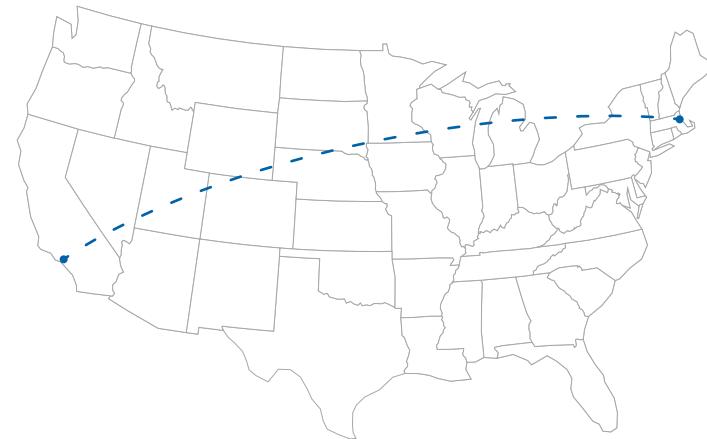
In AAON's commitment to reducing paper in their processes, the wiring ordering process shifted to an electronic ordering system. Electronic ordering captures and saves all order information allowing the necessary visibility to identify trends on wire gauge, wire color, pre-cut lengths, etc.

## WIRE DATA

**2023 Spools of Wire Total: 11,320 Spools**

**2023 Precut Wire Total: 15,142,057 Linear Feet**

**This is over the length needed to stretch from Los Angeles to Boston!**



# AAON Products – BASX Brand

**BASX is an industry leader in the manufacturing of high-efficiency data center cooling solutions, cleanroom systems, custom HVAC systems, and modular solutions.**

These products are highly engineered and customized, fully complementing AAON's existing business.



BASX data center cooling solutions focus on providing highly configurable, purpose-built equipment with energy efficiency, speed of deployment, and quality. High-performance air-cooled chiller solutions include indirect airside economization and optional adiabatic assisted cooling, designed to integrate with high-performance computing systems direct-to-chip cooling.

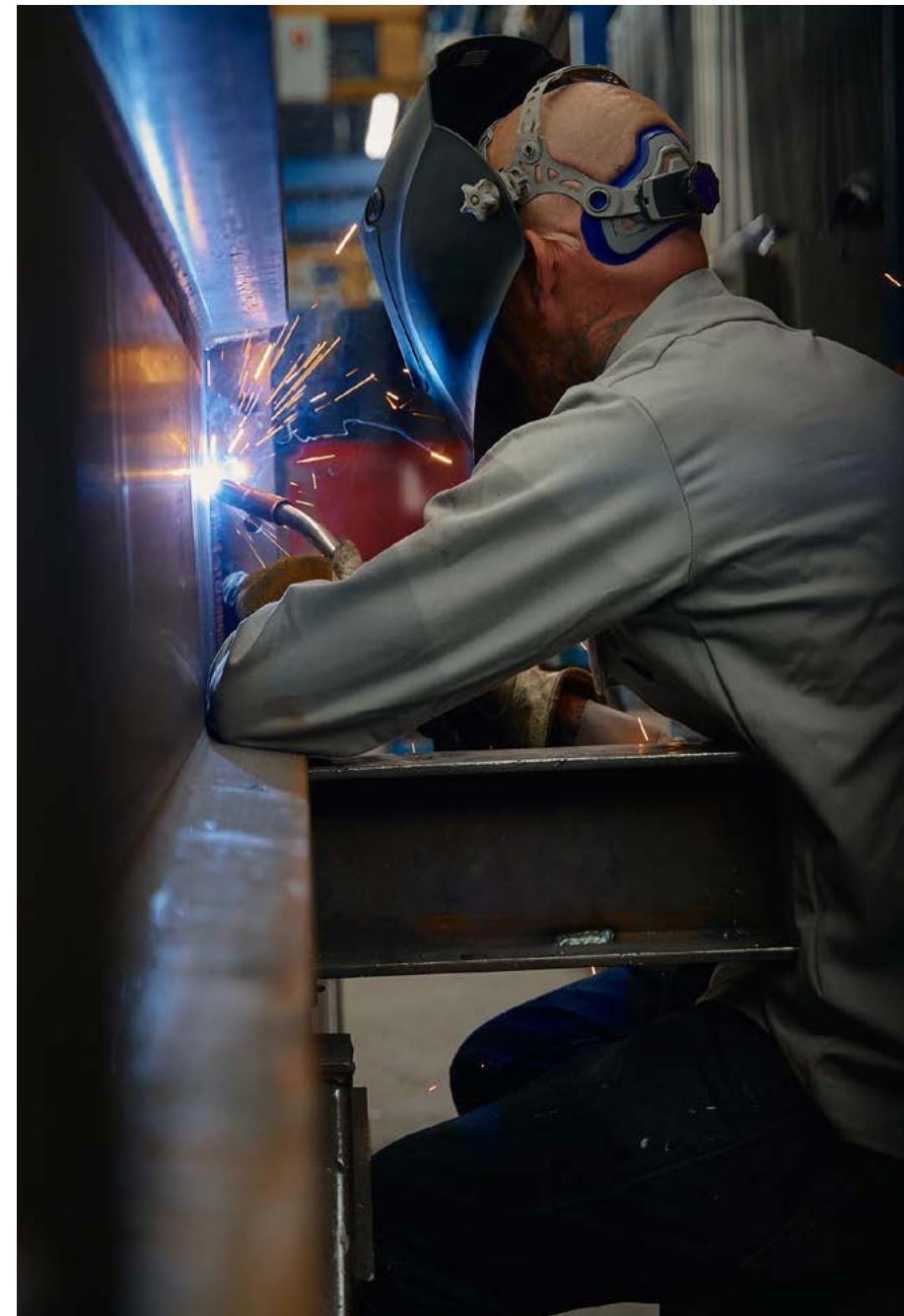
White space process cooling solutions include fan coil walls, Computer Room Air Handling (CRAH) units, overhead fan coils, in-row coolers, and chilled water air handlers.

Packaged solutions include coupled economizing chillers with integrated air handling units, direct evaporative coolers, and packaged Direct Expansion (DX) solutions with airside economizers.

The reputation of BASX as a technology leader is directly tied to R&D and product testing. BASX operates a laboratory facility with a wide range of testing capabilities to meet customers' needs.

BASX cleanroom products are designed to provide environmental control, serving critical processes, and offering high-fidelity control for precise industry requirements. Process cooling solutions include recirculation air handling units and make-up air handling units, including the integration of piping systems and controls. Environmental control solutions encompass modular cleanroom environments, fan filter units, filtered ceiling grids with integral flush-mount lighting, pressurized plenums with integral ceiling grids, and hospital surgical suites.

BASX custom air handling products are primarily used in commercial, industrial, healthcare, and institutional facilities employing chilled water cooling, packaged DX solutions, hot water, indirect gas, direct heat, humidification, dehumidification, filtration, and integrated controls. BASX manufactures plenum fans for integration into air handling units and replacement applications. BASX also offers integrated sound performance solutions.



## PRODUCT LINES

We'll identify your needs and innovate the approach, application, and methods to better create a custom engineered solution to your requirements that outperforms conventional systems. BASX draws on the knowledge base from an experienced team from every sector of industry, whether your needs cover Commercial HVAC, Data Center, Cleanroom or Seismic needs, each BASX product stands alone against the industry standard.

### Thermal Management

BASX provides complete product offerings specifically configured for high efficiency operations.

- Adiabatically Assisted Free Cooling Chiller
- CRAC/CRAH Units
- Evaporative Free Cooling Chiller
- Free Cooling Fluid Cooler
- IN-Row Cooler
- Indirect, Water Free Data Center Cooling
- JWF Water Free Cooling
- Overhead Cooling Units
- Overhead Fan Coil Coolers
- Custom HVAC units



Fan Coil Wall



Free Cooling Fluid Cooler



Air Handling Unit



Air Handling Unit

## Integrated Modular

BASX draws on a knowledge base from an experienced team to create a stand-alone product that outperforms conventional systems.

- Agricultural Environments
- Data Center Solutions
- Deployable Containerized Systems
- Modular Central Plants
- Cleanroom Plenum Systems
- Cleanroom Solutions
- Plenum Modules
- Pump Skids
- Modular Surgical Suites

## Cleanroom Solutions

BASX offers a wide range of custom designed solutions to meet your cleanroom environment specifications, from Grade A and B to Class 1 to 100,000.

- Modular Cleanrooms
- Grid Systems
- Plenum Systems
- Ceiling Systems
- Air Handling Units
- Medical Applications

# Product Safety and Serviceability

**AAON products are held to the highest standards to comply with all regulations in Electrical, Commercial Gas, and Direct Gas-fired Air Heaters as including the performance standards as identified by ASHRAE 90.1.**

## ELECTRICAL SAFETY

**UL 1995/CSA 22.2 (future UL 60335-2-40)** – This standard covers all safety requirements for the construction and operation of AAON products. It includes the requirements for the end of line tests, which verify the electrical and refrigeration systems. AAON also derives the manufacturing inspection metrics for AAON Coil Products from the tests performed in this standard. This does not include inspection requirements of the full unit construction or components beyond the certification test for a product. The major standards referenced are:

- UL 508A
- UL 60730-1
- NFPA 70 (NEC)
- NFPA 90
- ASHRAE 15



## COMMERCIAL GAS FURNACES

**ANSI Z21.47/CSA 2.3** – This standard covers all safety and combustion efficiency requirements for AAON heat exchangers and how AAON applies them in our products. It includes normative requirements to test and verify the performance of AAON heat exchangers. The major standards referenced are:

- CSA 149.1
- NFPA 54
- NFPA 70

## DIRECT GAS-FIRED AIR HEATERS

**ANSI Z83.18/CSA 2.6** – This standard is similar in scope to ANSI Z21.47 but applies to AAON's recirculating and non-recirculating direct-fire products. The major standards referenced are:

- NFPA 54
- NFPA 70

## ASHRAE 90.1

The following are the performance standards used to show AAON's compliance with ASHRAE 90.1 for manufactured equipment efficiency (EER, IEER, HSPF, SEER, etc.):

- AHRI 210/240
- AHRI 340/360
- ASHRAE/ANSI/AHRI/ISO 13256-1
- AHRI 550
- ASHRAE 103 (Only applies for the V3)



## SERVICEABILITY

AAON and AAON factory-trained service partners provide state-of-the-art local factory service to address all mechanical service needs.

AAON equipment is designed with service technicians in mind and is known for its easy startup process, commission, and service. Our award-winning cabinet designs and unique features make AAON equipment easy to access and convenient to service efficiently and affordably.

AAON HVAC units are tested for all functions and receive a unit-specific report before they leave the factory.

# Sales and Marketing

Our sales force consists of sales representatives and managers of independent representative firms across North America and Canada. To bolster this team, we offer a variety of training programs and incentives, including new representative training, Masters of HVAC, and several courses through the AAON Technical Academy for the education of their supporting field technicians.

These sales representatives can engage with Regional Sales Managers and request visits to the AAON factories, The NAIC Lab, and The Exploration Center. They can also have an engaging experience in our Mobile Experience, which allows for product comparison, component selection, and the opportunity to engage with and experience HVAC equipment designed the AAON way.

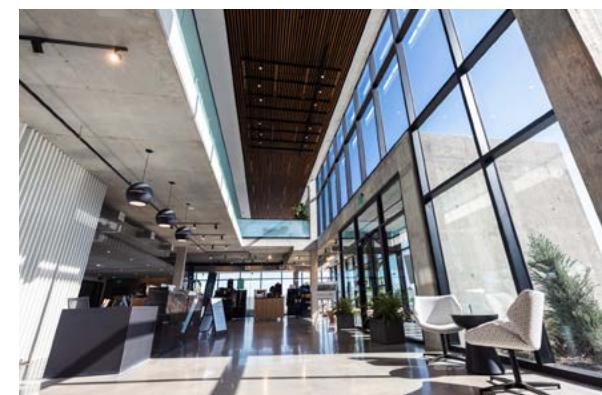




## INDEPENDENT SALES REPRESENTATIVES

Independent sales representatives are held to the same high standards that AAON expects from all their team members. Each representative firm has an annual financial plan/quota, which they are closely involved in determining based on market outlook, competitive landscape, and numerous factors. With this information, each representative firm assigns quotas to their salespeople. They possess technical selling abilities, complete HVAC line cards with other products complementary to AAON's, robust inside support staff, aftermarket capabilities including service technicians and parts stores, and more.

Conveying our value propositions to the owner is the theme that promotes a successful and sustainable sales process. We have a premium product offering with a superior total lifecycle cost of ownership. Of all customer types (owner, developer, property managers, consulting engineer, contractor, etc.), the owner values and benefits from this the most by far. When a representative involves them in the buying decisions, we are much more successful. These owners will buy repeatedly, making the program sustainable.



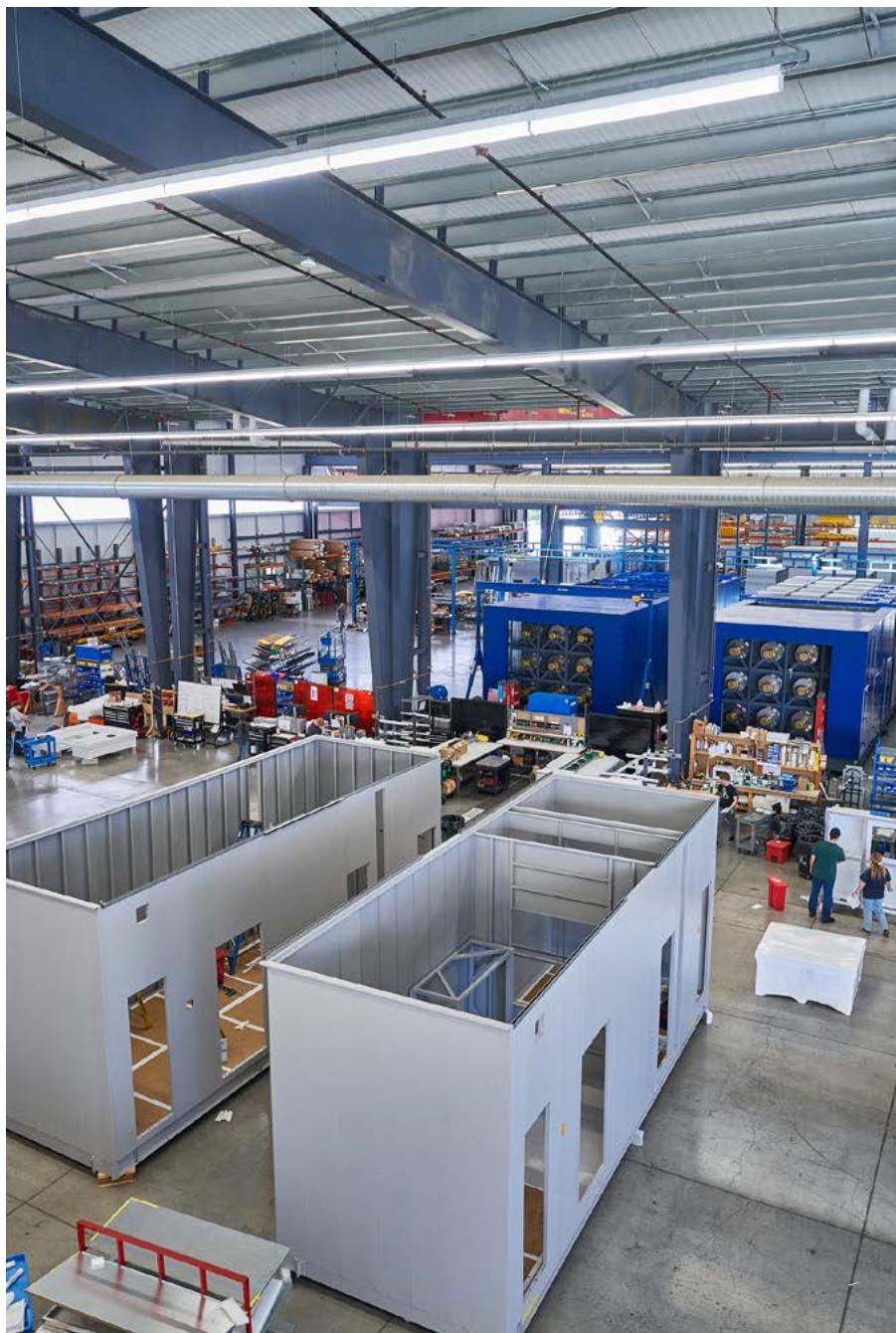
## THE EXPLORATION CENTER

- Has hosted 129 customer service visits since its grand opening
- Exhibit Highlights – Supply fans, energy recovery wheels, AAON unit construction, AAON controls, and how we achieved a net zero building
- Over 9 miles of geothermal piping from 49 wells, each 500' in depth
- One of largest solar farms in Oklahoma
- Able to produce over 260 kW of solar power and share with The NAIC lab
- High efficiency building envelope for energy savings



## THE MOBILE EXPERIENCE

Experience the latest from AAON with interactive product exhibits, including our cutting-edge controls, and immerse yourself in the world of HVAC with VR simulations. The Mobile Experience has already hosted more than 9,000 guests and visited over 70 AAON representative firm offices across North America. See for yourself the AAON difference.



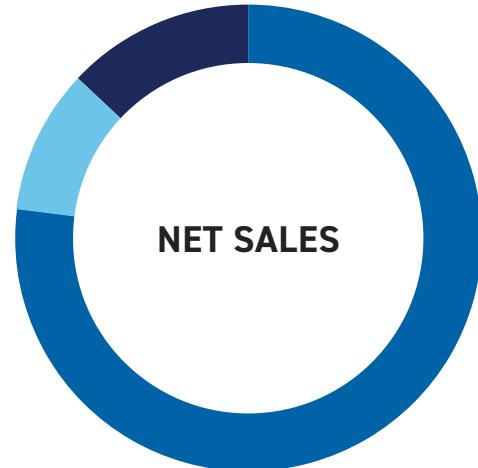
## SALES BACKLOG

Our backlog as of December 2023 was more than \$510 million. While our backlog was down in 2023 compared to 2022, our bookings remained strong. The year 2022 was a record year for bookings and our backlog was swollen causing us to extend lead times. Investments made in our facilities and workforce have significantly improved our capacity and operational efficiencies. Production rates are at all-time highs, trimming our backlog down to a more manageable size and allowing our lead times to improve.

## SEASONALITY

Historically, sales of our products were moderately seasonal with the peak period being May–October of each year due to timing of construction projects being directly related to warmer weather. However, in recent years, given the increase in demand for our products and the increase in our backlog, sales have become more constant throughout the year.

# 2023 Net Sales and Product Mix



77% \$897,919 AAON Oklahoma  
10% \$158,279 BASX  
13% \$112,320 AAON Longview



69% \$804,254 Rooftop Units  
9% \$101,299 Data Center Cooling Solutions  
5% \$61,830 Air Handlers  
6% \$67,696 Part Sales  
4% \$42,800 Condensing Units  
4% \$45,191 Cleanroom Systems  
1% \$15,898 Water-Source Heat Pumps  
2% \$29,550 Outdoor Mechanical Rooms and Other

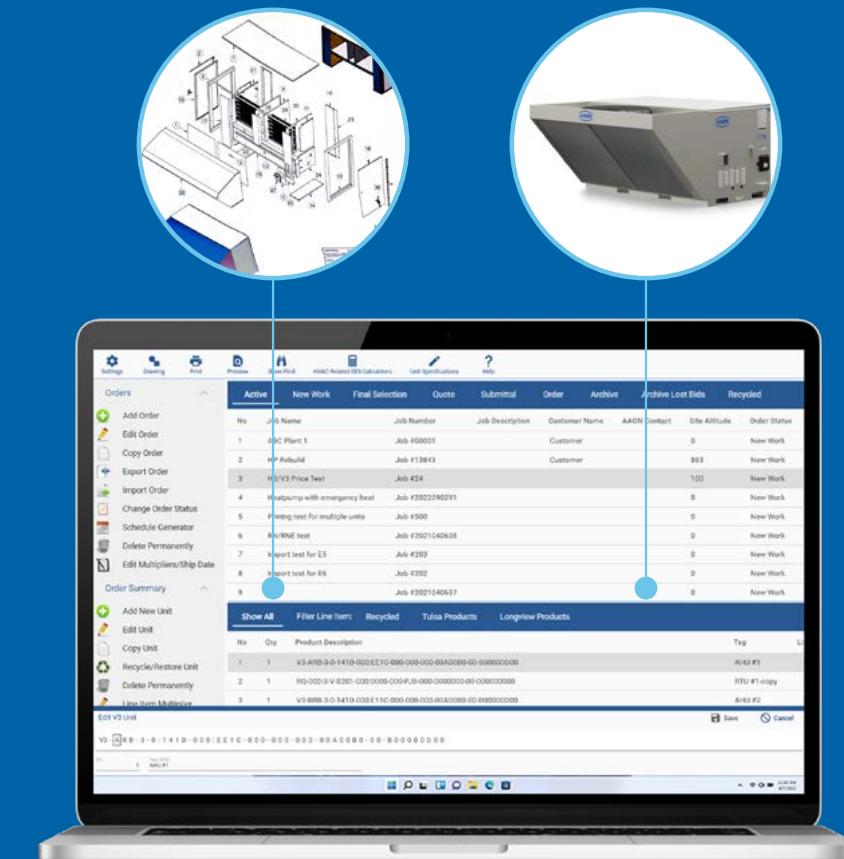
# AAON Electronic Catalog

**At AAON, we understand the importance of swiftly and accurately aligning with customer needs.**

Our AAON Electronic Catalog (ECAT) selection program is the tool used to help sales representatives meet customer requests. This program is designed to logically determine the most efficient and cost-effective unit for each specific application.

AAON ECAT offers not only a wide variety of component options but also features HVAC system calculators, a comprehensive system analysis program, and instant drawing creation. These features are designed to enhance the sales representatives experience and provide them with the tools needed to deliver the best possible service to our customers.

In 2023, AAON released an updated version of its industry-leading unit design software: ECAT version 6. The latest version provides a modern interface and a standardized input system across all unit types. This upgrade creates a more efficient process for implementing innovative design features. AAON's strategic plan prioritizes technology systems upgrades for enhanced data intelligence and user experience.

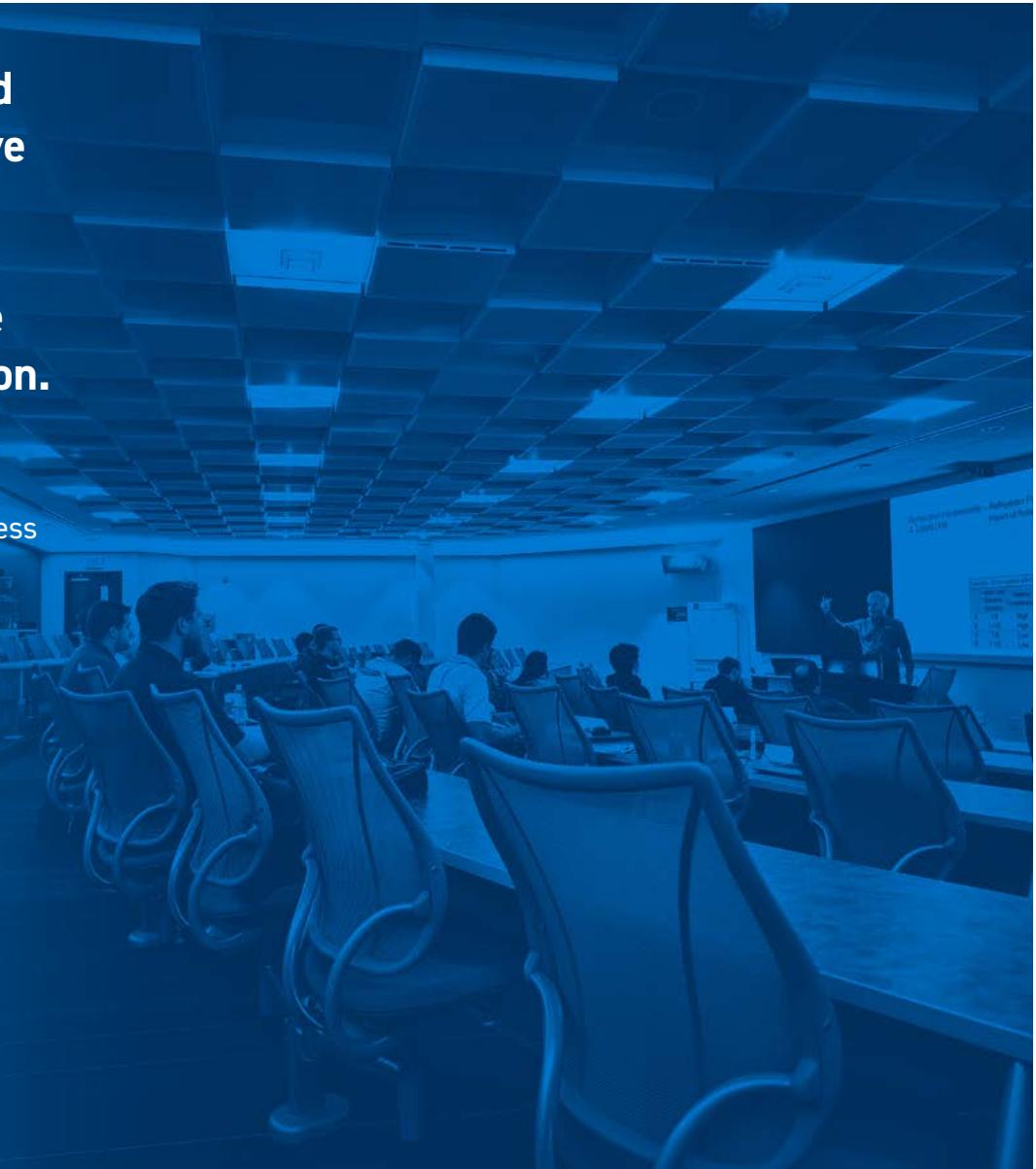


# Sales Representative Training

**Our sales representatives are trained to effectively apply AAON's innovative engineering and testing capabilities, pushing the boundaries of what is possible for exceptional performance in virtually any climate and application.**

These essential skills enable them to serve you in a way that fosters long-term business relationships, by understanding how AAON's products can help you address your HVAC challenges.

Quality is a critical component of any success. AAON provides all sales representatives with a policy manual, an important quality component, where clear standards are provided and all stakeholders are held accountable. All sales representatives receive our 'Service Quality Standards' and must attend regional meetings covering topic discussions that incorporate service quality.





## 2023 SALES TRAINING

New Sales Representative Training    133 attendees

Masters of HVAC for Sales        56 attendees

100% of our sales representatives are held to the same Quality Management System (QMS) duty, identifying quality matters, communicating any findings, and achieving prompt quality resolutions.

Our independent representatives diligently work to support our customers and earn business with our products. Each firm is required to support customer-facing engagements for the products we manufacture and that they promote and sell. They maintain direct relationships with our mutual customers. At times, AAON engages directly with customers alongside our representative firms.

AAON maintains close relations with each representative firm supporting their customer-facing activities for equipment, parts, and service. Firms that provide these three elements are vital to AAON's external QMS.

## AAON MASTERS OF HVAC

In addition to manufacturing the most efficient and reliable HVAC equipment, we offer world-class training programs for all sales representatives. These representatives travel from across North America and Canada to our AAON facility in Tulsa to enhance their technical knowledge.

The AAON Masters of HVAC training program is widely regarded as one of the most advanced HVAC training programs today, building a solid foundation for top-performing sales representatives. Since 2017, AAON has collaborated with industry expert, Becker Learning, to develop this custom-tailored program. The focus is on empowering sales representatives to achieve a high level of proficiency in operating, optimizing, and selling AAON HVAC equipment.

We aim to sell more than just a product; we strive to provide a solution that can meet and exceed your evolving needs and unique specifications.

Through the Masters of HVAC program, sales representatives gain a comprehensive technical understanding of airside, refrigeration, systems, equipment, and energy efficiency design.



## WARRANTY AND TECH SUPPORT

AAON Warranty and Tech Support teams work daily to support external representative firms, service companies, and owners to resolve quality issues or equipment repairs. Information gathered is automatically shared with Quality and Training Managers through our internal tracking and storage systems containing direct input from representative firms and our support team members. We are committed to serving customers with an experience that exceeds their expectations.

## PRODUCT WARRANTY POLICY

Our product warranty policy is the earlier of one year from the date of first use or 18 months from date of shipment for parts only, including controls; 18 months for data center cooling solutions and cleanroom systems; five years for compressors (if applicable); 15 years on aluminized steel gas-fired heat exchangers (if applicable); 25 years on stainless steel heat exchangers (if applicable); and ten years on gas-fired heat exchangers in our historical RL products (if applicable). Our warranty policy for the RQ series covers parts for two years from date of unit shipment. Our warranty policy for the WH and WV Series geothermal/water-source heat pumps cover parts for five years from the date of installation.

AAON also sells extended warranties on parts for various lengths of time ranging from six months to ten years. Revenue for these separately priced warranties is deferred and recognized on a straight-line basis over the separately priced warranty period.

To support the success of our sales force, we also have the following QMS.

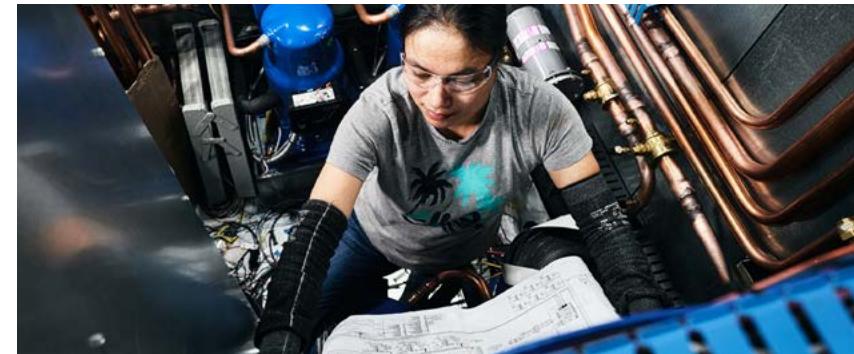
# AAON Quality Management System

## VISION

Provide ongoing expansion of our innovative high value family of semi-custom HVAC equipment offerings.

## MISSION

- To provide a great work environment that promotes innovation
- To manufacture HVAC equipment of impeccable quality and high value that is recognized and appreciated by the discerning customer

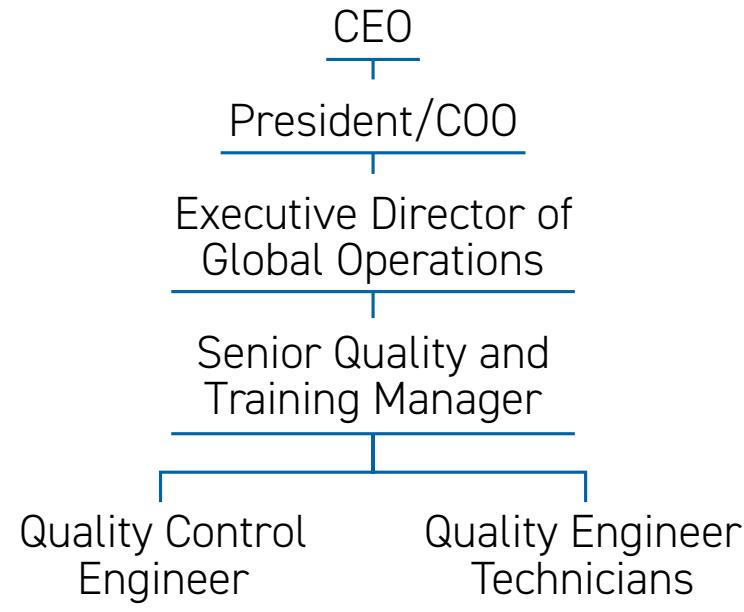


## MANAGEMENT RESPONSIBILITY AND LEADERSHIP

AAON Senior Leadership is committed to improving the effectiveness of the QMS by communicating our dedication to the voice of our customers, compliance with regulatory requirements, and commitment to stakeholders. The Senior Leadership Team accomplishes this aim by ensuring the availability of resources to establish, implement, maintain, and improve the QMS. Resources can include HR and specialized skills, organizational infrastructure, technology, and financial resources.

AAON Senior Leadership shall ensure the following Quality Objectives:

- Serve the betterment of AAON's QMS
- Are consistent with the Quality Policy
- Are measurable and achievable
- Are reviewed for ongoing suitability



## QUALITY ASSURANCE PROCESS

**DMAIC Process – Design, Measure, Analysis, Improve, and Control**

Communicate concerns through line engineers, quality alerts, testing, and internal audits.

### Quality Assurance Department

Quality Assurance  
Counter Measures

Manufacturing /  
Engineering Information

Investigation  
of Cause

Operational  
Efficiency

Quality and  
Training

Raw Materials

Production

Control of  
Non-Conforming

Customer  
Focus

Risk and  
Opportunities

## OPERATIONAL EFFICIENCY

AAON's QMS is designed with a strong emphasis on ongoing enhancement, operational efficiency, and the management of business procedures that influence customer contentment. This comprehensive documentation encapsulates the quantity and intricacy of these processes and the necessary language translations for effective communication within our team. Departments that support Production are the Line Engineering Group, Quality and Training, Safety, and Manufacturing Engineers.

The Line Engineering Group clarifies information and resolves issues for units currently on the production line. They play a crucial role in the Engineering Change Request (ECR) Process. They collaborate with Production to ensure that ECRs are executed correctly and shared with the relevant departments for improvements and issue resolution.

## QUALITY AND TRAINING

AAON's Quality Management creates documentation for production including visual aids, work instructions, and procedure documents to ensure that AAON can produce units that have consistent quality.

The Safety department ensures that AAON meets all safety requirements and that AAON employees have the tools and training necessary to ensure they can safely complete their duties. The Safety department upkeeps the Safety Data Sheets (SDS) on all chemicals used at AAON and tracks any injuries or potential "near misses."

The Manufacturing Engineering department collaborates closely with Production and Engineering to guarantee the availability of the correct tools, processes, and equipment.

## RAW MATERIALS

### Production, Inspection, and Test Status

Each AAON location has an inspection and/or test process to ensure conformity of the product and is documented in each location. This ensures that only products that meet requirements or is authorized under the concession is released.

A Quality Alert will be sent out for any purchased part, manufactured part, raw material, or process that fails to meet quality standards or negatively impacts the production process. The Quality Alert includes the notification of the issue and steps the production team must take to correct the concern.

## PRODUCTION

### Internal Audits, Final Inspection, and Testing

Internal quality audits or similar inspections are completed to ensure compliance to established QMS processes and quality metrics. The Quality Assurance staff reviews the results of these audits for quality improvement purposes.

Process Auditing the manufacturing process gives the Quality group, Quality Team Leaders (QTL), and management real time feedback on potential issues. It is used to drive improvements, focus resources, and stop potential problems before they become field issues. The internal Process Audit Report form is designed to be clear and easy to follow so any team member can complete an audit.

Final inspection and testing to validate and document conformity of the finished product to the specified requirements.

## CONTROL OF NON-CONFORMING PRODUCT

A product that does not conform to product requirements is identified and controlled to prevent its unintended use or delivery. A non-conforming product is defined as any completed product, sub-assembly, or individual part that does not meet intended specifications. Delivery or use of non-conforming material is prevented via a closed-loop system, which depends on the use of the developed and established procedures. Any personnel performing processing duties whether in the assembly area, warehouse, or other areas, are responsible for identifying non-conforming materials during their normal work activities. Non-conformances and accompanying corrective actions are recorded into a maintained database.

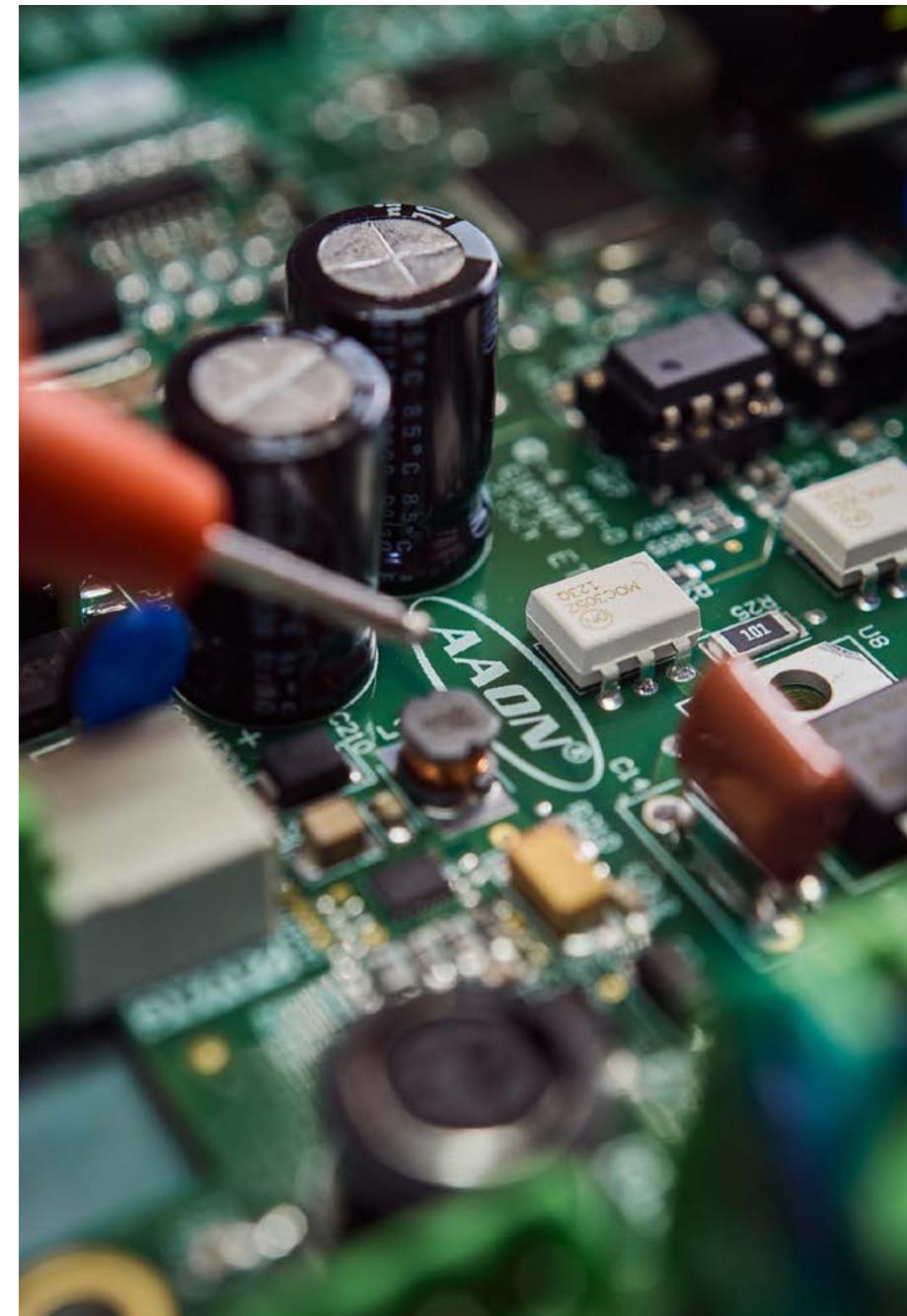
## CUSTOMER FOCUS

AAON is focused on ensuring that documented and accepted customer requirements, contractual commitments, and expectations are met to enhance customer satisfaction. This is accomplished through customer communications, monitoring and improving internal and external performance measures, data analysis, and corrective actions. AAON is responsible for acting when product conformity and on-time delivery performance trends are not meeting expected results. Site management is responsible for addressing product conformity and delivery issues originating from their location.

## RISK AND OPPORTUNITIES

AAON identifies techniques, tools, and application of risk through assessment and mitigation planning. Risk is defined as any activities which impact the safety, delivery, and quality of products, or has a negative effect on our shareholders.

The risk assessment process includes consideration for severity, detection method, and probability of occurrence. The output of each assessment is used in developing continuous improvement projects, preventive/corrective actions, and contingency plans.



## PROCEDURES TO IMPROVING QUALITY

All AAON sites have adopted this manual and implemented documentation levels as illustrated below:

**Quality System Manual** — Includes the quality policy, quality objectives, defines the AAON QMS scope, processes and outlines the implementation and maintenance of the quality system.

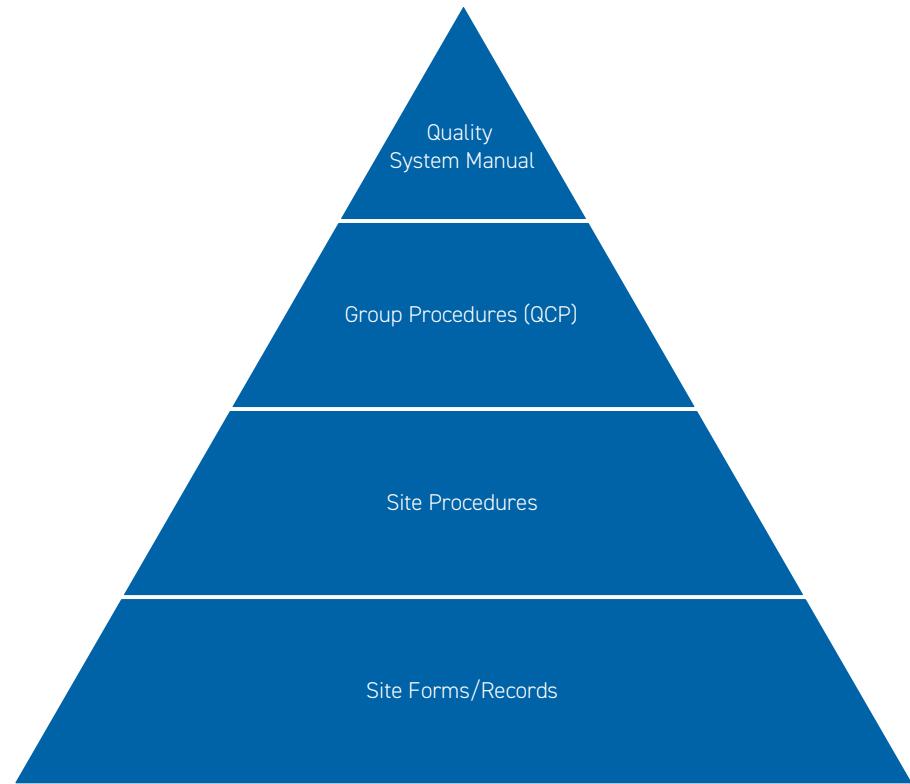
**Group Procedures (QCP)** — Includes Corporate Quality Control Processes to define standard process requirements deployed at each facility as well as the process interactions and responsibilities between corporate and production facilities.

**Site Procedures** — Includes Procedures, drawings, and work instructions that are applicable to a specific product, process, or site. These types of documents can be issued from corporate or plant location.

**Site Forms/Records** — Includes all documents needed to ensure effective planning, operations, and control of processes. Once completed, forms, work orders, etc. are considered to be records. These documents serve as the authority for the products produced as well as the objective evidence that the quality requirements have been achieved and the QMS is operating effectively.

## CONTROL OF TESTING, MEASURING, AND MONITORING EQUIPMENT

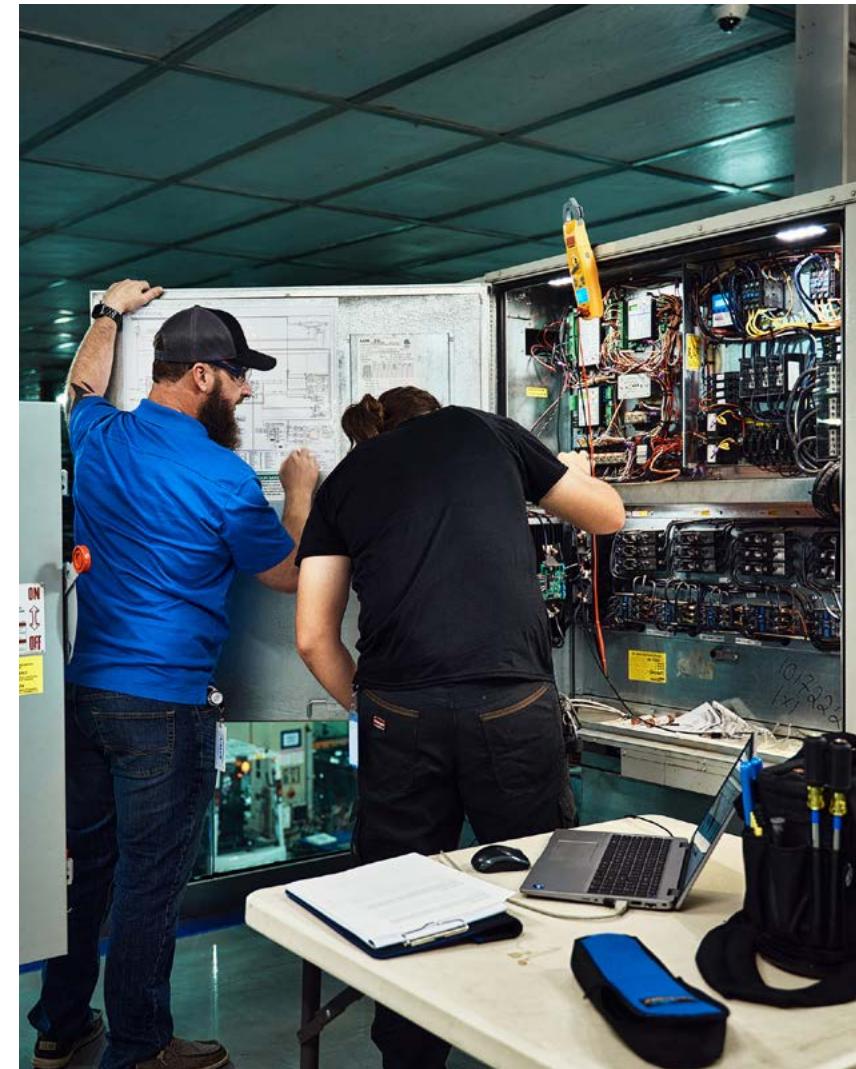
Each AAON location determines the testing, monitoring, and measurement requirements and the associated equipment needed to provide evidence of conformity to those requirements. This ensures that testing, measurement, and monitoring equipment is calibrated and maintained, and that the equipment is being used in a manner that is consistent with monitoring and measurement requirements.



# AAON Technical Academy



**The AAON Technical Academy is the premier training program for educating service technicians on AAON HVAC equipment, controls, applications, and more.**





This program offers content specifically geared toward real-life situations that technicians may experience when installing, servicing, and maintaining AAON equipment.

In this program technicians are allowed to work on a variety of AAON units in a controlled environment with simulators that create real-world scenarios to test their ability to think and adapt through the trouble shooting process.

These training facilities are conveniently located at AAON Manufacturing plants allowing students access to the latest equipment, engineering resources, and training centers.

The class size is limited, encouraging one-on-one participation. As a result, technicians leave with more confidence, industry knowledge, and hands-on experience with AAON HVAC equipment.

## COURSES OFFERED

- **Package Unit Startup** – Designed to teach the technician basic knowledge to startup and test an AAON package unit.
- **Split System Startup** – Designed to teach the technician basic knowledge to startup and test an AAON split system unit.
- **Controls 1** – Offers a deeper dive into the AAON VCCX Control System.
- **Controls 2** – Offers a continuation of the Controls 1 course.
- **Xtend Upgrade Class** – Designed to teach the technician basic knowledge on the AAON Xtend Upgrade Program.
- **VAC and Systems Class** – This class is for anyone looking for detailed knowledge on how the AAON VAC Control System works with VCCX-2. It will also cover system integration with the AAON line of controls.

# Customer Satisfaction

AAON is committed to ensuring that its Senior Leadership and other key organizational stakeholders have access to the feedback and input provided by customers, sales representatives, regional managers, and service technicians. This information is gathered from various sources, including regional meetings, representative principal meetings, and data relayed through customer service, regional managers, or AAON Warranty.

AAON maintains a Representative Council within each sales territory. The Representative Council and AAON Senior Leadership convene in an open forum to discuss issues and requirements from each territory. Members of the Representative Council act as the voice of the customer, providing AAON Leadership with pertinent feedback from all Company Representatives, which is used to gauge customer satisfaction.



# Environmental Responsibility

## ENVIRONMENTAL PERFORMANCE

At AAON it is our priority to do business in a socially responsible and ethical manner as we continuously improve our environmental stewardship. We are committed to reducing our greenhouse gas (GHG) emissions through operational efficiencies and project investments within our locations and surrounding communities that reduce carbon emissions. We understand that climate change is one of the most significant challenges facing humanity across the globe, affecting every aspect of our lives, and it requires diligent and collective action from governments, businesses, and individuals. Adapting to the impacts of climate change involves building and maintaining infrastructure and resource management best practices and doing our part to protect natural ecosystems. This is not necessary for the well-being of future generations but also drives innovation and creates opportunities for job creation and economic growth.



## SUSTAINABILITY MANAGEMENT STRUCTURE

Sustainability at AAON is managed by the Corporate Citizenship department in collaboration with a cross-functional group of leaders on the Environmental, Social, and Governance Committee and an employee engagement committee on sustainability to contribute and produce key themes to address within the Company. The Corporate Citizenship team reports to the Chief Financial Officer and periodic updates are provided to the Board of Directors for their oversight.

Our approach to overall environmental long-term sustainability efforts includes the following:



Operational Efficiency and Investments	Research and Development Lead to Industry Innovation	Identifying Risks to Business and Industry	Industry Collaboration and Leadership	Commitment to Sustaining Communities and Natural Resources
AAON recognizes that investments in its facilities, employees, and governance in a clean, safe, and environmentally conscious manner are critical to long-term sustainability.	Our R&D leads the charge in energy-efficient innovations to meet increasing decarbonization demands and to help AAON customers be more sustainable.	AAON proactively works with internal and external stakeholders to identify and address risks that could affect our business and industry, including disclosing ESG performance and practices.	AAON emphasizes the importance of shared knowledge, resources, and solutions to industry towards best practices and collective action from all stakeholders to positively impact climate change.	AAON commits to protecting natural ecosystems through partnerships and investments in sustainability projects surrounding its local locations and worldwide.

As AAON grows at a rapid pace, managing and improving our overall manufacturing operations for long-term sustainability is critical to our core business. For AAON and the HVAC industry, the most impactful factor on people and society is the HVAC equipment we manufacture.

## ENVIRONMENTAL RESPONSIBILITY TARGETS

	<b>TARGET</b>  <b>80% of total equipment sales will be non-fossil fuel consuming units by 2030</b>	<b>APPROACH</b>  We can address greenhouse gas emission reductions through our product designs. We are committed to increasing the production of air, water, and electric-powered units. We are committed to growing this sector of the business.  <ul style="list-style-type: none"><li>○ In 2023, 54% of units produced and 51% of sales were non-fossil fuel-consuming units.</li><li>○ In 2022, 63% of units produced and 48% of sales were non-fossil fuel-consuming units.</li></ul>
	<b>TARGET</b>  <b>Reduce GHG emissions by 10% by 2025</b>	<b>APPROACH</b>  We recognize that climate change is a global crisis. We are committed to reducing our GHG emissions through operational efficiencies and investments in projects that reduce carbon emissions.  <ul style="list-style-type: none"><li>○ In 2023, we saw a 6.43% increase in emissions over 2022 and a 4.78% increase over the baseline year of 2020.</li><li>○ We are continuing to invest in operational efficiencies to reduce our emissions and projects to reduce emissions.</li></ul>
	<b>TARGET</b>  <b>Increase paint material recycling rate by 10% by 2025</b>	<b>APPROACH</b>  We understand the need to be good stewards in material management, especially with items considered paint waste. The primary waste in our manufacturing processes is paint and acetone byproducts. We have identified a partner organization that can reclaim and recycle these waste products. The baseline for this measurement is 2020.  <ul style="list-style-type: none"><li>○ In 2023, we recycled 52 tons of paint byproducts, achieving 90% recycling of total paint waste. This decrease is a result of efficiency gained in the painting process.</li><li>○ In 2022, we recycled 54 tons of paint byproducts achieving 90% recycling of total paint waste.</li></ul>

# Climate Change

Global Climate Change is currently of keen interest to governments, corporations, and society in general. The United Nations has a goal of less than 1.5° C global warming. In the past 20 years the world has changed the course from 3.5°C to 2.4–2.8°C.

The current U.S. government stated goals to reduce climate change include:

- Reducing U.S. GHG emissions 50–52% below 2005 levels in 2030
- Reaching 100% carbon pollution-free electricity by 2035
- Achieving a net-zero emissions economy by 2050
- Delivering 40% of the benefits from federal investments in climate and clean energy to disadvantaged communities

The U.S. DOE estimates that HVAC energy use is around 40% of the total energy use of commercial buildings. Therefore, HVAC equipment such as AAON manufacturers can have a significant effect on the environment.

In HVAC engineering, decarbonization is increasingly associated with electrification. Electrification involves utilizing solely electrical energy sources for the mechanical heating and cooling of buildings. The rationale behind this shift lies in the fact that major "green" renewable energy sources, such as solar photovoltaic, wind power generation, and hydroelectric power generation (dams), primarily produce electrical energy. This transition toward electrification plays a crucial role in reducing GHG emissions and promoting sustainability.



Non-residential buildings utilize approximately 16% of the energy consumed in the United States



from that, 40% is associated with heating, ventilation, and air-conditioning



AAON's cooling-only systems are entirely electric. However, when it comes to heating, traditional methods involving natural gas or propane have been prevalent. The most efficient electric heating alternative is the use of a heat pump.

In a typical HVAC system operation, warm indoor air passes through the evaporator coil, creating cold air that cools the building. Remarkably, this process uses electrical energy to "pump" heat from the indoor air to the outdoor air through the condenser. The total electrical energy consumed is less than the combined heating and cooling energy transferred from indoors to outdoors. Additionally, this cycle removes some of the humidity from the indoor air.

The coefficient of performance (COP) for a heat pump exceeds 1, which indicates that less electricity is needed to create a given amount of heat compared to an electric heater which has a COP of 1. This forward-thinking approach plays a crucial role in creating more sustainable and energy-efficient HVAC systems.

In the context of a heat pump heating system, AAON strategically incorporates reversing valves into the piping to reverse the flow. This configuration transforms the indoor coil into the condenser and the outdoor coil into the evaporator.

A dilemma is the frigid outdoor air holds only a modest amount of heat energy. Therefore, to the desired indoor warmth, the system inadvertently cools a substantial volume of outdoor air. Despite this challenge, the heat pump system continues to be the most efficient solution, ensuring indoor comfort.

The AAON Alpha Class product line is leading the charge towards sustainable HVAC solutions, with more efficient technology that propels the decarbonization movement forward. With its first-of-its-kind omni-climate performance, the AAON Alpha Class offers the innovation that our future demands.

[ALPHA CLASS WEBSITE](#)



# Air Quality Products

The American Society of Heating, Refrigeration and Air-Conditioning Engineers ("ASHRAE"), a professional association with a goal of advancing HVAC systems designs and construction, established an Epidemic Task Force in 2020 and determined several recommendations to mitigate the spread of the virus, including humidity control, air filtration, increased outdoor air ventilation, and air disinfection.



**Humidity Control** — We continue to lead the market in developing energy efficient humidity control with the use of variable capacity compressors and modulating hot gas reheat. Designing HVAC systems with superior humidity control allows building management to maintain ASHRAE's recommended ambient relative humidity levels of 40%–60%, the ideal level to inactivate viruses in the air and on surfaces.

**Air Filtration** — We standardized a design that uses a backward curved fan wheel, which can accommodate higher airflow and static pressure required for the ASHRAE recommended by Minimum Efficiency Reporting Values MERV 13 filtration, the minimum filter level for virus mitigation, with little reconfiguration. Before 2020, most commercial buildings used filtration levels of MERV 4 to MERV 8, which has always been acceptable for filtering out typical particulates in the air stream.

**Outdoor Air Ventilation** — Our innovative use of energy recovery wheels and energy recovery plates combined with its superior humidity control design can help building management follow outdoor ventilation air recommendations while limiting an increase of energy usage and maintaining recommended humidity levels.

**Air Disinfection** — Our basic design characteristics allow for the easy installation of ultraviolet lighting equipment. In addition to this equipment offered as options in new units sold, our basic design characteristics allow for easy installation in units already used in the field.

AAON is well positioned to accommodate the heightened demand for features that can help mitigate virus transmission and improve indoor air quality. The features that ASHRAE recommends require premium designs and configurations that are standard in our units. As a result, we can incorporate air quality features into our units at a minimal price premium and with no delivery delay.



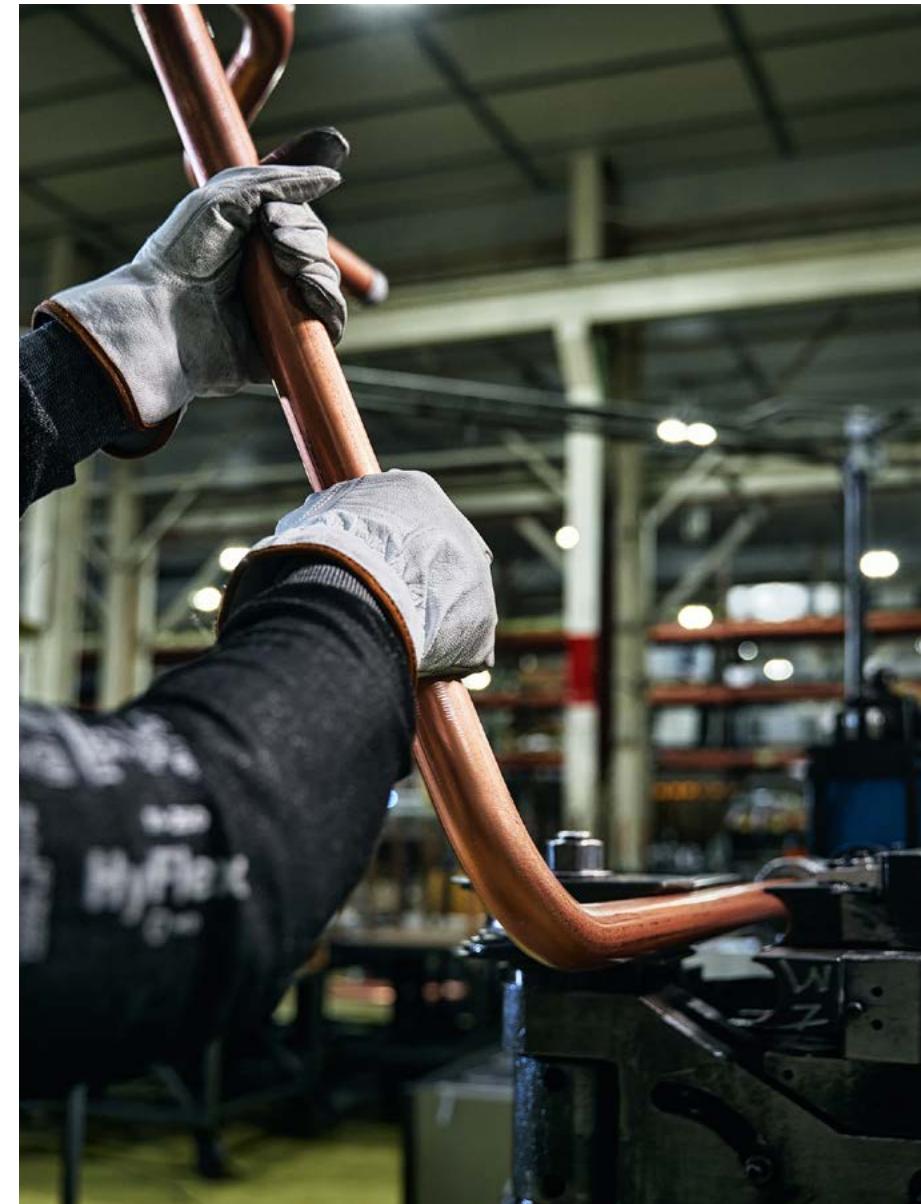
# AAON Product Solutions

AAON manufactures some of the highest-performing, most energy-efficient equipment in the commercial HVAC industry. Many AAON HVAC units feature unique designs, incorporating two-stage variable capacity or variable-speed compressors, high-efficiency evaporators, condenser coils, and variable-speed fans.

**This has resulted in AHRI Certified performance ratings of up to 20.3 SEER and 22.5 IEER, far surpassing the industry ASHRAE 90.1 minimum requirements of 12-14 SEER/IEER.**

The AHRI standards for SEER and IEER serve as crucial metrics for evaluating the energy efficiency of HVAC equipment. These standards assist consumers and businesses in making informed choices to reduce energy consumption and operating costs while minimizing their environmental impact.

AAON has made the strategic decision to transition to the lower global warming potential R-454B refrigerant starting in 2023. This commitment aligns with our ongoing efforts to develop and manufacture non-fossil fuel-consuming units, offering the most sustainable commercial HVAC equipment available in the market.



## **AAON's Zero Degree Cold Climate Air-Source Heat Pump is a critical solution that meets the increasing demand for building decarbonization in cold climates.**

Through the optimization of variable-speed compressors, variable-speed outdoor fans, and advanced AAON controls, this zero-degree cold climate air-source heat pump extends compressed heat pump heating applications into a wide range of climate zones, down to 0°F. This is significant because, until now, this fully electric, highly energy-efficient technology was only operable down to around 30°F. This limitation excluded a sizable percentage of North America from investing in heat pump technology. With capabilities down to zero degrees, it now opens a more significant portion of the market to heat pump technology. This packaged rooftop unit is available in sizes ranging from 2 to 50 tons.

AAON has eliminated the usage of R134a in the foaming process and transitioned to a non-fluorinated, non-ozone-depleting alternative with a global warming potential of 0. The Company has also switched to lower Volatile Organic Compounds (VOC) paint for all units and products. AAON maintains an ongoing focus on reducing its operational carbon footprint through energy efficiency and GHG reduction projects.



# Refrigerant Transition

The world is asking for better solutions – AAON is delivering. We aim to create a cleaner and more sustainable future by reducing our environmental impact.

AAON has selected the lower Global Warming Potential (GWP) R-454B refrigerant as a replacement for R-410A in its products. After testing and evaluation, AAON selected R-454B for a variety of reasons.

*"R-454B has a low GWP of 466, which results in less overall impact on the environment and potentially has a longer useful life against future refrigerant regulations." said Brent Stockton, AAON Director of Engineering. "Capacity and refrigerant properties are also similar to R-410A, meaning the changeover will require less time and lower the cost to redesign our products."*

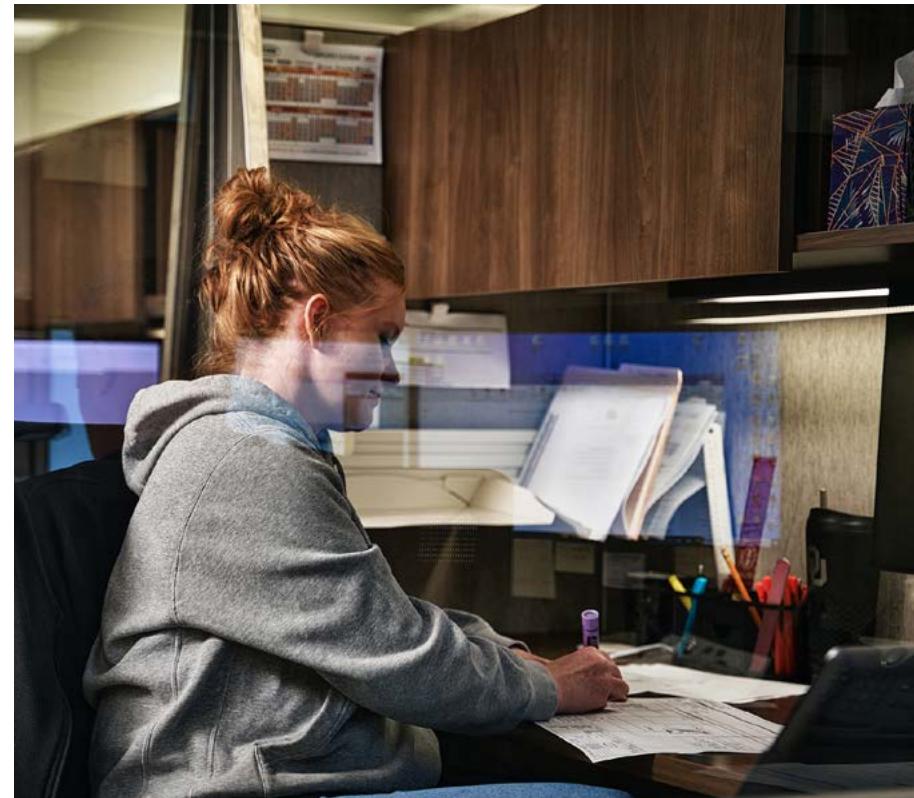
AAON is committed to transitioning our full product line to the lower GWP refrigerant well before the anticipated phase-out dates for regulated refrigerants.

The EPA Transition Rule plays a crucial role in phasing down hydrofluorocarbons (HFC) in products like HVAC systems.

Enacted through the American Innovation and Manufacturing (AIM) Act and signed by the EPA, this regulation sets the stage for a significant shift in reducing HFC usage.

The Ruling addresses environmental concerns associated with refrigeration and cooling systems. Key provisions include distinguishing between "products" and "systems" specifying components covered by the rule, and deadlines for compliance.

Anyone involved in assembling, contracting, owning, or operating a system is subject to the rule. For split systems, compliance responsibility lies with the entity in the field, not the manufacturer.



**Canadian Impact** – Canadian HVAC professionals face unique challenges, including the potential allowance of commercial A2L products and updates to building codes. Staying engaged with local code officials is essential for effectively managing these changes.

As we navigate this refrigeration transition, aligning products with designated GWP limits within specified time limits is crucial. Ensuring compliance with the EPA's regulations is not just a box to check; it is the key to maintaining smooth business operations in this industry.

# Energy

**AAON is committed to further investing in decarbonizing our operations and diversifying our energy portfolio to optimize energy efficiency and conservation.**



## OPERATIONS

### The Exploration Center – A Net Zero Building

The Exploration Center is a net-zero facility powered by solar and geothermal energy, making it one of the most sustainable and energy-efficient structures in Oklahoma. The building serves as a showcase center for the engineering, design attributes, and premium build quality of AAON equipment side-by-side with the market alternatives.

Now fully operational, The Exploration Center is under constant monitoring to track its energy consumption and generation. The building's roof is coated with a highly reflective material, promoting lower temperatures, and extending its lifespan. The center also boasts geothermal wells equipped with over nine miles of piping and is lit entirely by high-efficiency LED lights. AAON's high-efficiency heat pumps provide heating and cooling with zero carbon emissions.

- 432 solar panels have been activated on the building, generating about 240 kW of solar energy.
- As part of its design, the infrastructure can support up to 800+ kW of solar generation, one of the largest in Oklahoma.

In addition, we have established an effective energy-sharing system with The NAIC lab. This system transfers "waste" heat energy between buildings through water loops and utilizes excess solar electricity, thereby eliminating the need for batteries.



## FACILITY IMPROVEMENTS

We have made capital investments including:

### LED Lighting

AAON's Tulsa and Longview facilities are 95% LED lighting leading to considerable cost savings and reduced energy consumption. The facilities at BASX in Redmond, Oregon have installed new LED light fixtures and retrofitting old fixtures to LED lighting is in progress. We participate in an energy demand response program through the public utility provider to reduce demand during peak hours. We are tracking our energy usage intensity before and after these updates.

## RENEWABLES

We maintain that approximately 36% of our total energy consumption is currently derived from renewable sources.

- Scope 1\* and Scope 2\* emissions are being tracked by the THG Energy Solutions platform. We have begun capturing Scope 3 emissions.
- We have further increased the percentage of renewable energy at our Tulsa facilities and continue to explore options at other facilities.
- We have opted for a program to purchase additional wind energy through our current utility provider.

In addition to our commitment to product design and operations, we invest in and partner with organizations and conservation efforts that enhance the resilience of communities in addressing the physical and transitional impacts associated with climate change.

Scope 1\* emissions are direct GHG emissions that occur from sources controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, and vehicles).

Scope 2\* emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although Scope 2\* emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are a result of the organization's energy use.

## GREEN POWER PARTNERSHIP

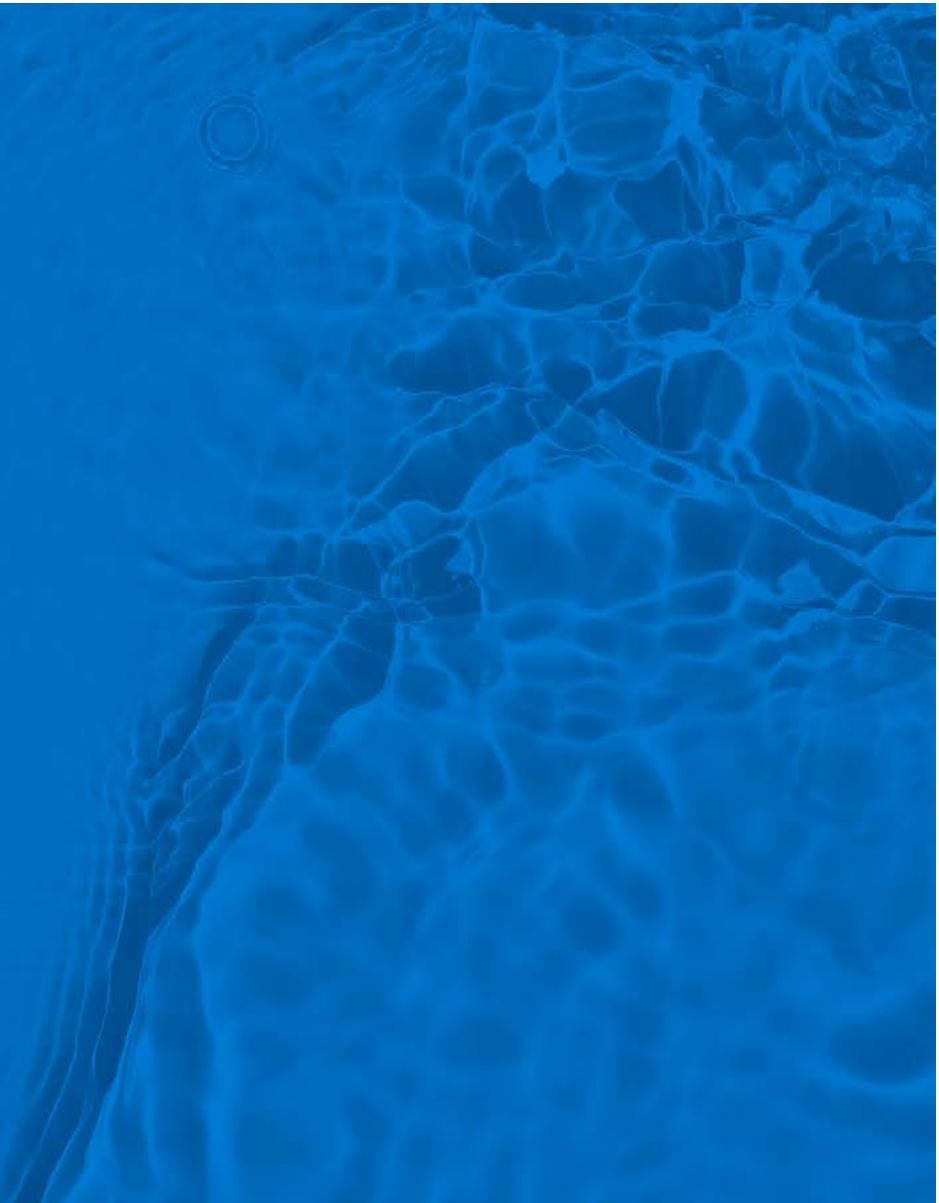
AAON participates in the U.S. EPA's Green Power Partnership, a free, voluntary program that aids and recognizes organizations that demonstrate environmental leadership by choosing to use green power. We have met the Partnership's minimum green power use requirements based on the green power and electricity at our facilities.



# Water

We acknowledge that water is a vital resource for our planet and our operations. We closely monitor water usage at all our facilities and are committed to conserving and reducing consumption whenever feasible. Our water usage is tracked monthly through the THG Energy Solutions platform.

**Reducing our  
water consumption  
decreases the  
potential for business  
disruption and  
helps to conserve  
scarce resources.**



# Waste



**In the area of material management, we focus on reducing, reusing, recycling, and sourcing more environmentally friendly materials into our processes.**

## REDUCE

AAON started a committee focusing on metal scrap waste and inefficiencies in the manufacturing processes. This group has reduced sheet metal scrap significantly through training and changes to the programming in the sheet metal cutting machinery. We are on a digital journey drastically reducing the amount of paper involved in our business processes.

To support an effort to reduce the usage of individual use plastic bottles, bottle refill stations are installed around the facilities and water coolers have been placed in training and meeting rooms. The refillable water bottle stations recorded over 56,000 sixteen-ounce water bottles potentially diverted from landfills.

## WASTE OIL ABSORBENTS

AAON is recognized for our corporate environmental initiatives to reduce solid waste in support of ISO 14001 objectives from January 1, 2023, to January 1, 2024. By utilizing the Sorbits System including launderable, reusable textiles and managed service programs, AAON eliminated the following solid waste:

- 18,271 lbs. of waste oil absorbents
- 823 lbs. of industrial wiping towels
- 562 lbs. of waste oil absorbents

## E-WASTE

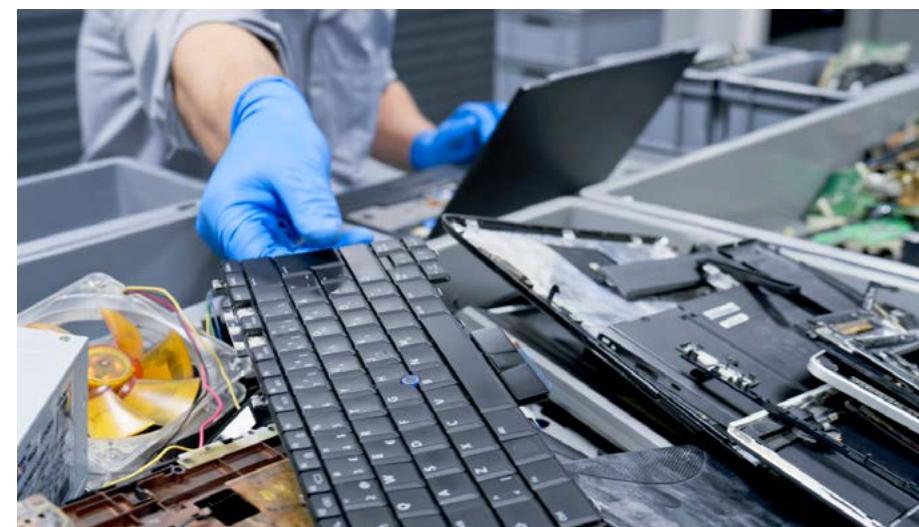
The scope of the AAON IT Asset Disposal (ITAD) project involves planning, managing, and disposing of IT assets that are no longer usable (either broken or obsolete) in a secure and environmentally friendly manner. This includes inventory assessment, data management, vendor selection, equipment recycling, process creation, and process ownership. To achieve this goal, a collaboration of many teams was required, including IT Operations, Helpdesk, IT Infrastructure, Facilities/Maintenance, and IT Procurement.

Any item considered to be a capital asset was tracked and reported to accounting, as there is a significant cost associated with ITAD.

AAON's goals with vendor selection were based on:

- Significantly reducing the disposal cost.
- Improving our carbon footprint.

AAON partnered with an E-waste recycling company to support efforts to recycle, providing future cost-saving reports, data reporting, and a GHG Report saved by recycling. To date, we have removed 100% of the hard drives. This program supports all locations.



## REUSE/RECLAIM

AAON has found ways to repurpose and reuse several shipping related products. The packaging we receive fan blades in has been converted into cardboard collection containers to support recycling efforts. Additionally, we have replaced wooden shipping containers used for transporting coils between facilities with reusable metal shipping containers.

## UNIFIED TOOL CRIB

Our unified tool crib supports a process to extend the life of our tools. This system was created to inventory, receive, order, transfer, and issue out AAON tools. We are reducing waste by optimizing the process, by ensuring you have the right tools available when you need them.

Tool Repairs are done by the tool crib attendants. New and repaired items are quickly traded for any items needing repair or replacement. The tools that do not carry a manufacturer's warranty and are not repairable are separated and placed into AAON's recycle bins. Our production sustainability lead evaluated each manufacturing production area providing a convenient space for lockable tool cabinets.

The Unified Tool Crib currently has over 500 tools/items on our master inventory list:

- Fan balancing tools, test rack gauges and manifolds, and our recovery machines
- Air tools and battery powered tools
- All air hoses, brazing hoses, and electrical cords
- Consumables for our robotic welders, LT7 tube laser, welding consumables and Salvagnini machines (laser lens, nozzles, ceramics, etc.)

## RECLAIMING REFRIGERANTS

We have established a refrigerant recovery process to support AAON's efforts to recover refrigerant from our own production units and reclaim it for reuse in our production lines. We have redesigned the program to accelerate the recovery of used refrigerant by removing non-condensable gases, oil, acid, water, and other contaminants. This is achieved by engaging experienced EPA-608 Universal Licensed refrigerant reclaimers to repurpose the used refrigerants. A sample of the cleaned refrigerant is sent to a third-party lab that confirms our refrigerant meets the AHRI 700 refrigerant standards for purity.

Upon receiving the clean test results, we pump the refrigerant into our main refrigerant supply system for use in our production units.



# Recycle

## METAL RECYCLING

AAON Tulsa, Longview, and BASX facilities recycled:

- More than 13,677 tons of metal in 2023
- More than 14,928 tons of metal in 2022

## WASTE TO ENERGY FACILITY

We successfully diverted:

- Over 694 tons of waste in 2023
- Over 668 tons of waste in 2022

### These locations recycled more than:

- 130 tons of cardboard
- 218 tons of wood
- 33 tons of recycled paper

BASX participates in the Bottle Drop program for bottles and cans.

## PAINT WASTE RECYCLING

We have identified paint waste recycling partners for paint products at both our Tulsa and Longview facilities. The Company has developed a relationship with an organization to recycle paint waste. AAON operates in accordance with the UL Code refrigerant paint waste.

### Recycled paint waste:

- 52 tons of paint waste in 2023
- 54 tons of paint waste in 2022



# People and Culture

AAON recognizes the diversity of thoughts, experiences, and perspectives among our team members which fuels our innovation, productivity, and team member engagement.

We are committed to creating an inclusive environment with defined career pathways beginning with our entry level careers and extending to our leadership roles. Our mentorship program is designed to expand our professional networks and professional growth both personally and professionally within the organization. AAON also offers leadership programs to help our team members develop internally. Our aim is to emphasize the importance of breaking down silos and fostering a sense of unity and teamwork for cross-location collaboration. Here, team members not only enjoy their work environment but also take immense pride in their responsibilities.

AAON employees are the driving force behind the continuous accomplishments and ongoing success of our company.

## AAON CORE VALUES

**Demonstrate great moral character.**

SHOW INTEGRITY AND HIGH ETHICAL STANDARDS

**Give your very best.**

EXHIBIT A STRONG WORK ETHIC AND POSITIVE ATTITUDE

**Empower team members.**

WORK WITH ONE ANOTHER TO BUILD HIGH PERFORMING TEAMS

**Innovate and push boundaries.**

EXEMPLIFY OUR "WE CAN" SPIRIT

**Promote a safe, respectful environment.**

HONOR OUR DIVERSITY WITH INCLUSION, APPRECIATION, AND ATTENTIVENESS



# Human Rights Policy

As a corporate citizen, we have a responsibility to respect and uphold basic human dignity and human rights, including the rights of women and indigenous populations, throughout our operations and supply chain. We do this in adherence to and alignment with:

- UN Guiding Principles on Business and Human Rights ("UNGPs"),
- the Universal Declaration of Human Rights,
- applicable laws and regulations.

AAON encourages suppliers, distributors, and other business relationships to uphold these principles and adopt similar policies within their own businesses. Our Code of Business Conduct and Ethics and Contractor Code of Conduct for on-site contractors provides additional guidance for what we expect from our employees and suppliers, distributors, and other business relationships, respectively. We will continue to grow existing programs and implement measures in this area.

## Child and Forced Labor

AAON does not tolerate the use of child labor, forced labor, or human trafficking within our operations and supply chain. We prohibit the employment of individuals under the minimum age allowed by applicable law.

## Safety and Health

One of our most important priorities is ensuring that every one of our employees go home safe at the end of each day. AAON is committed to providing a safe and healthy work environment from product design and manufacturing to installation and service. We continuously assess safety and maintain a healthy work environment through vigilance, training and awareness campaigns, policies and procedures, safety committees and champions, adherence to applicable laws, and regular observations and audits.

## Diversity and Inclusion

AAON values and promotes diversity in its workplace. Diversity refers to human differences, including those based on culture, ethnicity, gender, and age, that exist in the workforce. We believe that promoting diversity plays an important role in attracting the widest pool of qualified applicants, fostering greater innovation and creativity, and enhancing our communication and relationships with customers and the community.

AAON is committed to enhancing our diversity and demonstrating that commitment to our team members, customers, and community. AAON promotes diversity by developing policies, programs, and procedures that foster a work environment in which differences are respected and employees are treated fairly. Diversity is one of AAON's greatest strengths.

## Harassment and Discrimination

AAON is committed to providing a work environment that is welcoming for all employees and applicants. AAON considers harassment in all its forms to be a serious offense. In keeping with this commitment, we have established a strict policy prohibiting unlawful harassment of any kind, including, but not limited to, harassment based on race, color, religion, sex, sexual orientation, gender identification or expression, age, national origin, disability, veteran status, genetic information, or any other legally protected status. Some examples of conduct that might be considered harassment include ethnic slurs, racist jokes, unwelcome touching, display of offensive pictures, or any other verbal or physical conduct that has the purpose or effect of creating an intimidating, hostile, or offensive work environment. This policy also prohibits sending, showing, sharing, or distributing in any form (i.e., e-mail, text, social media), inappropriate or offensive jokes, pictures, comics, stories, etc. AAON considers harassment in all forms to be a serious offense and a violation of AAON's EEO and harassment-free workplace policies.



Our policy at AAON is to provide equal employment opportunity to all applicants and employees without regard to race, color, religion, sex, sexual orientation, gender identification or expression, age, national origin, disability, veteran status, genetic information, or any other legally protected status. Accordingly, all personnel policies, actions, and practices are administered to reflect AAON's commitment to non-discrimination in all areas of employment. Equal opportunity extends to all aspects of the employment relationship, including hiring, job assignment, compensation, benefits, promotion, training, working conditions, discipline, and termination.

### **Commitment to a Living Wage**

AAON is committed to providing a living wage and benefits, including comprehensive health and wellbeing benefits, to remain competitive in our industry, while complying with all applicable wage, work hours, overtime, and benefits laws.

### **Privacy**

We respect the legitimate right to privacy and collect, use, and process personal information of employees, customers, and third parties in accordance with applicable privacy laws. AAON makes every effort to protect employees' privacy rights and interests and prevent inappropriate or unnecessary disclosures of information from any worker's file or record. While complying with its governmental reporting and recordkeeping requirements, we strive to ensure that all personal and job-related information about employees is maintained in a secure, confidential, and appropriate fashion in accordance with the procedures outlined in our employee handbook.

### **Environment**

We are committed to minimizing the environmental impact of our operations and continuously advancing sustainability in our products, services, and operations. This commitment includes recycling and minimizing waste, preserving natural resources like water, reducing emissions generated by our activities, and avoiding or minimizing the use of hazardous substances. We see access to clean air and water as basic human rights.

### **Reporting Suspected Violations and Other Ethical Concerns**

We are committed to promoting a work environment where employees and others feel safe to report violations and participate in investigations without fear of retaliation. If you have a question or believe an AAON employee or a supplier, distributor, or other business relationship violating our values, this Policy, or applicable laws, you have a responsibility to act by contacting:

**AAON Compliance Hotline at 1-800-254-0475 to report a violation or any potential violation.**

AAON does not allow retaliation against employees for reporting violations or suspected violations.

# Workplace Safety

We direct our efforts toward developing processes and systems that demonstrate our commitment to safety practices. AAON investigates the primary causes of any reported work-related illnesses or injuries and takes specific actions to prevent future events.

Safety committees and focus groups provide opportunities for employee engagement and participation in safety improvements.

Frontline leaders play a crucial role in enhancing safety for both employees and customers by offering feedback and solutions to product and process challenges.

## OCCUPATIONAL SAFETY AND HEALTH

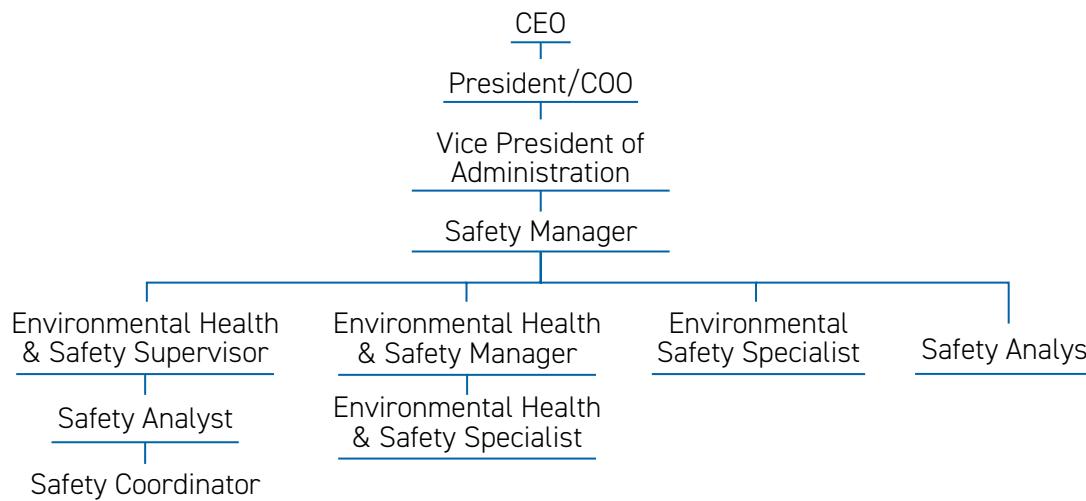
### Basic Policy

AAON supports efforts directed at developing processes and systems that demonstrate our commitment to safe practices. We promote a written policy or commitment to injury prevention and occupational health and safety. This policy encourages team members to report uncomfortable, unsafe, or hazardous working conditions to leaders to prevent injuries or illnesses. All employees bear responsibility and accountability for safety. We consistently enhance training programs and work processes, and we safely modify work environments as AAON's workforce expands in all locations.

AAON offers adequate rest breaks and overnight stays for trips, indicating a commitment to reducing sleepiness and fatigue among team members.



## AAON SAFETY MANAGEMENT STRUCTURE



## SAFETY OF OPERATIONS – FOCUS GROUPS

Safety committees and focus groups provide opportunities for employee engagement and participation in safety improvements. Frontline leaders play a crucial role in enhancing safety for both employees and customers by offering feedback and solutions to product and process challenges.

## EMPLOYEE SAFETY EDUCATION AND TRAINING

We consistently enhance training programs and work processes, and we safely modify work environments as AAON's workforce expands across all locations. Our policy commitment requires enough employees per floor, work unit, or shift, in accordance with pertinent state and federal laws, to be certified in CPR/AED. The policy is communicated through email, newsletters, or signage in public places to ensure the information reaches a wide range.

Personal Protection Equipment (PPE) is provided at all locations promoting a convenient way for all employees to have access to resources for their safety and protection.

**PPE Provided:** safety gloves, safety sleeves, eye protection, and hearing protection. Replacements are offered by our vendors. Their keep stock inventory management systems provide machines that are stocked and strategically placed in break rooms and near workspaces, ensuring convenient access for employees.

**Safety PPE Reimbursement Programs** Employees can benefit from reimbursement programs for:

- **Steel-Toed Shoes** – Essential for foot protection in industrial settings.
- **Prescription Safety Glasses** – Customized eye protection for those requiring corrective lenses.

The training for each location was scheduled by the respective EHS Team. Several subjects were taught, including Lockout, ladder safety, fall protection, PPE usage, crane safety, first aid/CPR/AED, waste handling, forklift certification, compressed gas safety, and manual lifting.

16,976 employees attended the various training sessions at all locations.



## 608 EPA UNIVERSAL LICENSES TRAINING

608 EPA Refrigerant Classes at AAON are offered to support testing for the National Universal License in refrigeration. All employees who handle refrigeration must have this license to meet the requirements of safety and EPA regulations. In previous years, only 33% of the selected attendees passed the four-part testing. However, in 2023, the Quality department improved their program with additional hands-on and group activities, providing employees with the one-on-one training they desire. These changes resulted in a new pass rate of 39.5%, marking a 6.5% increase in overall Universal Licenses achieved.

### 2023 Training

- 213 students with a total of 540 hours
- 38 National Universal EPA Refrigerant Handling Licenses issued in 2023

## RISK ASSESSMENTS

AAON utilizes a software platform to track safety incidents, observations, and near misses. Through this platform, team members are encouraged to engage by offering suggestions, reporting positive behavior, reporting workplace concerns or at-risk behavior. This platform incorporates proactive safety checklists for leaders and provides analytics and reports to learn from. The platform is accessible online and through a phone app to encourage consistent safety engagement.

## SAFETY TARGETS

AAON has a goal to increase the number of completed corrective actions as a result of observations related to at-risk behavior or sub-standard conditions by 10% (from 93.8% to 94.8%) by 2025. These observations are leading indicators in recognizing hazardous conditions and preventing injuries. AAON also has a target to maintain an assigned safety training completion rate of 95% or higher.

## 2024 EHS PLANS

The emphasis for our Environmental Health and Safety (EHS) team in 2024 is to lead the way in reporting observations, making close calls, and performing inspections of work areas. There is a direct correlation between reporting hazards before injuries occur and reduced injury rates. The EHS Team at each location must drive involvement and increased awareness from Production Leadership to see positive results and fewer injuries.

Health and Safety Institute (HSI) will help to refresh our safety training program, but we will continue to provide in person training in several areas like Lockout, Hazcom/GHS, PPE required training, Ladder safety, Crane safety, Forklift certifications, and others.

## EMERGENCY SAFETY AND SECURITY

In 2023, AAON began using a new messaging system designed to enhance communication during emergencies and critical events. As our company grows, immediate and effective communication is vital. The messaging system uses mobile text messaging and email alerts to send essential information quickly. This system enables us to reach individuals, departments, teams, specific facilities, or the entire company as needed. It will play a crucial role in keeping everyone informed and safe during:

- Safety concerns
- Security issues
- Emergency situations
- Weather-related events

## SECURITY

Our security team provides multiple layers of Physical Security at all our locations.

These include, but are not limited to:

- **Security Cameras** – Our Security cameras number in the hundreds, most with multiple views. Most areas of our facilities, both inside and out, are under camera coverage. This provides an effective way of understanding situations, ensuring secure facilities, and providing proof of issues when needed.
- **License Plate Camera** – A license plate camera is in use at the Tulsa main campus. This system alerts the camera software and our handheld radios when vehicles associated with persons who should not be on property pass the camera. We have plans to include these cameras at other locations.
- **Security Escort** – Security escorts employees to and from their vehicles if they are concerned for their safety for any reason. Security walks terminated employees to their vehicle or off property ensuring the situation remains de-escalated.
- **All Access Control** – Security provides all access control. We do this by departmental and individual need.
- **Clear Bag Policy** – We have instituted a clear bag policy stating that all bags on the plant floors must be clear, this is to ensure the safety of our team members. We have experienced a 100% success rate with this new program.
- **Law Enforcement** – Security personnel work with law enforcement to protect AAON employees and other assets.
- **Routine Tests** – Security routinely tests doors, making sure all are secure and working properly.
- **Armed Security** – Contracted armed security guards are installed on the Tulsa main campus exterior with plans to extend this program to other locations.

## CONTRACTORS AND VISITORS

All contractors and visitors must have access badges. Currently, badges are checked out by the receptionist. We are installing a proof-of-concept Visitor/Contractor Management kiosk at the main Tulsa campus.

## TRAINING AND INFORMATION

We provide training during New Hire Orientation. We also send company-wide emails and disseminate information to managers who pass the information to team members.

The Security Manager and Security Supervisor are both currently certified as Alert, Lockdown, Inform, Counter, Evacuate ("ALICE") instructors. ALICE is used primarily in active shooter situations.

## EMPLOYEE HEALTH MANAGEMENT

AAON is committed to employee well-being, addressing physical health, sleep factors, stress, and substance abuse to create a healthier and safer work environment. Our health and safety efforts are visible through various offerings that include:

- Tobacco cessation support for team members who are quitting tobacco use.
- Nutrition information or resources to promote healthy habits.
- Water refill stations available to promote hydration.
- Encouragement of physical activity such as exercise and an active lifestyle.
- Prevention of substance abuse in the workplace.
- Offering stress management resources to help manage stress.

# Cybersecurity

AAON continues to prioritize its cybersecurity. We drive continuous improvement in this process by monitoring threats and taking preventative measures to keep our business and customers free from threats. Our measures and controls help protect intellectual property, ensure continuous operations at our manufacturing sites, and safeguard customer data.

## EMPLOYEE AWARENESS

We actively promote employee awareness of cyber risks by providing training through third-party assignments and email phishing campaigns. AAON's employee handbook includes an Electronic Communications policy that addresses information security and cybersecurity.

All Supervisors and/or Managers are responsible for ensuring that their Employees and other workers within their responsibility participate in the information security awareness, training, and educational activities where appropriate and required.

## FIREWALL UPGRADE

In our steadfast commitment to ensuring the availability, reliability, and performance of AAON's technology infrastructure, we are excited to share a significant update.

Our Infrastructure and Info-Sec Teams successfully carried out a comprehensive upgrade to the Tulsa firewalls. This upgrade marks the introduction of AAON's new and advanced firewall hardware, designed to strengthen network reliability and security while significantly improving overall performance.

## PRISMA ACCESS

A key aspect of this initiative is the successful migration of our VPN service to Prisma Access. Prisma Access provides a cutting-edge, cloud-delivered security infrastructure. This advancement enables our users to connect seamlessly to a nearby cloud gateway, ensuring faster VPN access and reinforcing our commitment to providing a secure and efficient technology environment.

## POLICY COMPLIANCE

**Compliance Measurement** – The IT Service Management (ITSM) must initiate mechanisms for tracking compliance with this Policy and must produce reports representing these measures, when requested, to support AAON decision making.

**Frequency of Policy Review** – The ITSM and Chief Information Officer ("CIO") must review information technology policies and procedures annually, at a minimum. This policy is subject to revision as needed or based on these reviews' findings.



## CYBERSECURITY MANAGEMENT AND STRATEGY

Our cybersecurity management is based on recognized cybersecurity industry frameworks and standards, including those of the National Institute of Standards and Technology (“NIST”), the Center for Internet Security (“CIS”), the Computer Objectives for Information and related Technology (“COBIT”), and the International Organization for Standardization. We use these frameworks, together with information collected from internal assessments, to develop policies for use of our information assets, access to specific intellectual property or technologies, and protection of personal information. We protect these information assets through industry-standard techniques, such as multifactor authentication and malware defenses. We also work with internal stakeholders across the Company to integrate foundational cybersecurity principles throughout our organization’s operations, including employment of multiple layers of cybersecurity defenses, restricted access based on business need, and integrity of our business information. Throughout the year, we also regularly train our employees on cybersecurity awareness, confidential information protection, and simulated phishing attacks.

We engage third-party assessors to conduct penetration testing and measure our program to industry standard frameworks as needed. We also have standing engagements with incident response experts and external counsel. We frequently collaborate with industry experts and cybersecurity practitioners at other companies to exchange information about potential cybersecurity threats, best practices, and trends.

Our cybersecurity management is an important part of our comprehensive business continuity program and internal risk management. Our information security team periodically engages with a cross-functional group of subject matter experts and leaders to assess and refine our cybersecurity risk posture and preparedness. We practice our response to potential cybersecurity incidents through regular tabletop exercises, threat hunting, and red team exercises.

For more information about cybersecurity risks, see Item 1A Risk Factors in the Form 10-K.

## GOVERNANCE OF CYBERSECURITY MANAGEMENT

The board of directors has oversight responsibility for our strategic and operational cybersecurity management. The audit committee assists the board of directors with this responsibility by reviewing and discussing our risk assessment and risk management practices, including cybersecurity risks, with members of management. The audit committee, in turn, periodically reports on its review with the board of directors.

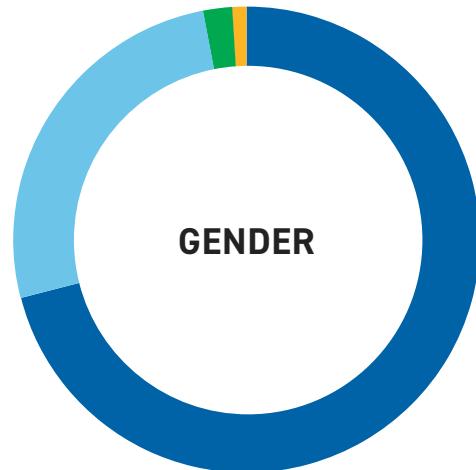
Management is responsible for day-to-day assessment and management of cybersecurity risks. Our chief information officer has primary oversight of material risks from cybersecurity threats. Our chief information officer has more than 25 years of experience across various engineering, business, and management roles, including leading the development and implementation of information technology strategies and roadmaps for manufacturing automation.

Our chief information officer assesses our cybersecurity readiness through internal assessment tools as well as third-party control tests, vulnerability assessments, audits, and evaluation against industry standards. We have governance and compliance structures that are designed to elevate issues relating to cybersecurity to our chief information officer, such as potential threats or vulnerabilities. We also employ various defensive and continuous monitoring techniques using recognized industry frameworks and cybersecurity standards.

Our chief information officer meets with the audit committee periodically to review our information technology systems and discuss key cybersecurity risks. In addition, the chief financial officer reviews with the audit committee at least annually our risk management program, which includes cybersecurity risks, and is also reported to the board.

# Team Member Demographics

**TEAM MEMBERS: 3,856**



- 71.0% Male
- 27.5% Female
- 1.0% Non-Identify
- 0.5% Non-binary



- 34.0% White
- 20.0% Asian
- 15.5 % Hispanic or Latino
- 13.0% Black or African American
- 4.0% American Indian/Alaska Native
- 3.0% Native Hawaiian or Pacific Islander
- 3.0% Two or more races
- 7.5% Other

# Employee Training

**AAON team members participated in 71,644 hours of employee training which equates to an average of 18.5 hours per employee.**

**71,644 hours**



	Employees	Hours
<b>Onboarding</b>		
Employee Handbook, Benefits, Code of Ethics, and other HR topics:		
Tulsa, OK	1,344	12,019
Longview, TX	406	6,496
Kansas City, MO	40	120
Redmond, OR	528	2,420
<b>Safety</b>		
Safety training for each location was scheduled by the respective EHS Team. Several subjects were taught, including Lockout, ladder safety, fall protection, PPE usage, crane safety, first aid/CPR/AED, waste handling, forklift certification, compressed gas safety, and manual lifting.		
All locations	16,976	20,066
<b>Quality</b>		
Tulsa, OK	36	1,512
Longview, TX	413	9,912

	Employees	Hours
<b>Production</b>		
Brazing – Tulsa, OK		
	37	1,252
Production – Longview, TX		
	57	6,799
<b>Leadership</b>		
QTL's Tulsa, OK	47	3,090
Hogan Taylor Leadership	36	1,512
<b>College Level</b>		
American Standards of Quality (ASQ) Greenbelt Training	30	2,520
Controls Training	36	1,386
Universal EPA Refrigeration	213	540
<b>Career Development</b>		
English as a 2nd Language	50	2,000

# Career Development



**AAON's Career Wheel is displayed throughout our facilities to visually promote career development opportunities.**

ENTRY LEVEL

EXPERIENCE REQUIRED

EXTERNALLY CERTIFIED/TECH POSITION

TECHNICAL POSITION WITH EXPERIENCE REQUIRED

LEADERSHIP POSITION WITH EXPERIENCE REQUIRED

1. Attendance
2. Attendance, Satisfactory Evaluation, Application for Open Position, Selection in Interview Process
3. Certification (on file), 608 certification, AAON Provided Certifications or Requirements
4. Attendance, Satisfactory Evaluation, Application for Open Position, Selection in Interview Process, Additional Schooling (paid for by AAON)

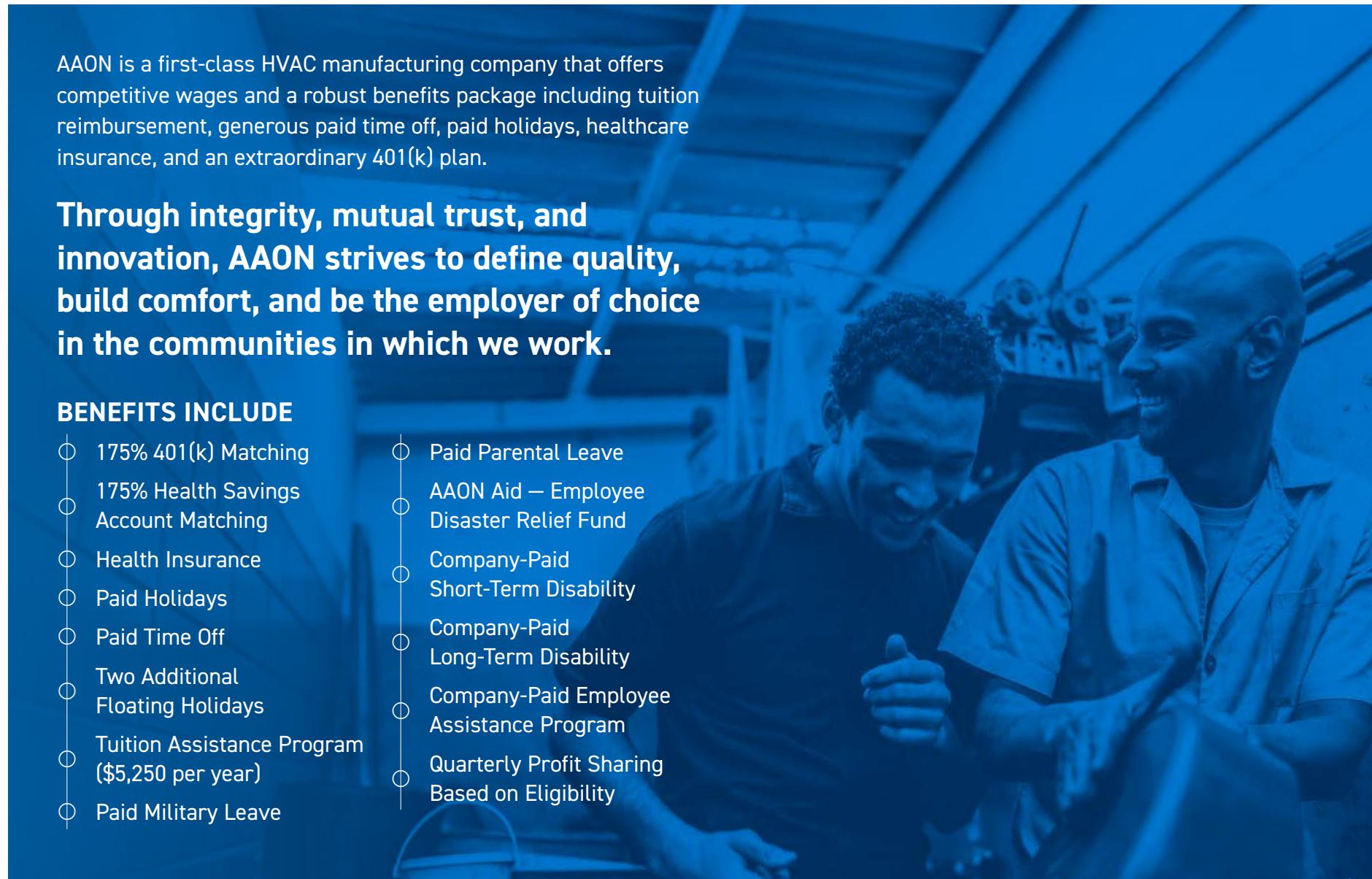
# Team Member Benefits

AAON is a first-class HVAC manufacturing company that offers competitive wages and a robust benefits package including tuition reimbursement, generous paid time off, paid holidays, healthcare insurance, and an extraordinary 401(k) plan.

**Through integrity, mutual trust, and innovation, AAON strives to define quality, build comfort, and be the employer of choice in the communities in which we work.**

## BENEFITS INCLUDE

- 175% 401(k) Matching
- 175% Health Savings Account Matching
- Health Insurance
- Paid Holidays
- Paid Time Off
- Two Additional Floating Holidays
- Tuition Assistance Program (\$5,250 per year)
- Paid Military Leave
- Paid Parental Leave
- AAON Aid – Employee Disaster Relief Fund
- Company-Paid Short-Term Disability
- Company-Paid Long-Term Disability
- Company-Paid Employee Assistance Program
- Quarterly Profit Sharing Based on Eligibility





## WORK LIFE BALANCE

### Flexible Work Schedules

We offer a 4-day/3-day work schedule with supporting night crews in each of those shifts. Other schedules are Monday through Friday 8-hour days with hybrid schedules for some positions.

### Paid Time Off (PTO)

AAON believes that employees should have opportunities to enjoy time away from work to help balance their lives. For this reason, we provide paid time off (PTO) to all regular full-time employees. Employees can use their PTO hours in several different ways, including for:

- Vacation
- Personal business
- Periods of illness
- Family emergencies

### Employee Assistance Program (EAP)

AAON provides all regular full-time employees with an Employee Assistance Program (EAP). The EAP is administered through a third-party, UNUM, and all communications between employees and UNUM are confidential. The EAP is free of charge to eligible employees and provides numerous services, including:

- Childcare and/or eldercare referrals
- Personal relationship information
- Health information and online tools
- Legal consultations with licensed attorneys
- Financial Planning assistance
- Stress management
- Career development
- Travel assistance

## Parental Leave Policy

AAON will provide four weeks of paid parental leave to employees following the birth of an employee's child or the placement of a child with an employee in connection with adoption or foster care. The purpose of paid parental leave is to enable the employee to care for and bond with a newborn or a newly adopted child or a newly placed child. This policy will run concurrently with The Family and Medical Leave Act (FMLA) as applicable.

Eligible employees receive no more than four weeks of paid parental leave in a rolling 12-month period, regardless of whether more than one birth, adoption, or foster care placement event occurs within that 12-month period.

Each week of paid parental leave is compensated at 100 percent of the employee's regular, straight-time weekly pay. Paid parental leave will be paid biweekly on regularly scheduled pay dates.

Employees must take paid parental leave in at least two-week increments and must use all paid parental leave during the 12-month time frame indicated above.

## Family Medical Leave Act

The FMLA provides eligible employees with the right to take unpaid, job-protected leave under certain conditions. This policy is to provide employees with a general description of their FMLA rights. In the event of any conflict between this policy and the applicable law, employees will be afforded all rights required by law.



## JURY DUTY

Time off for jury duty will be paid, in accordance with AAON's policy. Hours paid for jury duty do not count as hours worked for purposes of overtime and will not be counted towards any special forms of compensation such as incentives, commissions, or bonuses.

## VOTING RIGHTS

On Election Day, employees shall be allowed reasonable time off to vote unless the employee has nonworking hours in which to vote. Time off details are outlined in AAON's employee manual for each state represented.

## RE-HIRE OF EMPLOYEES

If an employee leaves employment with AAON for any reason, whether voluntary or involuntary, they may be eligible to be considered for re-hire six months after the date that their employment is terminated as of January 2024.

All re-hires must submit to and pass a pre-employment drug screen, background check, and physical, just like new hires. For re-hires, their re-employment date will constitute their date of hire for purposes of obtaining any AAON benefits or seniority, unless otherwise provided by law.



# AAON Aim High and Team Member Spotlight

We recognize our success is only possible through the tireless commitment of our team members and we are committed to nurturing talent from within by supporting career growth and development. AAON regularly promotes team member achievements through our AIM High program and monthly Team Member Spotlight.

AIM High highlights team members from various cultural and educational backgrounds to showcase their career achievements and advancement within the Company to help inspire other team members.



## 2023 AIM HIGH TEAM MEMBERS

Isaac Wilson



Gerardo Arroyo



Darin Howell



Sierra Sparks



# Human Capital Resources

Our key human capital measures include employee safety, turnover, absenteeism, and production. We frequently benchmark our compensation practices and benefits programs against those of comparable industries and in the geographic areas where our facilities are located. We believe that our compensation and employee benefits are highly competitive and allow us to attract and retain skilled and unskilled labor throughout our organization.

## AAON AND OKLAHOMA STATE UNIVERSITY'S COLLABORATIVE COMPENSATION PROJECT

In today's competitive market, attracting and retaining top talent is paramount. Recognizing the importance of a robust compensation structure, AAON sought the expertise of Oklahoma State University (OSU) to develop a comprehensive and competitive compensation framework.

This collaboration aimed to establish a compensation strategy aligned with AAON's values and objectives, focusing on compensation philosophy, salary competitiveness, and variable pay components.

AAON and OSU jointly developed a compensation philosophy centered on fairness, performance, and employee engagement. The philosophy emphasizes rewarding employees based on their contributions to organizational success while ensuring internal equity and market competitiveness. AAON is committed to fostering a culture where employees feel valued and motivated to excel.

Extensive market research was conducted to benchmark AAON's compensation package against industry standards. Levering this data, AAON aligned its salary structure to ensure competitiveness in attracting and retaining top talent. The new salary structure considers factors such as industry trends, geographic locations, and employee skill sets.



AAON implemented short-term and long-term incentives aligned with annual goals and individual performance metrics. Short-term incentives provide employees with tangible rewards for their contributions to AAON's success, fostering a culture of performance excellence and accountability. Long-term incentives serve as a retention tool and motivate employees to invest in AAON's future success, driving sustained performance and value creation.

OSU facilitated the development of consistent job design, leveling and documentation practices across all locations. Through job analysis and classification, AAON established clear job families, leveling positions based on factors such as complexity and required skills to develop comprehensive job descriptions for each role. This approach ensures clarity, transparency, and equity in AAON's organization structure, enabling employees to understand their roles and responsibilities clearly.

The creation of a compensation structure focused on enhancing organizational performance and employee satisfaction. Developing a comprehensive compensation structure aligned with AAON's values and objectives and fosters a supportive and rewarding work environment for its employees.

# Culture and Engagement Survey

Our engagement surveys measure our people's engagement so we can analyze the data and improve employee engagement levels.

Our engagement survey is offered to our team members, to measure employee satisfaction, level of engagement, and the overall feelings, thoughts, and attitudes of employees within the organization. This offering is an opportunity to enhance our workplace as a positive and healthy environment.

Benchmarking and tracking our progress help us foster a culture committed to continuous improvements and enhancement of our culture, environment, and overall employee experience. This serves as an effective way in which our leadership can receive and provide insight into leadership development and training initiatives. In addition, our engagement survey builds trust and transparency and addresses the overall well-being including the mental and physical well-being of our team members. Our focus is to increase engagement, improve satisfaction, and retention, and create a positive and productive work environment.

**2023 STRENGTHS**

**56% RESPONSE RATE**

**2024 GOALS**

**75% RESPONSE RATE**



# Inclusion and Diversity

**An inclusive workplace is integral to AAON's business strategy and critical to our continued success.**

We are committed to hiring, retaining, and promoting a diverse workforce while advancing a workplace culture of inclusion, where each team member is valued for their ideas, identities, experiences, and talents. This drives AAON's innovation, productivity, and team member engagement, leading to fresh ideas and problem-solving approaches.

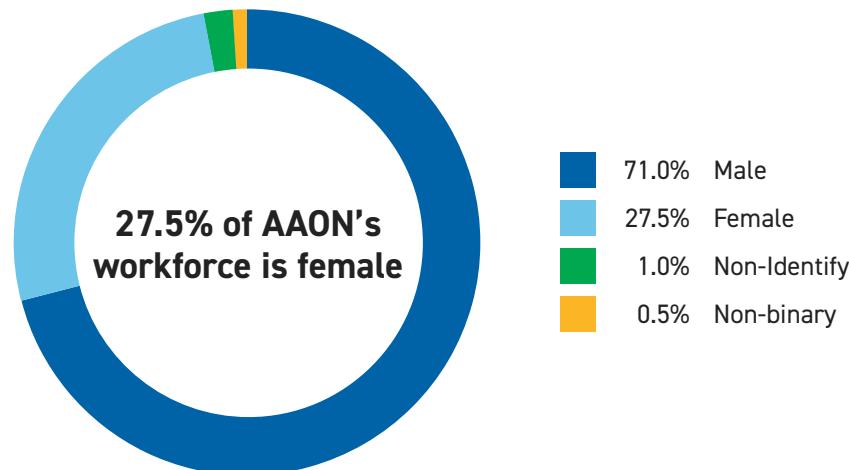
## DIVERSE PARTNERSHIPS

At AAON, we are proud to partner with organizations such as Resonance and Women in Recovery where we can provide support and recruitment opportunities for women who are justice-involved. Through these strategic partnerships, we continue to broaden our diverse talent pool, reduce recidivism, and positively impact our workplace environment.

AAON hosts hiring events and participates in community hiring events for underrepresented and underserved populations. The Company also has strategic partnerships with area nonprofits serving these communities.

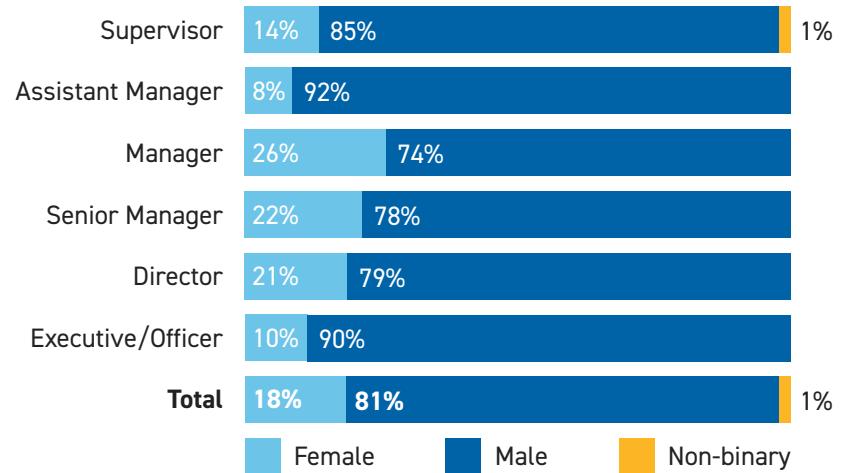


## MAXIMIZING THE TALENTS OF WOMEN



### Action Plan to Promote Women

AAON is a corporate member of Women in Manufacturing, a national association dedicated to supporting, promoting, and inspiring women in all manufacturing job roles. AAON signed the Pay Equity Pledge, designed to combat inequality in women's compensation. AAON aims to promote women proportionately to their representation in the workforce.



**18% of AAON's supervisor level positions and above are female**

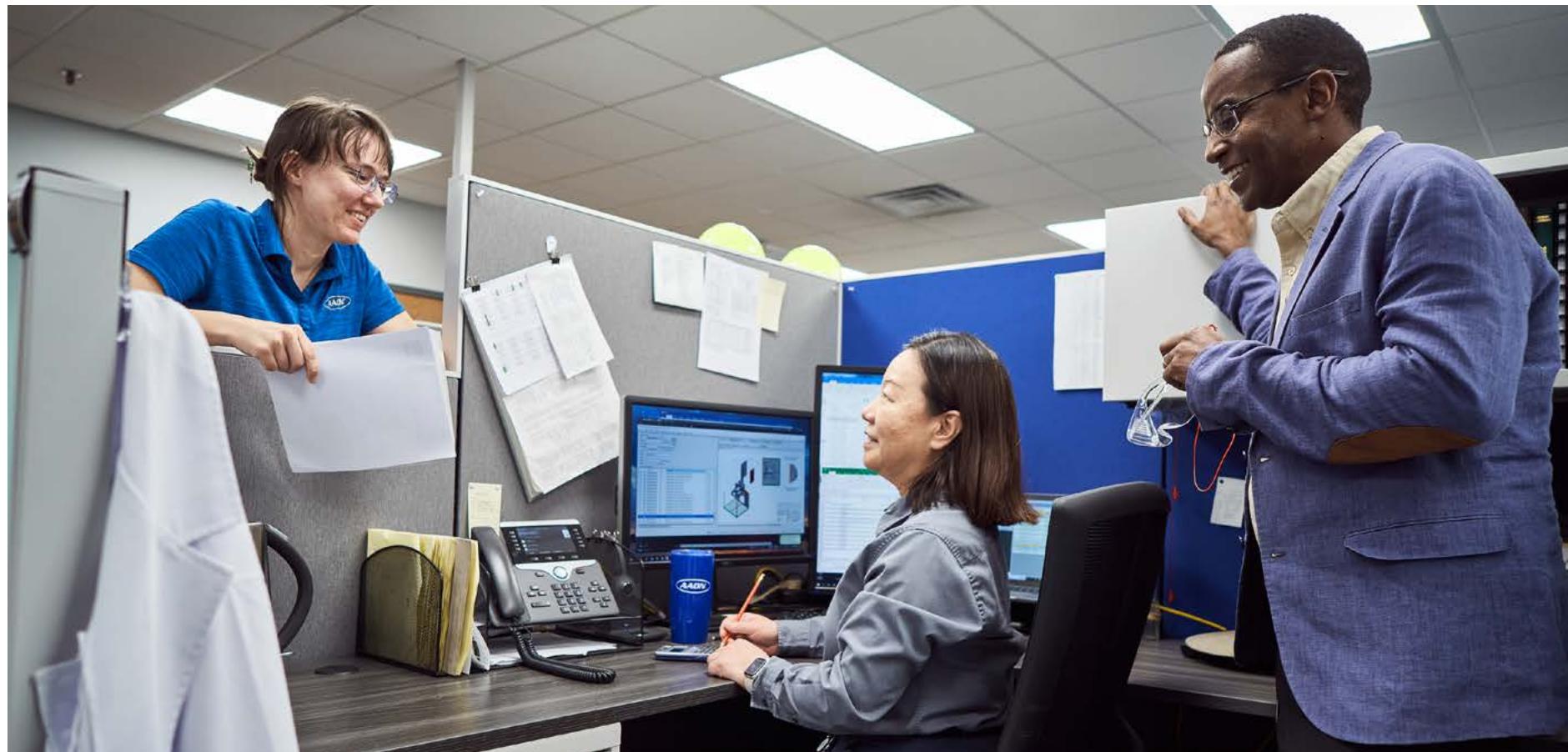
## LANGUAGES

More than 48 languages and dialects are represented at AAON. We collaborate with a third-party translation service to ensure team members receive effective and authentic communication. We offer on-site classes in English as a Second Language and leadership training to help team members develop professionally.

AAON participates in the Tulsa Regional Chamber's Mosaic Diversity and Inclusion Index and is recognized as a Mosaic Top Inclusive Workplace.

Some of the languages translated:

**BURMESE CHUKESE DARI**  
**PASHTO RUSSIAN SPANISH**  
**UKRAINIAN VIETNAMESE ZOMI**



# AAON Employee Resource Groups

## AAON V.E.T.S. – VETERANS EMPOWERING THROUGH SERVICE

The mission of AAON V.E.T.S. is to unify the core values, beliefs, and understanding of active, reserve, National Guard, veterans, and military family members with our AAON business culture and to utilize Military and Veteran Resource Organizations to support our citizen soldiers, veterans, and their families. The combined experience of all members enhances professional development, productivity, and the overall AAON reach to the community.

### Promote Veteran Hiring

Through a comprehensive understanding of the manufacturing industry, we ensure that the service members of the community, internal and external, are connected to AAON positively. Our aim is to combine the experiences and knowledge of this resource group to better recruit, retain, and support both current and former military personnel and their families.

### Networking

AAON V.E.T.S. meets 6 to 12 times a year offering special guest speakers, opportunities to attend Tulsa Mayor's Veterans Council meetings, and networking with other organizations in the community. Our network includes organizations such as Eagle Ops, Coffee Bunker, Broken Arrow Blue Star Mothers, and more.



## Recognition

AAON has been recognized as Veteran Employer Champion in 2023, 2022, and 2021.

The benchmarks for this recognition are as follows:

- Veteran Recruiting and Hiring
- Veteran Resource Groups, Onboarding Program, or Buddy Program
- Veteran Program and Community Support
- Veteran Employee Resources and/or Supports
- Veteran Executive Sponsor Leading Veteran Strategies
- Guard and Reserve Employee Supports beyond Uniformed Services Employment and Reemployment Act (USERRA)
- Community connections



## Military Reserve Duty and Other Military Service Policy

AAON will pay up to 80 hours of paid military leave in a fiscal year for full-time employees (pro-rated for part-time employees based on a 40-hour workweek). This paid military leave may be used for time spent in active-duty training assignments or inactive duty training.



## WOMEN'S ALLIANCE AND RESOURCE PROGRAM (WARP)

WARP strives to foster a supportive, encouraging, and inclusive environment to provide programs and resources for professional and personal development opportunities.

### Promoting Women

The group aims to promote the advancement of women in the workplace, communicate and connect to overall company strategy, and provide mentorship opportunities.

### Education and Collaboration

WARP also educates and shares information about common gender biases, celebrates the diversity among women and builds on strengths, supporting collaboration over competition to empower women.

The Women's Alliance provides an opportunity to women across AAON to connect, build relationships, learn about community organizations, and participate in professional development.



# AAON Affinity Groups

## GO GREEN

The objectives of our Go Green team members are twofold: to promote environmental awareness and to preserve the earth's natural resources, embodying both green and sustainable practices. The internal Go Green committee was established to educate our workforce and support employees interested in actively engaging in sustainability efforts.

Our tagline, 'Uniting for a Sustainable Future,' encapsulates our mission. We strive to provide volunteer programs that support sustainable objectives, both within AAON and in the communities we serve.

### Environmental Education

The Go Green Team meets monthly offering special guest speakers, and opportunities to attend the community library lunch and learn with speakers covering topics on plant lighting, composting, and soil management.

### Community Support

We support the efforts of our community partners River Parks cleanups, Love Longview, AAON campus cleanups, and other environmentally friendly programs in the community.



## AAON WELLNESS

AAON believes in the correlation between a happy, healthy workforce and increased productivity. To foster this, we have established a Wellness Committee dedicated to steering the Company's health and wellness initiatives.

### Physical Wellness

Our AAON Wellness program, at no cost to all team members, encourages physical fitness by subsidizing various regional activities like walk/run and cycling events. Our team members and their families can take advantage of discounts at our partnered fitness centers.

### Mental Health

Training is provided in Question, Persuade, Refer (QPR) suicide prevention, stress management, and mental health awareness sessions. These offerings are part of AAON Wellness's commitment to addressing both mental and physical health.

### Financial Wellness

We also focus on financial wellness, providing resources for retirement planning and support during life-altering events, as part of our comprehensive approach to employee well-being.

### Tobacco and Vapor Free Workplace

This policy is part of our commitment to provide a healthy, safe, and pleasant work environment. This policy covers the permitting and use of tobacco and vapor products only in designated areas on company property. This policy allows employees and visitors to only use products including cigarettes, and e-cigarettes within the smoking booths designated by AAON or other areas specifically designated by AAON for smoking.





## Healthy Lifestyle

We champion healthy living through annual on-site health assessments, blood drives, flu vaccinations, lactation facilities, and wellness-focused lunch-and-learn sessions. All these services are provided at no cost to our team members.

Our facilities offer insurance coverage with minimal to low out-of-pocket expenses for prescription medications for tobacco cessation and over-the-counter nicotine replacement products. AAON's Wellness Committee is making considerable progress in cultivating a supportive and healthy work environment for all team members.

## Culture Team

AAON's Culture Team is a group of individuals across locations and levels who provide feedback and recommendations, serve as ambassadors, and support our culture initiatives.

## Employee Experience Committee

The Employee Experience Committee evaluates the day-to-day experiences of team members and provides recommendations on how to improve the workplace and the overall team member experience.

# Awards and Recognitions

## Manufacturer of the Year

AAON Longview – selected by the Longview Chamber of Commerce

## Scor3card - Platinum Level

AAON Tulsa – The Sustainability Alliance Group

## The Bellmon Award

AAON Tulsa – The Sustainability Alliance Group

## AMCA Accreditation – The NAIC

For AMCA 210 Airflow Performance and AMCA 300 Sound Performance.

The NAIC lab leads the HVAC industry as one of only 13 labs to hold both accreditations in North America.

## Mentorship Matters Excellence Award

Junior League of Tulsa

## MOSAIC

Tulsa Regional Chamber

## BEST of the BEST

Oklahoma Magazine – Manufacturing and CEO

## Veteran Employer Champion

Veteran Employer Network, Community Service Council and City of Tulsa



# Corporate Social Responsibility

At AAON we strive to add value and support the communities where our employees live and work, through financial contributions, volunteerism, and donations. AAON is dedicated to corporate social responsibility to create a meaningful impact centered around workforce readiness, strong families and communities, and environmental sustainability. We recognize that our success is interwoven with the vitality of communities as we apply our assets, resources, and capabilities to contribute to their resiliency and prosperity.

We are committed to the communities in which we operate in the following ways:

- AAON matches gifts to support team members' donations to nonprofits of their choice.
- Our AAON Serves program grants team members 24 paid volunteer hours, eligible for company sponsored and coordinated volunteer opportunities.
- AAON actively supports education and workforce readiness programs. Our locations hosted and engaged more than 500 students and educators during events including internships, educational presentations and facility tours, Manufacturing Month events, and community programs.
- AAON recognizes the importance of STEM (Science, Technology, Engineering, and Mathematics) education within our industry. AAON hosts an annual STEM education camp for children of employees at our Tulsa facilities. AAON team members are actively involved and participate in numerous STEM-related community events across all locations.
- AAON has a nonprofit board placement program to connect team members to serve area nonprofits at each location.

**In 2023, we contributed approximately \$1.2 million in contributions to nonprofit organizations and our team members volunteered more than 5,600 hours in our communities.**



## AAON SERVES

The AAON Serves initiative is a significant part of our corporate social responsibility journey, and it is centered on volunteer impact in the communities in which we operate. Our success is intricately linked with the vitality of these communities, and we generously apply our assets, resources, and capabilities to contribute to their resilience and prosperity. We understand that the concept of 'community' also encompasses physical spaces. We are committed to creating tomorrow's solutions today in our surrounding communities through volunteerism and strategic investments. AAON partners with over 100 nonprofit organizations.

AAON's Community and Engagement Councils at each location empower employees to contribute to building our company culture of service. Team members dedicate their time and resources by volunteering at local schools, participating in mentoring programs, and supporting our community partners. We foster a close-knit network by utilizing our diverse talents, learning about each other's service passions, and collectively serving our communities. Through AAON Serves, we educate ourselves about the needs of the communities while strengthening valuable community partnerships.

## HVAC EQUIPMENT DONATIONS

AAON actively supports nonprofit capital campaign projects that align with the Company's community priorities. By donating HVAC equipment, we contribute to essential infrastructure needs in local communities.

## MATCHING GIFTS

This program encourages team members to donate to nonprofits of their choice, amplifying the impact of individual contributions.

AAON recognizes the importance of team members' philanthropic efforts. To further support these initiatives, we expanded our matching gifts program, empowering employees to make a difference in causes they care about.



## PAID VOLUNTEER TIME

AAON team members are allocated 24 hours of paid volunteer time per year. This means they can dedicate a portion of their work hours to volunteering for causes they care about. AAON team members collectively contributed over 5,600 volunteer hours. This impressive effort reflects their commitment to giving back to the community.

The monetary impact at today's wage calculation rate of \$31.80 per hour, the total volunteer contribution in 2023 amounted to \$178,080. This demonstrates not only the time but also the financial impact of AAON's volunteer program.

## NONPROFIT BOARD PLACEMENT PROGRAM

AAON also offers a nonprofit board placement program. This initiative aims to connect team members with opportunities to serve on nonprofit boards in the local area. By participating in these boards, employees can contribute their expertise and make a positive impact on community organizations.



# Workforce Readiness

**AAON recognizes and values the importance of supporting pathways to opportunity for current and future workforce talent.**

Through a comprehensive approach, we engage with organizations that develop career pathways for youth, justice-involved populations, immigrant and refugee populations, adults transitioning from other industries, and other underrepresented communities. These initiatives help drive economic prosperity for individuals and our nation.



## PARTNERSHIP HIGHLIGHT: TULSA REGIONAL STEM ALLIANCE

Tulsa Regional STEM Alliance (TRSA) is passionate about empowering our community through the world of science, technology, engineering, and mathematics. We firmly believe that every student deserves access to excellent STEM experiences, both within and beyond the classroom. Our mission is to bridge the gap and bring together the resources and opportunities that will shape a brighter future for all.

### For Youth:

TRSA inspires and empowers the next generation of innovators, explorers, and dreamers. TRSA's programs, events, and competitions offer exciting opportunities for students to dive into the wonders of STEM, discover their passions, and unlock their true potential. Through hands-on experiences and engaging activities, TRSA aims to spark curiosity and ignite a lifelong love for learning.

### For Educators:

TRSA understands that teachers are at the heart of nurturing young minds. That is why TRSA provides educators with the support and resources they need to create dynamic and enriching STEM learning environments. From professional development workshops to access to cutting-edge teaching tools, TRSA helps educators inspire the leaders of tomorrow.

### For Families:

TRSA believes that families play a vital role in a child's education journey. TRSA's family-centered initiatives aim to involve parents and caregivers in their child's STEM exploration. Through family STEM nights, at-home activities, and interactive events, TRSA builds a strong support system that fosters a love for learning and discovery in the home.



# Strong Families and Communities

**AAON values families and community, understanding that as a business, we do not operate in isolation.**

We work to collaborate with and support organizations addressing critical needs in our communities. Organizations providing mental health and social services offer valuable support to our team members and their families.



## PARTNERSHIP HIGHLIGHT: FAMILY AND CHILDREN'S SERVICES

With more than 72 programs, Family and Children's Services restores children's well-being, heals victims of abuse, strengthens individuals and families, and provides hope and recovery for adults suffering from mental illness and addictions. For more than 100 years, they have been the place Tulsans have turned to for help with problems that seem too difficult to handle alone.

### Family and Children's Services programs include:

- Certified Community Behavioral Health Clinic
- Adult and Family Counseling
- Adult Mental – Outpatient
- BRIDGES to Outpatient Care
- Child Abuse and Trauma Services
- Comprehensive Home-based Services
- Children's Counseling and Mental Health
- Crisis Services
- Early Childhood with CAP
- Employment and Educational Services
- Maternal Mental Health
- Pharmacy
- Psychological First Aid
- Psychosis Services: NAVIGATE
- Safe Care Parenting
- Substance Abuse and Addiction
- Women's Justice Team
- Women in Recovery
- Young Adult Transitions



# Environmental Stewardship

**AAON is steadfast in our commitment to environmental stewardship and ensuring natural resources are available for future generations.**

We have an active internal Go Green sustainability committee and ESG committee.

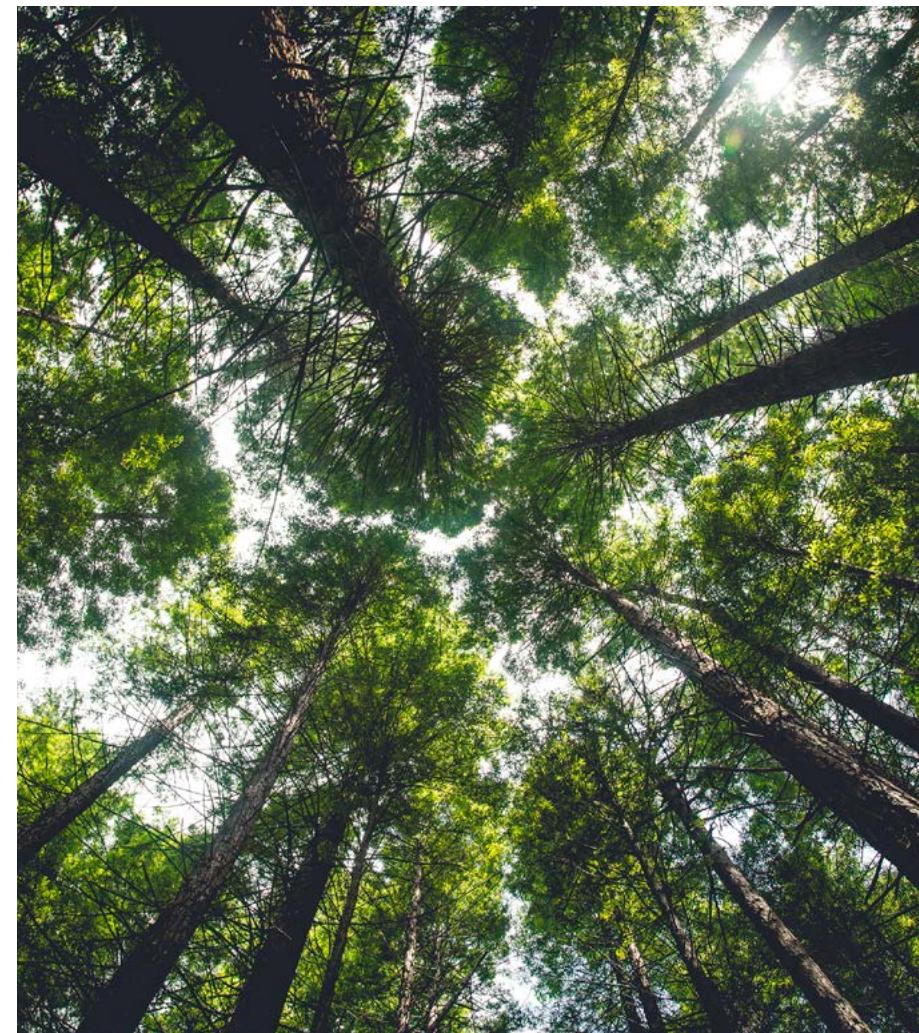
AAON participates in the Sustainability Alliance Scor3card benchmarking initiative to continuously improve our environmental and social impact. We also partner with several organizations that conserve and protect green spaces such as River Parks, Keep Longview Beautiful, The Nature Conservancy, and the National Forest Foundation.



## PARTNERSHIP HIGHLIGHT: NATIONAL FOREST FOUNDATION

Chartered by Congress, the National Forest Foundation was created with a simple mission: to bring people together to restore and enhance our National Forests and Grasslands. The National Forest Foundation engages Americans in community-based and national programs that promote the health and public enjoyment of the 193-million-acre National Forest System and administers private gifts of funds and land for the benefit of the National Forests.

AAON supported the planting of 10,000 trees for the reforestation projects in our National Forests. This effort will make a positive impact in maintaining forest health, protecting crucial watersheds, and enhancing the habitat for thousands of species across the country.



# Governance

## BOARD OF DIRECTORS

### Norman H. Asbjornson

Founder, Retired, Chief Executive Officer and Executive Chairman  
AAON

### Gary D. Fields

Chief Executive Officer  
AAON

### Angela E. Kouplen

Senior Vice President and Chief Human Resources Officer  
ONE GAS, INC.

### Caron A. Lawhorn

Retired, Senior Vice President and Chief Financial Officer  
ONE GAS, INC.

### Stephen O. LeClair

Chairman and Chief Executive Officer  
CORE & MAIN, INC.

### A.H. McElroy II

President and Chief Executive Officer  
MCELROY MANUFACTURING, INC.

### David R. Stewart

Chief Administrative Officer and Trustee  
OKLAHOMA ORDNANCE WORKS AUTHORITY

### Bruce Ware

Corporate Vice President and Group Head Joint Venture Capital Raising  
DAVITA, INC.

## DIRECTOR INDEPENDENCE

The Board has adopted director independence standards that meet and/or exceed listing standards set by NASDAQ. NASDAQ has set forth six applicable tests and requires that a director who fails any of the tests be deemed not independent. The Board has affirmatively determined that Ms. Kouplen, Ms. Lawhorn and Messrs. LeClair, McElroy, Stewart, and Ware are independent under the Company's guidelines and independence standards of NASDAQ and the SEC. Messrs. Asbjornson and Fields do not qualify as independent under the standards set forth below.

### Our director independence standards are as follows:

It is the policy of the Board that a majority of the members of the Board consist of directors independent of AAON and our management. For a director to be deemed "independent," the Board must affirmatively determine that (apart from his or her status as a director) the director has no material relationship with AAON or its affiliates or any member of the senior management of AAON or his or her affiliates. In making this determination, the Board applies, at a minimum and in addition to any other standards for independence established under applicable statutes and regulations as outlined by the NASDAQ listing standards, the following standards, which it may amend or supplement from time to time: A director who is, or has been within the last three years, one of our employees, or whose immediate family member is, or has been within the last three years a Named Executive Officer, cannot be deemed independent. Employment as an interim Chair or CEO will not disqualify a director from being considered independent following that employment.

A director who has received, or who has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct

compensation from us, other than director and committee fees and benefits under a tax-qualified retirement plan, or non-discretionary compensation for prior service (provided such compensation is not contingent in any way on continued service), cannot be deemed independent. Compensation received by a director for former service as an interim Chair or CEO and compensation received by an immediate family member for service as a non-executive employee will not be considered in determining independence under this test.

**A director who** (A) is, or whose immediate family member is, a current partner of a firm that is our external auditor; (B) is a current employee of such a firm; or (C) was, or whose immediate family member was, within the last three years (but is no longer) a partner or employee of such a firm and personally worked on our audit within that time cannot be deemed independent.

**A director who** is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present Named Executive Officers at the time serves or has served on that company's compensation committee cannot be deemed independent.

**A director who** is a current employee or general partner, or whose immediate family member is a current executive officer or general partner, of an entity that has made payments to, or received payments from us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$200,000 or 5% of such other entity's consolidated gross revenues, other than payments arising solely from investments in AAON's securities or payments under non-discretionary charitable contribution matching programs, cannot be deemed independent.

**For purposes of the independence standards set forth above, the terms:**

**"Affiliate"** means any consolidated subsidiary of AAON and any other company or entity that controls, is controlled by or is under common control with AAON;

**"Executive officer"** means an "officer" within the meaning of Rule 16a-1(f) under the Exchange Act, as amended; and

**"Immediate family"** means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers and sisters-in-law and anyone (other than employees) sharing a person's home but excluding any person who is no longer an immediate family member as a result of legal separation or divorce, death, or incapacitation.

In addition to the director independence standards set forth above, the Board also requires the Chairs and all other committee members to satisfy the heightened independence standards set forth under applicable NASDAQ and SEC rules for committee memberships. In connection with its assessment of the independence of the directors as set forth above, the Board also determined that our Audit Committee Chair and all other Audit Committee members meet the additional independence standards of NASDAQ and the SEC applicable to members of the Audit Committee.

The Board undertakes an annual review of the independence of all non-employee directors. In advance of the meeting at which this review occurs, each non-employee director is asked to provide the Board with full information regarding the director's business and other relationships with us and our affiliates and with senior management and their affiliates to enable the Board to evaluate the director's independence.

Directors have an affirmative obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as "independent." This obligation includes all business relationships between, on the one hand, directors, or members of their immediate family, and, on the other hand, AAON and our affiliates or members of senior management and their affiliates, whether or not such business relationships are subject to any other approval requirements by Us.

## POLICY AGAINST HEDGING STOCK

Our Insider Trading Policy prohibits our directors, officers and other employees, and their designees, from engaging in short sales or from hedging transactions of any nature that are designed to hedge or offset a decrease in market value of such person's ownership of the Company's equity securities. Our Insider Trading Policy also prohibits our directors, officers and other employees, and their designees, from purchasing financial instruments or engaging in other problematic transactions involving the Company's equity securities, including, puts, calls, collars, forward contracts, or other derivative securities concerning the Company's equity securities. We prohibit such conduct since purchasing such financial instruments or engaging in such transactions would result in the individual no longer being exposed to the full risks of ownership of the Company's equity securities, which may weaken the alignment of such individual with the objectives of the Company's stockholders. Additionally, our directors, officers and other employees may not hold their Company equity securities in a margin Account.

## BOARD LEADERSHIP STRUCTURE

During 2023, our Board was led by A.H. "Chip" McElroy II, who was both the Independent Chair of the Board and Chair of the Governance Committee and Caron A. Lawhorn, who was both our Independent Vice-Chair of the Board and Chair of the Audit Committee. In addition, our Compensation Committee is also led by an independent director, Angela E. Kouplen.

The business of AAON is managed under the direction of our Board. In accordance with our Bylaws, we have an Independent Chair of the Board, who presides at all meetings of the Board and stockholders. Our Board has also chosen to elect an Independent Vice Chair of the Board to perform the duties and responsibilities as the Board may determine.

The Board has determined that our current Board structure, having the Independent Chair of the Board serve as the presiding officer at all Board and stockholder meetings, and having an Independent Vice Chair, is currently the most appropriate leadership structure for the Company and its stockholders. This fosters clear accountability, effective decision-making, alignment with corporate strategy, direct oversight of management, full engagement of the remaining directors and continuity of leadership. Having an Independent Chair and Vice Chair demonstrates the Board's recognition of the importance of independent leadership and identifies the individuals, elected by and from the independent directors, selected to act as the leaders of the independent directors and help ensure appropriate discussions take place, in an open and forthright manner, at the Board level. The Board considers and reviews its leadership structure annually by the independent directors in connection with its self-evaluation process. The Board believes its current leadership structure is reasonable, appropriate and in the best interests of the Company and its stockholders.

## BOARD DIVERSITY

Our directors have a diverse mix of backgrounds, qualifications, skills, and experiences that we believe contribute to a well-rounded Board that is positioned to effectively oversee our strategy. We have a balance of new and tenured directors, reflecting our commitment to proactive Board refreshment. Assuming the re-election of the three Class III directors to the Board, the average age of our directors will be 62 years; the median tenure will be 7.5 years; six of our eight directors or 75% are independent; and 50% of our directors are diverse.

## Board Diversity Matrix

	Norman H. Asbjornson	Gary D. Fields	Angela E. Koupfen	Caron A. Lawhorn	Stephen O. LeClair	A.H. McElroy II	David R. Stewart	Bruce Ware
<b>Skills, Attributes, and Experience</b>								
Accounting and Financial Expertise			●	●	●	●	●	●
Acquisitions and Divestitures		●	●	●				●
Banking			●					●
Compliance		●	●					
Corporate Development		●	●	●	●	●	●	●
Corporate Governance		●	●	●	●	●	●	●
Engineering Management	●	●				●		
Executive Compensation			●	●	●	●		
Executive Management	●	●	●	●	●	●	●	●
Financial and Operational Analysis	●	●		●	●		●	●
Human Resources			●			●		
Industry Knowledge	●	●						
Information Technology			●	●				
Operations	●	●			●	●		
Operational Technology						●		
Public Accounting				●			●	
Regulatory Compliance				●				
Risk Management and Oversight			●	●	●	●	●	●
Sales Channel	●	●						
Strategic and Financial Planning	●	●	●	●	●	●	●	●
<b>Demographic Background</b>								
Board Tenure (years)	36	9	8	5	7	17	3	3
Age (years)	88	64	50	63	55	61	68	48
Gender (male/female)	M	M	F	F	M	M	M	M
<b>Race/Ethnicity</b>								
African American or Black								●
Alaskan Native or American Indian							●	
Caucasian/White	●	●	●	●	●	●		

## SUCCESSION PLANNING

A key responsibility of the CEO and the Board is ensuring that an effective process is in place to provide continuity of leadership over the long term at all levels in our Company. Each year, succession-planning reviews are held at every significant organizational level of the Company, culminating in a full review of senior leadership talent by our independent directors. During this review, the CEO, the Chair of the Board, and the independent directors discuss future candidates for senior leadership positions, including all NEOs, succession timing for those positions and development plans for the highest-potential candidates. This process ensures continuity of leadership over the long term, and it forms the basis on which our Company makes ongoing leadership assignments. It is a key success factor in managing the long-term planning and investment lead times of our business.

## OUR BOARD AND CORPORATE STRATEGY

Our Board is actively involved in overseeing, reviewing, and guiding our corporate strategy. Our Board formally reviews our Company's business strategy, including the risks and opportunities facing our Company and its business, at an annual strategic planning session. Our Board regularly discusses corporate strategy throughout the year with management formally as well as informally and during executive session of the Board as appropriate. As discussed in the [Risk Oversight](#) below, our Board views risk management and oversight as an integral part of our strategic planning process, including mapping key risks to our corporate strategy and seeking to manage and mitigate risk. Our Board also views its own composition as a critical component to effective strategic oversight. Accordingly, our Board and relevant Board committees consider our business strategy and the Company's regulatory, geographic and market environments when assessing board composition, director succession, executive compensation, and other matters of importance.

## STOCKHOLDER ENGAGEMENT

Our Board of Directors and management team are committed to a comprehensive investor relations program. We believe regular engagement with current and prospective stockholders to better understand their perspectives is integral to effective corporate governance. The feedback we receive also helps align our strategy with stockholder expectations. To achieve the maximum output from our outreach program, we utilize various methods including targeting, surveillance, investor perception studies, investor conferences, investor day events, video conferences, and teleconferences. Our engagement program regularly includes our CEO, CFO, and other members of our executive leadership team.

## WHO WE ENGAGE

- Institutional Investors
- Sell-Side Analysts
- Proxy Advisory Firms
- Retail Stockholders
- Pension Funds
- ESG Raters

## HOW WE ENGAGED IN 2023

In 2023, members of our executive management team participated in six investor conferences, hundreds of investor conference calls, and various onsite meetings, amounting to approximately 130 investor engagements. Through these outreach efforts, our executive management interacted with 95% of our top 20 institutional active investors and over 30% of AAON's top 100 institutional active investors.

We also hosted a two-day Investor Day event in May at our headquarters in Tulsa, Oklahoma. The event showcased tours of our flagship manufacturing facility, our R&D facility also known as The NAIC, and our new marketing facility known as the Exploration Center. The event included a four-hour presentation given by the executive management team as well as members of the Company's Senior Leadership Team. In attendance were 27 in-person investors and 45 investors via webcast.

Other methods of engagement include quarterly earnings conference calls in which our executive management team responds to analysts' questions pertaining to recent results and the outlook on the business. On the Investor Relations page of our company website, we regularly provide additional information in the form of Investor Relations presentations, earnings releases and accompanying presentations, annual reports, annual Sustainability reports, as well as other financial and operational information. In 2023, we also engaged NASDAQ to conduct an Investor Perception Study to gain feedback from current stockholders, prospective investors, and sell-side analysts on what management and the Board can do differently to help create value.

## TOPICS DISCUSSED

- Growth Strategies
- Sustainability
- Inflation and Supply Chain Issues
- Product Innovation
- Sales Channel
- Capital Projects and Capacity Expansion
- Pricing Strategy
- Marketing Investments
- Regulations
- Strategic Mergers and Acquisitions

## INTEGRATING FEEDBACK

The Board and management are receptive to all feedback that results from our engagement with investors and integrate it into their discussions and decision-making, as appropriate. Our dialogue in recent years has led to, among other things:

- Reinforcement and refinement of certain strategies.
- Improved qualitative and quantitative guidance to assist investors in better understanding management's near-term and long-term financial outlook.
- Major enhancements in our ESG reporting, as demonstrated in our last three annual Sustainability reports.
- Shifted from a semi-annual dividend distribution to a quarterly dividend.

## RISK OVERSIGHT

The Board has ultimate responsibility for oversight of our risk management processes. The Board discharges this oversight responsibility through regular reports received from and discussions with senior management on areas of material risk exposure to the Company. These reports and Board discussions include, among other things, operational, financial, legal, regulatory, and strategic risks. Additionally, our risk management processes are intended to identify, manage, and control risks so that they are appropriate considering our size, operations, and business objectives. The full Board (or the appropriate committee in the case of risks in areas for which responsibility has been delegated to a particular committee) engages with the appropriate members of senior management to enable its members to understand and provide input to and oversight of our risk identification, risk management and risk mitigation strategies. In addition, each of our Board committees considers the risks within its areas of responsibility. For example, the Audit Committee reviews risks related to financial reporting; discusses material violations, if any, of Company governance, ethics and compliance policies brought to its attention; considers the Company's risk assessment that is part of the Company's strategic planning which identifies control risks and drives the internal audit plan for the ensuing year; reviews the external audit plan; and considers the impact of risk on our financial position and the adequacy of our risk-related internal controls. The Compensation Committee reviews compensation and human resource risks. This enables the Board to coordinate risk oversight, particularly with respect to interrelated or cumulative risks that may involve multiple areas for which more than one committee has responsibility. The Board or applicable committee also has authority to engage external advisors, as necessary.

Actions taken by the Board outside of Board meetings are consented to in writing by a memorandum of action in lieu of a meeting, to which all incumbent directors subscribe. Directors meet their responsibilities not only by attending Board and committee meetings but also through communication with members of management on matters affecting us.



## BOARD COMMITTEE STRUCTURE

Currently, the Board has a standing Audit Committee, Compensation Committee and Governance Committee to assist the Board in carrying out its functions. The Board has determined that each of the Chairs, as well as all committee members are independent under applicable NASDAQ and SEC rules for committee memberships. The members of the committees are shown in the table below, followed by a brief description of each committee.

### Governance of the Company

Director	Board	Audit Committee	Compensation Committee	Governance Committee
Angela E. Koupfen	Member	Member	Chair	—
Caron A. Lawhorn	Vice-Chair	Chair	—	Member
Stephen O. LeClair	Member	Member	—	Member
A.H. McElroy II	Chair	NA	Member	Chair
David R. Stewart	Member	Member	—	Member
Bruce Ware	Member	Member	Member	—
Number of Meetings in 2023	5	4	6	5
Member Participation	>75%	>75%	>75%	>75%

Our Board has adopted written charters for each of its Audit, Compensation and Governance Committee. Copies of the charters of each of these committees are available on and may be printed from our website at [www.aaon.com](http://www.aaon.com). Copies are also available from our corporate secretary upon request.

## AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices. Among other things, the Audit Committee is responsible for: selecting and retaining our independent public accountants; preapproving the engagement of the independent accountants for all audit-related services and permissible, non-audit related services; reviewing in advance the scope and focus of the annual audit; and reviewing and discussing with management and the auditors our financial reports, the audited financial statements, the auditor's report, the management letter and the quality and adequacy of our internal controls. In addition, the Audit Committee is responsible for oversight and review of the activities of the Company's internal audit function. The Board has determined that the Chair and the other Audit Committee members are independent under applicable NASDAQ and SEC rules for Audit Committee memberships. The Audit Committee is governed by a written charter, a copy of which is available on our website, at [www.aaon.com](http://www.aaon.com).

The Board has determined that Ms. Lawhorn qualifies as an "audit committee financial expert" as defined by applicable SEC rules and that each member of the Audit Committee meets the additional criteria for independence of audit committee members set forth in Rule 10A-3(b) (1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 5605(c) of the NASDAQ Stock Market Listing Standards.

## COMPENSATION COMMITTEE

The responsibilities of the Compensation Committee, as set forth in its charter, include the direct responsibility and authority to review and approve our goals and objectives relevant to the compensation of our CEO and other executive officers, to evaluate the performance of such officers in accordance with the policies and principles established by the Compensation Committee and to determine and approve, either as a Committee, or (as directed by the Board) with the other "independent" Board members (as defined by the NASDAQ listing standards), the compensation level of the CEO and the other executive officers. The Compensation Committee is composed of the three independent (non-employee) directors, named in the table above, each of whom is "independent" as defined by applicable NASDAQ and SEC rules for committee memberships. The Compensation Committee is governed by a written charter, a copy of which is available on our website, at [www.aaon.com](http://www.aaon.com). In accordance with its charter, our Compensation Committee has the sole authority to retain and terminate its compensation consultant and to review its compensation consultant's independence on an annual basis.

## GOVERNANCE COMMITTEE

The responsibilities of the Governance Committee include proposing to the Board a slate of nominees for election by the stockholders at the Annual Meeting and maintaining a list of prospective director candidates in the event of the resignation, death, removal or retirement of directors or a change in the Board composition requirements. The Committee is also charged with reviewing with the Board the desired experience, mix of skills and other qualities to assure appropriate Board composition. The Board has determined that the Chair and all Governance Committee members are independent under applicable NASDAQ and SEC rules for committee memberships.

The responsibilities of the Governance Committee also includes the periodic reviews and monitoring of the Company's corporate governance guidelines (including the Company's Code of Conduct), recent developments in corporate governance concepts, the Company's plans for CEO and senior management succession, regulatory requirements relevant to the Company's corporate governance guidelines to assure the Company's compliance therewith, and the Company's Articles of Incorporation and Bylaws.

The Board has determined that the Chair and all Governance Committee members are independent under applicable NASDAQ and SEC rules for committee memberships.

## DIRECTOR NOMINATIONS

Our Bylaws also provide that a stockholder may nominate a director for election at an annual meeting if written notice is given to us not less than 90 and not more than 120 days in advance of the anniversary date of the immediately preceding annual meeting.

If and when new vacancies occur in the future, the Board will consider director nominees recommended by stockholders, in accordance with our Bylaws. The Board does not have a formal policy regarding the consideration of, procedures to be followed by, minimum qualifications of or process for identifying or evaluating nominees recommended by stockholders. Among the criteria developed by the Governance Committee for qualification for director nominees as well as director retention, a candidate must have demonstrated accomplishment in his or her chosen field, character and personal integrity, and the ability to devote sufficient time to carry out the duties of a director. The Governance Committee considers whether the candidate is independent under the standards described below under "Director Independence." In addition, the Governance Committee considers all information relevant in their business judgment to the decision of whether to nominate a particular candidate, taking into account the then-current composition of the Board and assessment of the Board's collective requirements. These factors may include: a candidate's age, professional and educational background, reputation, industry knowledge and business experience and relevance to the Company and the Board (including the candidate's understanding of markets, technologies, financial matters and international operations); whether the candidate will complement or contribute to the mix of talents, skills and other characteristics that are needed to maintain the Board's effectiveness; and the candidate's ability to fulfill responsibilities as a director and as a member of one or more of our standing Board committees. Although the Board does not have a formal diversity policy for Board membership, the Governance Committee considers whether a director nominee contributes or will contribute to the Board in a way that can enhance the perspective and experience of the Board through diversity in gender, ethnicity, geography, and professional experience. Nomination of a candidate is not based solely on the factors noted above. When current Board members are considered for nomination for re-election, the Governance Committee also takes into consideration their prior Board contributions, performance and meeting attendance records. The Governance Committee does not assign specific weights to particular criteria, and no particular criterion is a prerequisite for Board membership. We believe that the backgrounds and qualifications of our directors, considered as a group, provide an appropriate mix of experience, knowledge, and abilities to allow the Board to fulfill its responsibilities. The effectiveness of the Board's skills, expertise and background is also considered as part of each Board and committee annual self-assessment evaluation process conducted at the direction of the Governance Committee.



## DIRECTOR COMPENSATION

As outlined in its charter, the Compensation Committee has the authority to review and make recommendations to the Board with respect to the components and amount of Board compensation in relation to other similarly situated companies. Periodically, the Committee directs its compensation consultant to provide an independent assessment of the Company's Board compensation program. This review was last conducted in 2022. The Committee targets total Board compensation levels at a competitive range of peer group total Board compensation. The Committee considers total aggregate Board compensation and other factors when making recommendations to the Board for approval.

During 2023, our fees for non-employee directors were as follows, with all amounts paid on a quarterly basis:

Director	Annual Retainer (\$)	Independent Chair / Vice Chair (\$)	Chair Fee (\$)	Audit (\$)	Compensation (\$)	Governance (\$)	Total (\$)
<b>Norman H. Asbjornson</b>	\$63,750	\$—	\$—	\$—	\$—	\$—	\$63,750
<b>Angela E. Koupelen</b>	\$63,750	\$—	\$16,000	\$10,000	\$—	\$—	\$89,750
<b>Caron A. Lawhorn</b>	\$63,750	\$50,000	\$20,000	\$—	\$—	\$9,000	\$142,750
<b>Stephen O. LeClair</b>	\$63,750	\$—	\$—	\$10,000	\$—	\$9,000	\$82,750
<b>A.H. McElroy II</b>	\$63,750	\$83,250	\$16,000	\$—	\$9,000	\$—	\$172,000
<b>David R. Stewart</b>	\$63,750	\$—	\$—	\$10,000	\$—	\$9,000	\$82,750
<b>Bruce Ware</b>	\$63,750	\$—	\$—	\$10,000	\$9,000	\$—	\$82,750

Under the current director's compensation plan, the annual retainer is inclusive of meetings.

We make annual grants of restricted stock awards to non-employee directors in May in conjunction with our annual meeting. In May 2023, each of Ms. Koupelen, Ms. Lawhorn and Messrs. Asbjornson, LeClair, Stewart, Ware and McElroy received restricted stock awards for 1,770 shares of stock, which vest ratably over each member's remaining board term.

In addition, directors are subject to equity ownership and retention guidelines, as outlined below in "Stock Ownership and Retention Policy."

The following summarizes our non-employee director compensation for 2023:

Director	Fees Earned or Paid in Cash (\$)	Restricted Stock Awards <sup>(1)</sup> (\$)	Stock Options (\$)	All Other Comp. (\$)	Total (\$)
<b>Norman H. Asbjornson</b>	\$63,750	\$107,297	<sup>(3)</sup> \$—	\$551,404 <sup>(3)</sup>	\$722,451
<b>Angela E. Koupelen</b>	\$89,750	\$107,297	<sup>(2)</sup> \$—	\$—	\$197,047
<b>Caron A. Lawhorn</b>	\$142,750	\$106,247	<sup>(2)</sup> \$—	\$—	\$248,997
<b>Stephen O. LeClair</b>	\$82,750	\$106,247	<sup>(2)</sup> \$—	\$—	\$188,997
<b>A.H. McElroy II</b>	\$172,000	\$106,766	<sup>(2)</sup> \$—	\$—	\$278,766
<b>David R. Stewart</b>	\$82,750	\$106,247	<sup>(2)</sup> \$—	\$—	\$188,997
<b>Bruce Ware</b>	\$82,750	\$106,766	<sup>(2)</sup> \$—	\$—	\$189,516

(1) The values reflect grant date fair value of awards ranging from \$60.03 to \$60.62 per share granted on May 16, 2023. See also, the discussion of assumptions made in valuing these awards in the notes to the Company's financial statements.

(2) As of December 31, 2023, 3,852; 1,770; 1,770; 3,606; 1,770 and 3,606 unvested shares associated with restricted stock awards were outstanding for Ms. Koupelen, Ms. Lawhorn, Mr. LeClair, Mr. McElroy, Mr. Stewart and Mr. Ware, respectively. Non-qualified options have not been granted during his or her term as a Board member.

(3) All other compensation includes payments under Mr. Asbjornson's consulting contract. As of December 31, 2023, 3,852 unvested shares associated with restricted stock awards and 757,069 vested and exercisable non-qualified stock options were outstanding for Mr. Asbjornson.



## COMPENSATION COMMITTEE'S INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee is or has been a former or current NEO of AAON or had any relationships requiring disclosure by us under the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of our NEOs identified herein served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity.

## EXECUTIVE SESSIONS

Our Board and Board committees regularly conduct executive sessions with independent directors. Our Independent Chair and Vice Chair preside over each executive session of the independent directors and the committee chairs preside over executive sessions of each of their respective committees.

## COMMUNICATING WITH THE BOARD

Stockholders may communicate with the Board, including the non-management directors, by sending a letter to the Board of Directors of AAON, Inc., c/o Corporate Secretary, 2425 South Yukon Avenue, Tulsa, Oklahoma 74107. The Corporate Secretary has the authority to disregard any inappropriate communications. If deemed an appropriate communication, the Corporate Secretary will submit the correspondence to the Board or to any specific director to whom the correspondence is directed.

## WHISTLEBLOWER PROCEDURES

The Audit Committee has established procedures for the submission of complaints regarding accounting, internal accounting controls, audit, and other matters. These procedures include processes for the confidential and anonymous submission of concerns of any such matters by our employees. Our Code of Business Conduct and Ethics prohibits retaliation against employees who report suspected violations of the Code of Business Conduct and Ethics or other misconduct.



# AAON Executive Leadership and Officers

The Executive Leadership team was voted on by the Board of Directors in November of 2023 with Leadership duties effective January 2024. We believe this team-oriented leadership structure, with improved internal processes, will best position AAON to continue to build on its impressive foundation while fostering sustainable, long-term success.

## EXECUTIVE LEADERSHIP

**Gary Fields**

Chief Executive Officer

**Matt Tobolski**

President and Chief Operating Officer

**Rebecca Thompson**

Vice President, Finance, Chief Financial Officer, and Treasurer

**Stephen Wakefield**

Vice President and Executive Vice President, AAON Oklahoma

**Doug Wichman**

Vice President and President, AAON Coil Products

**Dave Benson**

Vice President and President, BASX

**Casey Kidwell**

Vice President, Administration

**Chris Eason**

Chief Accounting Officer

**Rob Teis**

Vice President, Business Technology

**Xerxes Gazder**

Chief Information Officer

## SENIOR LEADERSHIP

**Larry Honet**

Executive Director of Global Operations

**Whitney Wakefield**

Executive Director of Production Controls and Materials

**Andrew Edmondson**

Executive Director of Sales, and Marketing

**Joseph Mondillo**

Director of Investor Relations

**Stephanie Regan**

Director of Corporate Citizenship/ Communications

**Brent Stockton**

Engineering Director

**Mario Balandran**

Director of Controls

**Mark Fly**

The NAIC Executive Director

**Todd Carner**

Director of Manufacturing

**Jeff Kaufman**

Director of BASX Operations

**Todd Horellou**

Director of Inside Sales, and Engineering

**Jeff McGee**

Director of Manufacturing Engineering and Planning

**Brandy Snider**

Director of Administration

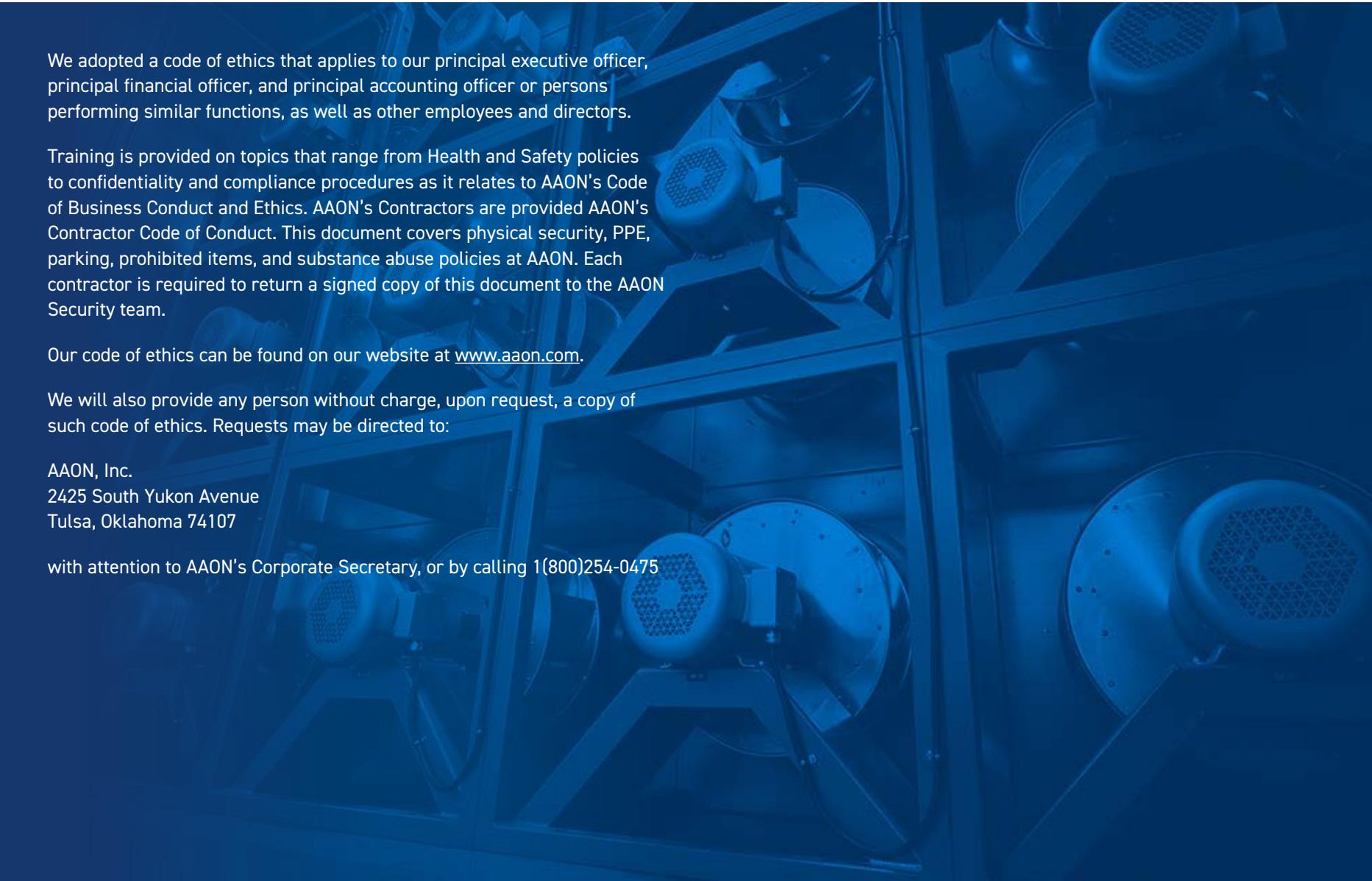
**Tim Halbert**

Director of Aftermarket Sales

**Matt Shaub**

Director of Product Management

# Conduct and Ethics



We adopted a code of ethics that applies to our principal executive officer, principal financial officer, and principal accounting officer or persons performing similar functions, as well as other employees and directors.

Training is provided on topics that range from Health and Safety policies to confidentiality and compliance procedures as it relates to AAON's Code of Business Conduct and Ethics. AAON's Contractors are provided AAON's Contractor Code of Conduct. This document covers physical security, PPE, parking, prohibited items, and substance abuse policies at AAON. Each contractor is required to return a signed copy of this document to the AAON Security team.

Our code of ethics can be found on our website at [www.aaon.com](http://www.aaon.com).

We will also provide any person without charge, upon request, a copy of such code of ethics. Requests may be directed to:

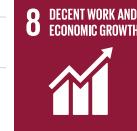
AAON, Inc.  
2425 South Yukon Avenue  
Tulsa, Oklahoma 74107

with attention to AAON's Corporate Secretary, or by calling 1(800)254-0475

# Disclosure Index

## GRI CONTENT INDEX

AAON has reported the information cited in this GRI content index for the period from 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

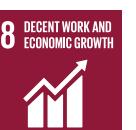
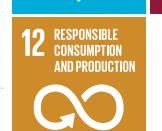
Standard	Disclosure Language	2023 Response	Related SDG
<strong>THE COMPANY AND ITS REPORTING PRACTICES</strong>			
GRI 2-1	Organizational Details	AAON, Inc is headquartered in Tulsa, Oklahoma with facilities in Longview, Texas, Parkville, Missouri and Redmond, Oregon. The Company is publicly traded on the NASDAQ Stock Exchange.	
GRI 2-2	Entities included in the organization's sustainability reporting	AAON locations in Tulsa, OK, Longview, TX, Parkville, MO and Redmond, OR	
GRI 2-3	Reporting period, frequency and contact point	<a href="#">About This Report on page 5</a>	
GRI 2-4	Restatements of information	<a href="#">About This Report on page 5</a>	
GRI 2-5	External assurance	At this time, AAON does not have our Sustainability data externally assured.	
<strong>ACTIVITIES AND WORKERS</strong>			
GRI 2-6	Activities, value chain and other business relationships	<a href="#">See Form 10-K</a>	
GRI 2-7	Employees	3,856 team members  Gender: Male: 71%, Female: 27.5%, Non-identify: 1%, Non-binary: 0.5%  Ethnicity: White: 34%, Asian: 20 %, Hispanic: 15.5%, Black or African American: 13%, American Indian or Alaska Native: 4%, Native Hawaiian or Pacific Islander: 3%, Two or more races: 3%, Unspecified 7%, Do not Identify: 0.5 %.	
<strong>GOVERNANCE</strong>			
GRI 2-9	Governance structure and composition	<a href="#">Governance on page 131</a>	
GRI 2-10	Nomination and selection of the highest governance body	<a href="#">Director Nominations on page 137</a>	
GRI 2-11	Chair of the highest governance body	<a href="#">Director Independence on page 131</a>	

Standard	Disclosure Language	2023 Response	Related SDG
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	<a href="#">Risk Oversight on page 135</a>	
GRI 2-13	Delegation of responsibility for managing impacts	<a href="#">Risk Oversight on page 135</a>	
GRI 2-14	Role of the highest governance body in sustainability reporting	<a href="#">Sustainability Management Structure on page 77</a> and <a href="#">Risk Oversight on page 135</a>	
GRI 2-15	Conflicts of interest	<a href="#">Code of Business Conduct and Ethics</a>	
GRI 2-16	Communication of critical concerns	<a href="#">Whistleblower Procedures on page 139</a> and <a href="#">Code of Business Conduct and Ethics</a>	
GRI 2-17	Collective knowledge of the highest governance body	<a href="#">Board Diversity on page 132</a>	
GRI 2-18	Evaluation of the performance of the highest governance body	<a href="#">Board Leadership Structure on page 132</a>	
GRI 2-19	Remuneration policies	<a href="#">Audit Committee on page 136</a> , <a href="#">Compensation Committee on page 137</a> , and <a href="#">Director Compensation on page 138</a>	
GRI 2-20	Process to determine remuneration	<a href="#">Audit Committee on page 136</a> , <a href="#">Compensation Committee on page 137</a> , and <a href="#">Director Compensation on page 138</a>	
GRI 2-21	Annual total compensation ratio	The ratio of the annual total compensation of our CEO to the median of the annual total compensation to all other employees for 2023 was 81.83 to 1.	

## STRATEGY, POLICIES, AND PRACTICES

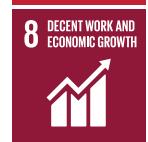
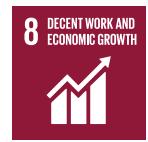
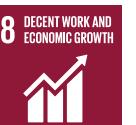
GRI 2-22	Statement on sustainable development strategy	<a href="#">Environmental Responsibility on page 76</a>	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION
GRI 2-23	Policy commitments	<a href="#">Human Rights Policy on page 95</a> , and <a href="#">Conduct and Ethics on page 141</a>	
GRI 2-26	Mechanisms for seeking advice and raising concerns	<a href="#">Whistleblower Procedures on page 139</a> and <a href="#">Code of Business Conduct and Ethics</a>	
GRI 2-27	Compliance with laws and regulations	<a href="#">Conduct and Ethics on page 141</a>	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION
GRI 2-28	Memberships of Association	Air-Conditioning, Heating and Refrigeration Institute (AHRI), American Society of Heating, Air-Conditioning, and Refrigeration Engineers (ASHRAE), Business Roundtable, US Chamber of Commerce, State Chamber of Oklahoma, Longview Chamber of Commerce, National Association of Manufacturers, Redmond Chamber of Commerce, Bend Chamber of Commerce, Parkville Chamber of Commerce, Tulsa Regional Chamber of Commerce, Women in Manufacturing	 <b>17</b> PARTNERSHIPS FOR THE GOALS

Standard	Disclosure Language	2023 Response	Related SDG
<b>STAKEHOLDER ENGAGEMENT</b>			
GRI 2-29	Approach to stakeholder engagement	<a href="#">Materiality on page 27</a> and <a href="#">Stockholder Engagement on page 134</a>	 <b>17</b> PARTNERSHIPS FOR THE GOALS
<b>DISCLOSURES ON MATERIAL TOPICS</b>			
GRI 3-1	Process to determine material topics	<a href="#">Materiality on page 27</a> and <a href="#">Stockholder Engagement on page 134</a>	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION
GRI 3-2	List of material topics	<a href="#">Materiality on page 27</a> and <a href="#">Stockholder Engagement on page 134</a>	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION
GRI 3-3	Management of material topics	<a href="#">Materiality on page 27</a> and <a href="#">Stockholder Engagement on page 134</a>	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION
<b>ECONOMIC PERFORMANCE</b>			
GRI 201-1	Direct economic value generated and distributed	<a href="#">See Form 10-K</a>	 <b>2</b> ZERO HUNGER
GRI 201-2	Financial implications and other risks and opportunities due to climate change	<a href="#">Climate Related Risks</a>	 <b>5</b> GENDER EQUALITY
 <b>7</b> AFFORDABLE AND CLEAN ENERGY			
GRI 205-1	Operations assessed for risks related to corruption	<a href="#">Risk Factors on page 20</a> and <a href="#">Risk Oversight on page 135</a>	 <b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE
<b>ANTI-CORRUPTION</b>			
GRI 205-1	Operations assessed for risks related to corruption	<a href="#">Risk Factors on page 20</a> and <a href="#">Risk Oversight on page 135</a>	

Standard	Disclosure Language	2023 Response					Related SDG
<b>ENERGY</b>							
		Energy Use By Source	2023	2022	2021	2020	
GRI 302-1	Energy consumption within the organization	Purchased Electricity (MWh)	44,230	40,205	38,677	35,006	 <b>7</b> AFFORDABLE AND CLEAN ENERGY  <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION
		Natural Gas (MMBTU)	19,338	45,313	25,525	20,667	 <b>13</b> CLIMATE ACTION
GRI 302-3	Energy intensity	<a href="#">Energy on page 86</a>					 <b>13</b> CLIMATE ACTION
GRI 302-4	Reduction of energy consumption	<a href="#">Energy on page 86</a>					 <b>13</b> CLIMATE ACTION
GRI 302-5	Reductions of energy requirements in products and services	<a href="#">AAON Product Solutions on page 83</a>					 <b>13</b> CLIMATE ACTION
<b>WATER</b>							
			2023	2022	2021	2020	
GRI 303-3	Water withdrawal	Total Water Withdrawal in GAL	12,593,453	14,158,275	14,384,400	10,928,300	 <b>6</b> CLEAN WATER AND SANITATION  <b>8</b> DECENT WORK AND ECONOMIC GROWTH
							 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION

Standard	Disclosure Language	2023 Response	Related SDG				
<b>EMISSIONS</b>							
			2023	2022	2021	2020	
GRI 305-1 & 2	Scope 1 & 2 Emissions  The Emission calculations include: Tulsa OK, Parkville MO, Longview TX, and Redmond OR facilities.	<b>Scope 1 &amp; 2 Emissions</b>	20,292 Mt	19,065 Mt	18,837.15 Mt	19,366 Mt	  
GRI 305-5	Reduction of GHG Emissions	<a href="#">Environmental Responsibility on page 76</a>					
<b>WASTE</b>							
GRI 306-1	Waste generation and significant waste-related impacts	<a href="#">Waste on page 90</a>					
GRI 306-2	Management of significant waste-related impacts	<a href="#">Waste on page 90</a>					
GRI 306-3	Waste generated	<a href="#">Waste on page 90</a>					
GRI 306-4	Waste diverted from disposal	<a href="#">Waste on page 90</a>					
<b>EMPLOYMENT</b>							
GRI 401-1	New employee hires and employee turnover	New hires: 2158 Turnover: 54%					
GRI 401-2	Benefits provided to full-time employees	<a href="#">Team Member Benefits on page 106</a>					
GRI 401-3	Parental Leave	<a href="#">Parental Leave Policy on page 108</a>					

Standard	Disclosure Language	2023 Response	Related SDG
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
GRI 403-1	Occupational health and safety management system	<a href="#">Workplace Safety on page 97</a>	 <b>3</b> GOOD HEALTH AND WELL-BEING
GRI 403-2	Hazard identification, risk assessment and incident investigation	<a href="#">Workplace Safety on page 97</a>	 <b>3</b> GOOD HEALTH AND WELL-BEING
GRI 403-3	Occupational health services	<a href="#">Workplace Safety on page 97</a>	 <b>3</b> GOOD HEALTH AND WELL-BEING
GRI 406-4	Worker participation, consultation, and communication on occupational health and safety	<a href="#">Workplace Safety on page 97</a>	 <b>3</b> GOOD HEALTH AND WELL-BEING
GRI 403-5	Worker training on occupational health and safety	12,478 hours	 <b>3</b> GOOD HEALTH AND WELL-BEING
GRI 403-6	Promotion of worker health	<a href="#">Workplace Safety on page 97</a>	 <b>3</b> GOOD HEALTH AND WELL-BEING
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked to business relationships	<a href="#">Workplace Safety on page 97</a>	
GRI 403-8	Workers covered by an occupational health and safety management system	<a href="#">Workplace Safety on page 97</a>	
GRI 403-9	Work-related injuries	TRIR 5.5, Fatalities 0, NMFR 4.27	

Standard	Disclosure Language	2023 Response	Related SDG
<b>TRAINING AND EDUCATION</b>			
GRI 404-1	Average hours of training per employee	<a href="#">Employee Training on page 104</a>	  
GRI 404-2	Programs for upgrading employee skills and tuition assistance programs	<a href="#">Employee Training on page 104</a> and <a href="#">Career Development on page 104</a>	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	100% of active employees in 2023	
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			
GRI 405-1	Diversity of governance body and employees	<a href="#">Diversity and Inclusion on page 95</a> and <a href="#">Governance on page 131</a>	 
<b>LOCAL COMMUNITIES</b>			
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	<a href="#">Corporate Social Responsibility on page 122</a>	 

## SASB DISCLOSURE

Topic	Code	Response		
WORKFORCE HEALTH AND SAFETY	SASB RT-IG-320a.	TRIR 5.5, Fatalities 0, NMFR 4.27		
MATERIALS SOURCING	SASB RT- IG-440a.1	<a href="#">Conflict Minerals on page 32</a>		
ENERGY MANAGEMENT	SASB RT- IG-130a.1	(1) Total energy consumed (2) percentage grid electricity (3) percentage renewable	159,228.02 GJ 100% 36%	 
HAZARDOUS WASTE MANAGEMENT	SASB RT-EE-150a.1	<a href="#">Environmental Responsibility on page 76</a>		
BUSINESS ETHICS	SASB RT-EE-510a.1	<a href="#">Conduct and Ethics on page 141</a>		
ACTIVITY METRICS – NUMBER OF EMPLOYEES	SASB RT-EE-0000.b RT-IG-000.b	In 2023, the workforce was 3,856		



## TCFD

### GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities

- a. Describe the board's oversight of climate-related risks and opportunities
- b. Describe management's role in assessing and managing climate-related risks and opportunities

[Risk Oversight on page 135](#) and [Sustainability Management Structure on page 77](#)

[Risk Factors on page 20](#)

### STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material

- a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term

[Climate Related Risks](#)

### RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks

- a. Describe the organization's processes for identifying and assessing climate-related risks

[Risk Factors on page 20](#) and [Risk Oversight on page 135](#)

### METRICS AND TARGETS

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions

[GRI Content Index on page 142](#)

## UN GLOBAL COMPACT PRINCIPLES

	Principle	Description	AAON Report
<b>HUMAN RIGHTS</b> 	Principle 1	Support and respect the protection of internationally proclaimed human rights	<a href="#">Human Rights Policy on page 95</a>
	Principle 2	Exclusion of human rights abuses	<a href="#">Human Rights Policy on page 95</a>
<b>LABOR</b> 	Principle 3	Uphold the freedom of association and the effective recognition of the right to collective bargaining	<a href="#">Human Rights Policy on page 95</a>
	Principle 4	The elimination of all forms of forced and compulsory labor	<a href="#">Human Rights Policy on page 95</a>
<b>ENVIRONMENT</b> 	Principle 5	The effective abolition of child labor	<a href="#">Human Rights Policy on page 95</a>
	Principle 6	The elimination of discrimination in respect of employment and occupation	<a href="#">Human Rights Policy on page 95</a>
<b>ANTI-CORRUPTION</b> 	Principle 7	Support a precautionary approach to environmental challenges	<a href="#">Environmental Responsibility on page 76</a>
	Principle 8	Undertake initiatives to promote greater environmental responsibility	<a href="#">Environmental Responsibility on page 76</a>
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies	<a href="#">Products on page 40</a>
	Principle 10	Work against corruption in all its forms including extortion and bribery	<a href="#">Code of Business Conduct and Ethics on page 143</a>