



**AAOON<sup>®</sup>**

**2020**  
**SUSTAINABILITY**  
**ESG REPORT**

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# ABOUT THIS REPORT

Since our founding in 1988, AAON has maintained a commitment to design, develop, manufacture and deliver heating and cooling products to perform beyond all expectations and to demonstrate AAON's quality and value to our customers. AAON equipment is designed with energy efficiency in mind, without sacrificing premium features and options. In addition to our high standard of product performance, is a commitment to sustainability for our employees, our shareholders, and our customers.

At AAON, we strive to conduct our business in a socially responsible and ethical manner with a focus on environmental stewardship, team member safety and community engagement. We comply with industry regulations and requirements while pursuing responsible economic growth and profitability. AAON strives to manufacture equipment through sustainable business practices.

The enclosed AAON Sustainability Report provides a glimpse of our commitment to uphold and continually improve our environmental, social and governance practices. The 2020 AAON Sustainability/Environmental, Social and Governance Report is AAON's 3rd ESG report and covers performance for the calendar year 2020. The information and data included 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.

# FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "will", and variations of such words and 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. 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. We undertake no obligations to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that could cause results to differ materially from those in the forward-looking statements include (1) the timing and extent of changes in raw material and component prices, (2) the effects of fluctuations in the commercial/industrial new construction market, (3) the timing and extent of changes in interest rates, as well as other competitive factors during the year, and (4) general economic, market or business conditions.



# AAON Covid-19 Response

In 2020, we shipped over 5,000 tons of essential HVAC systems to over 200 critical infrastructure projects related to the pandemic, such as temporary hospitals, isolation units and medical equipment production facilities.

At our facilities, we implemented additional cleaning measures, added health screenings, mask requirements and modified work spaces to maintain a safe working environment for our team members.

The COVID-19 pandemic has fueled a great deal of concern over best practices in the design and operation of building HVAC systems. In order to mitigate the spread of COVID-19, influenza and other similar type respiratory diseases, we have completed significant research in what affects the transmission of these diseases and how AAON HVAC systems can be best designed in light of these findings. The American Society of Heating, Refrigeration and Air-Conditioning Engineers (“ASHRAE”), a professional association with a goal of advancing HVAC systems designs and construction, created an Epidemic Task Force in 2020 and issued several recommendations to mitigate the spread of the virus, including humidity control, air filtration, increased outdoor air ventilation, and air disinfection.

**Humidity control** – AAON continues 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 indoor relative humidity levels of 40%-60%, the ideal level to inactivate viruses in the air and on surfaces.

**Air Filtration** – AAON standardizes a design that uses a backward curved fan wheel, which can accommodate higher air pressure drop required for the ASHRAE recommended MERV 13 filtration, the minimum filter level for viruses, with very little reconfiguration. Prior to 2020, a vast majority of 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 – AAON’s 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** – AAON products have inherent design characteristics that allow for an easy installation of ultraviolet lighting and other air cleaning technologies. In addition to this equipment offered as options in new AAON units sold, AAON products have basic design characteristics that allow for easy installation in AAON units already used in the field.

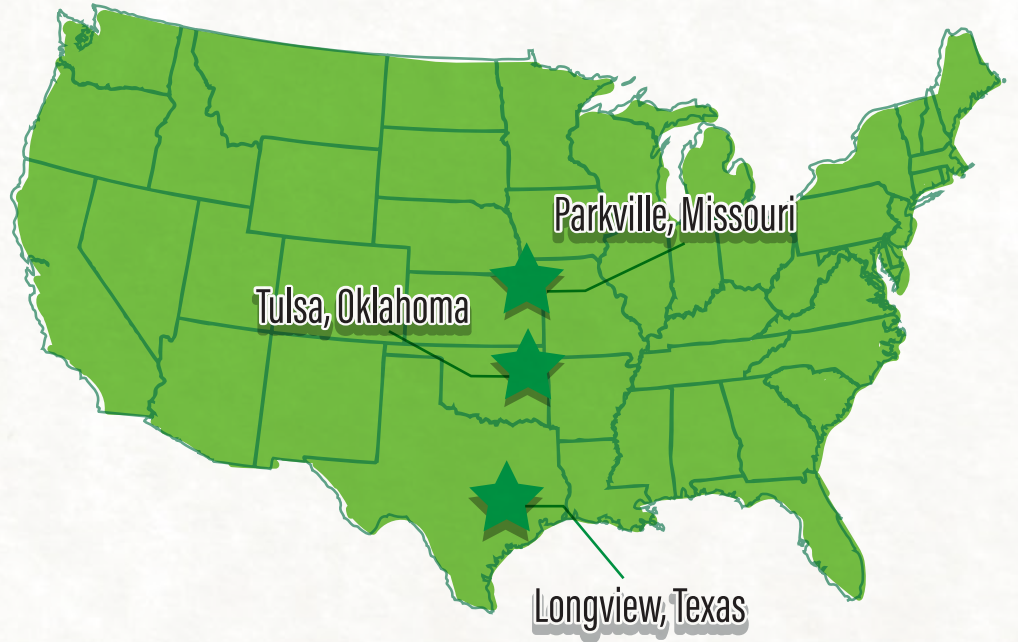
Overall, AAON is well positioned to accommodate the heightened demand for features that can help mitigate virus transmission and improve air quality. The features that ASHRAE recommends require premium designs and configurations that are standard in AAON units. As a result, we are able to incorporate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

## Temporary Hospital in New York with AAON HVAC Systems





**AAON  
LOCATIONS**



**2020  
SALES**

**\$514.6 Million**

**TEAM  
MEMBERS**

**2,268 Employees**

**VOLUNTEER  
HOURS**

**5,580**

**COMMUNITY ORGANIZATIONS  
SUPPORTED**

**65**



# About AAON

AAON is engaged in the engineering, manufacturing, marketing and sale of air conditioning and heating equipment consisting of standard, semi-custom and custom rooftop units, chillers, packaged outdoor mechanical rooms, air handling units, condensing units, makeup air units, energy recovery units, geothermal/water-source heat pumps, coils and controls. Since the founding of AAON in 1988, AAON has maintained a commitment to design, develop, manufacture and deliver innovative heating and cooling products to perform beyond all expectations and demonstrate the value of AAON to our customers.

## History

AAON, Inc. was founded in 1988 with the acquisition of the heating and air conditioning division of the John Zink Company. AAON Coil Products, Inc. was founded in 1991 with the acquisition of Coils Plus, Inc. of Longview, Texas. AAON further expanded operations with the acquisition of WattMaster Controls, Inc. in Parkville, Missouri, expanding AAON Controls knowledge and development.

Expansion and growth continue today with the addition of new production lines and new machinery. The Tulsa offices and manufacturing facilities are over 1.51 million sq. ft.; the Longview offices and manufacturing facilities are over 220,000 sq. ft.; the Parkville facility is 48,500 sq. ft. In the three plants combined, AAON employs over 2,000 individuals.

## Business

Our products serve the commercial and industrial new construction and replacement markets within the heating, ventilation, and air conditioning (“HVAC”) equipment industry. Our business strategy involves mass customization that uses flexible computer-aided manufacturing systems to produce standard, semi-custom, and custom outputs and combines the low unit costs of mass production processes with the flexibility of individual customization. Through a collaborative effort with our independent representative sales offices, we design and manufacture the precise semicustom product offering that best serves the customer’s needs. Our marketing strategy focuses upon underserved market niches including establishing manufacturing methodologies to support market niche products. We further focus on developing a company culture focused upon customer satisfaction, reducing product delivery channel time and cost, and continuing with the goal of product and manufacturing technology leadership. Our product mix, with a heavy investment in research and development, has an emphasis on energy efficiency, environmental stewardship and indoor air quality.

## Materiality/ Stakeholder Engagement

In an ever-changing world, we regularly evaluate and align our strategy and reporting against the most material corporate responsibility topics for our business and stakeholders. This drives how we engage internally and externally, invest our resources, and adapt our strategy on environmental, social, economic and governance topics. We have identified the following as material topics for 2020:

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

We have noted each topic’s alignment within the UN Sustainable Development Goal framework.

## Stakeholder Engagement:

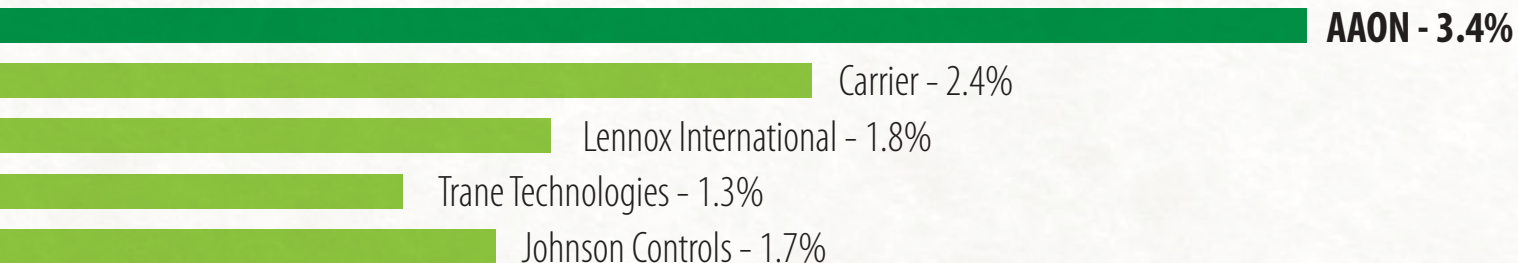
- Team members: we encourage feedback from team members through surveys, development conversations, internal committees and our “All Ideas Matter” program where team members can share thoughts, feedback and seek guidance.
- Customers: we seek customer input through dialogue, product and service training programs, and we work with our 46 sales professionals, 63 independent manufacturers’ representative organizations and 125 offices to stay continuously connected to our end users.
- Investors: AAON believes in transparent and open communications with investors. As a publicly traded company, we regularly share information on financial performance, strategy and company goals.
- Suppliers: we actively collaborate with our supplier network. We are members of several industry organizations to collectively work on further developing the supply chain.
- Government: we proactively engage with local, state and federal leaders to share information on public policy issues that are important to our business. We also partner with advocacy organizations that relate to our business.
- Communities: we partner with over 65 nonprofits in our regions focused on workforce readiness, strong families and communities and environmental stewardship.



# Innovation

## Research and Development

R&D Investment Compared to Peers as a Percent of Sales:



One example of our Research and Development efforts in 2020 was our small packaged water-source heat pump (WSHP) product line. Since introducing the innovative WH Series horizontal configuration and WV Series vertical configuration products in 2015, the new product line has largely been a success. In 2019, we sold nearly eight thousand units for \$25 million, capturing approximately 5% market share. After several years of robust growth, we took a step back in 2020 as our WSHP sales declined 25%. Prior to the downturn, we recognized the design of the products was more conducive for installation in new buildings and less for replacement in existing buildings. Replacement equipment makes up roughly 75% of market demand in this sector. Thus, when the new construction market contracted with the economy last year, our WSHP business felt the brunt of the downturn. In 2020, we began engineering a new design that will make the products a more desirable turnkey solution for replacement applications. This next generation of WSHPs will be introduced to the market 2021 and we expect it to return our WSHP business to growth and accelerate share gains. Our WSHP units are all electric and non-fossil fuel consuming. WSHP units made up 24.8% of all units produced by AAON in 2020 and 3.7% of total sales.



RZ Series Rooftop Unit

In 2020, we continued to strive to satisfy the dynamic industry requirement for large energy efficient packaged rooftop equipment through the introduction of our new RZ Series rooftop unit. The RZ rooftop unit, which comes in sizes of 45–240 tons and 7,500–80,000 MBH, is unique in that it is built with superior features and comes with standardized options that are recognized as premium in the industry. For example, the RZ Series

standardizes the refrigeration system design with premium variable speed compressors, which provides consistent supply air temperature control, load matched cooling and high part load efficiency. This premium compressor improves overall energy efficiency and reduces system operating costs. The RZ Series is also uniquely designed with an array of multiple high efficiency direct drive airfoil plenum supply fans directly powered by new permanent magnetic motor technology, as opposed to the industry standard that uses one supply fan indirectly belt driven by an AC induction motor. By utilizing this design, it saves energy, reduces sound output, decreases maintenance requirements and reduces carbon emissions. Finally, as with many of our rooftop models, the RZ Series is synonymous with what the AAON brand is known for, customization and high quality. The model is offered with a large number of customizable features, previously only available from custom manufacturers, to help maximize performance based on the application, and is manufactured with premium materials and designs. The RZ series replaces the outgoing RL series with greater energy efficiency, higher capacity and quieter operation.

Our products are engineered for performance, flexibility, serviceability and energy efficiency. This has become a critical factor in competing in the HVAC equipment industry. We must continually develop new and improved products in order to compete effectively and to meet evolving regulatory standards in all of our major product lines. AAON is fortunate enough to be able to self-sponsor our Research and Development activities, rather than needing to be customer-sponsored. R&D activities have involved the RQ, RN, and RZ (rooftop units), F1, H3, SA, V3, and M2 (air handling units), LF, LN, and LZ (chillers), CB and CF (condensing units), SA and SB (self-contained units), and WH and WV (water-source heat pumps), as well as component evaluation and refinement, development of control systems and new product development. R&D expenses incurred were approximately \$17.4 million, \$14.8 million, and \$13.5 million in 2020, 2019, and 2018, respectively.

Our Norman Asbjornson Innovation Center (“NAIC”) research and development laboratory facility that opened in 2019, 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 a 300 ton air conditioning system, up to a 540 ton chiller system, and 80 million BTU/hr of gas heating test capacity. Environmental application testing capabilities include -20 to 140°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 AAON to lead the industry in the development of quiet, energy efficient commercial and industrial heating and air conditioning equipment.

The NAIC currently houses ten testing chambers. These testing chambers allow AAON 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 as that is the largest environmental chamber currently available for testing outside of our facility. The NAIC contains both a 100 ton and a 540 ton chamber, allowing us to uniquely prove to customers our capacity and efficiency on these larger

units. The NAIC was designed to test units well beyond the standard AHRI rating points and allows us to offer testing services on AAON equipment throughout our range of product application. 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 will enable AAON to develop a new extended range of operation equipment and prove its capabilities.



The Norman Asbjornson Innovation Center opened in 2019.

## Product Awards and Recognitions

AAON was recognized for excellence in product design in the 16th annual Consulting-Specifying Engineer Product of the Year awards. Readers of the industry magazine publication voted AAON’s RN Series Rooftop Unit as the Most Valuable Product amongst a vast array of building product categories, including HVAC equipment, electrical systems, lighting, as well as others. The RN Series Rooftop Unit is designed with variable speed compressors and provides precise comfort control with high-energy efficiency and operational cost savings. The unit operates with an Integrated Energy Efficiency Ratio (IEER) up to 22.5 and can be configured to meet many of ASHRAE’s indoor air quality recommendations to mitigate virus transmission. AAON’s LF Chiller Controller was also awarded Gold – the top award – in the BAS, Controls, Energy Management category. This controller, designed jointly with our mechanical and controls engineering teams in Tulsa and Parkville, creates a better user experience for start-up and control of the AAON LF Series Air-Cooled Chiller.



RN Series Rooftop Unit



LF Series Chiller Controller



# Operations

## Mission & Vision

Our mission at AAON is to provide a work environment that promotes innovation and a great place to work. We are committed to manufacturing HVAC equipment of superior quality and high value that is recognized and appreciated by the discerning customer. At AAON, our vision is to continually expand our innovative high value family of semi-custom HVAC equipment offerings.

## Product Family

### Indoor Air Handling Units

(800 - 100,000 + cfm)



### Water-Source Heat Pumps

(½ - 230 tons)



### Outdoor Air Handling Units

(800 - 100,000 + cfm)



### Packaged Rooftop Units

(2-240 tons)



### Self-Contained Units

(3-70 tons)



### Packaged Outdoor Mechanical Rooms

(4-540 tons)



### Coils

BOOSTER, HYDRONIC, and DX



### Condensing Units

(2-230 tons)



### Controls

(WSHP, RTU, SELF-CONTAINED, SPLIT SYSTEM, & CHILLER)





## Mutual Trust & Respect

We value our diverse backgrounds, working with one another to build high performing teams

## Safety, Health and Environment

Support and Promote a Safe Workplace

## Character

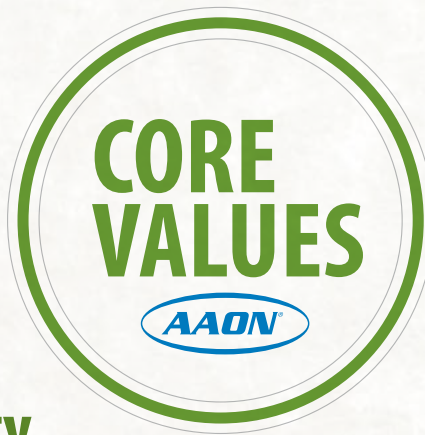
Unquestionably Great

## Work Ethic

Expect Nothing but Our Best

## Integrity

of the Highest Moral and Ethical Standards



## Attitude

Demonstrate a "We Can" Approach

## Diversity

Advancing a Workplace Culture of Inclusion and Appreciation

## Quality

Committed to Exceed Expectations of Our Customers

## Innovation

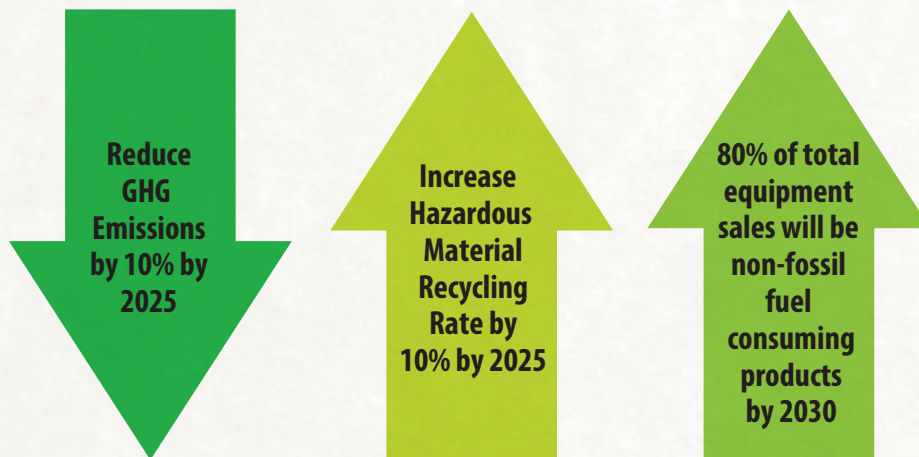
to Maintain a Corporate Culture that Values Entrepreneurial Spirit

## Empowerment

to Attract, Motivate and Retain Talented Team Members

## Environmental Responsibility

In 2017, we created our internal GoGreen sustainability committee that has a goal of regularly identifying numerous waste streams that can be recycled, reused or reduced and projects to create more efficient operations. AAON participates in the non-profit organization Sustainable Tulsa's Scor3card program, which is a sustainability tracking and assessment tool for organizations who want to track and improve their sustainability plans. AAON achieved Platinum level in the 2020 Sustainable Tulsa Scor3card verification program, and was awarded the 2020 Henry Bellmon Award for Sustainability leadership. This follows the Company achieving Gold in 2019 and Bronze in 2018 and 2017.





“ In 2017, we created our internal GoGreen sustainability committee that has a goal of regularly identifying numerous waste streams that can be recycled, reused or reduced and projects to create more efficient operations. ”

## Climate Change

AAON is a leading designer and manufacturer of the most energy efficient HVAC products in the commercial HVAC industry, which is vital to the environment since nonresidential buildings utilize approximately 15% of energy consumed in the U.S., of which about 40% is associated with heating, ventilation, and air-conditioning. Our innovative designs substantially help our customers reduce their carbon footprint while reducing their cost of building management and maintenance. Many of the HVAC units we produce are uniquely designed with two-stage, variable capacity or variable speed compressors, high efficiency evaporator and condenser coils and variable speed fans, leading to an AHRI Certified performance of up to 20.3 SEER and 22.5 IEER, compared to the industry ASHRAE 90.1

minimum requirement of 12-14 SEER/IEER. AAON eliminated the usage of R134A in the foam process and switched to a non-fluorinated, non-ozone depleting alternative with a global warming potential of 0. AAON also has an ongoing focus to reduce its own operational carbon footprint through energy efficiency and GHG reduction projects.

In addition to the focus on our product design and operations, we also support charitable organizations that increase the resiliency of communities in addressing the physical and transitional impacts associated with climate change.

## Energy

AAON has transitioned to over 90% LED lighting in our facilities leading to considerable cost savings and reduced energy consumption. The company participates in an energy demand response program and reduced costs by reducing energy loads during peak periods in 2020. Twenty-seven percent of AAON's energy portfolio is currently derived from renewable sources, and the company's carbon footprint has been calculated as part of the Scor3card sustainability benchmarking initiative. Energy efficiency has been a priority in the capital investments of \$68 million for improvements which

include the acquisition of new, energy efficient equipment for the production floor, new high speed overhead facility doors, the installation of new HVAC equipment, building control systems, the application of heat and light reflective material to production facilities along with other behavioral-based energy efficiency changes. We are tracking our energy usage intensity before and after these updates and have already seen a 4% decrease in energy intensity. In 2020, our total energy usage per total revenue declined 2.9% compared to 2019.

## Water

We recognize water is a critical resource to our planet and our business. We track our water usage monthly through the THG Energy Solutions platform. We realized a 2.7% decrease in water consumption in 2020

as compared to 2019. Reducing our water consumption decreases the potential for business disruption and helps to conserve scarce resources.

## Waste

In the area of material management, there is a focus on recycling, reducing, reusing and sourcing more environmentally-friendly materials into our processes. AAON recycled 19% more metals in 2020 as compared to 2019. The company has developed a relationship with an organization to recycle hazardous waste and successfully transported and recycled 72 tons of hazardous waste in 2020. Our

facilities also recycle paper, wood and cardboard where available. Through our partnership with a waste to energy facility, we successfully diverted 3630 tons of waste from landfills, a 16% increase over 2019. We continue to innovate ways to reduce and reuse shipping packaging between facilities and identify new opportunities to reduce or reuse items in our production and administrative areas.





# Workplace Health and Safety

The safety of all AAON employees, visitors, business partners and our environment is a fundamental value of our organization. Our efforts are directed at developing processes and systems that demonstrate our commitment to safe practices. Implementing programs that support our philosophy of continuous improvement is a key part of our success. Safety is the responsibility and accountability of every employee. Every individual working in our facilities is very important to AAON's success. Our goal is to ensure that we all go home each day to our families in the same condition that we left them. We continue to see a reduction in our overall injury rates year over year through the implementation of programs that drive hazard elimination and risk reduction. Through training programs, improved work processes and modifications to work environments, AAON achieved a 30% decrease in Total Recordable Incident Rate (TRIR) in 2020. Ergonomic studies, machine guarding assessments, risk assessments, root cause analysis, and product/pedestrian flow improvements contribute to our safety success. Safety committees and safety focus groups allow opportunities for employee engagement and activity in safety improvements. Our frontline leaders contribute greatly in the improvement of safety for our employees and customers by providing feedback and solutions to product and process challenges.

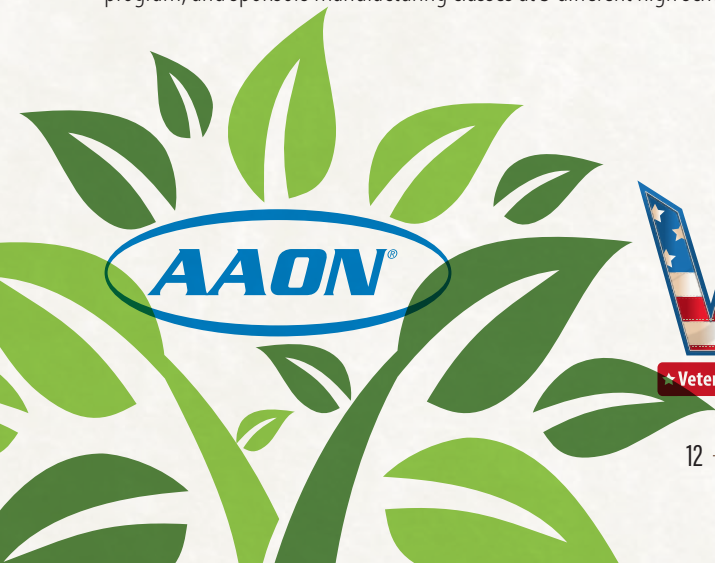
We believe that a happier, healthier workforce is a more productive workforce. The AAON Wellness Club promotes fitness by covering the costs of numerous local cycling and running competitions in Tulsa and surrounding areas. AAON's Wellness Club is free to employees located at the Tulsa facility. AAON supports employee participation in team sports such as softball, soccer and basketball by covering league fees. The company partners with YMCA to offer discounted gym memberships to AAON team members. AAON promotes healthy lifestyles through health fairs, offering yoga and meditation sessions, access to an outdoor meeting space, free health and fitness related lunch and learns, free on-site personal health assessments, and free on-site flu shots. AAON encourages healthy eating by offering "Healthy Selection" discounted items in the vending machines, and we have installed water bottle filling stations to encourage water consumption. All of our facilities are tobacco and e-cigarette free and all team members have access to our Employee Assistance Program, which offers stress management, health information, and online tools. The company has also Question, Persuade, Refer (QPR) suicide prevention training, stress management and mental health awareness sessions.

## People and Culture

### AAON Career Development

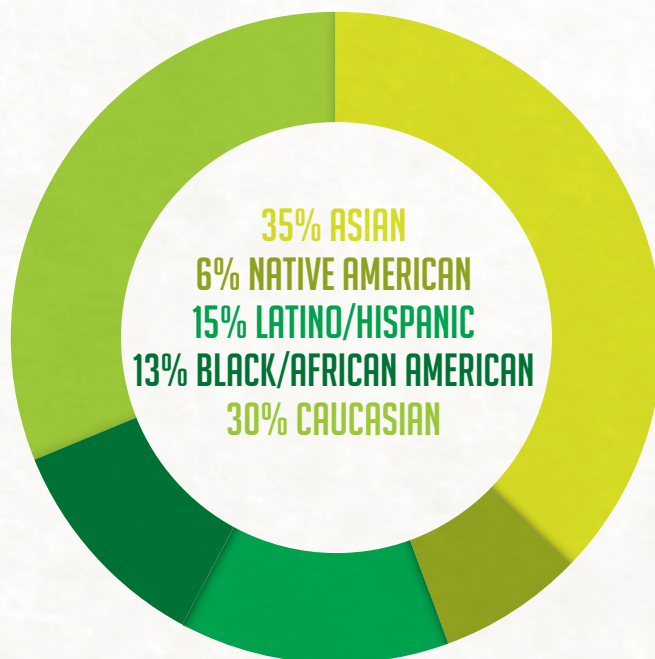
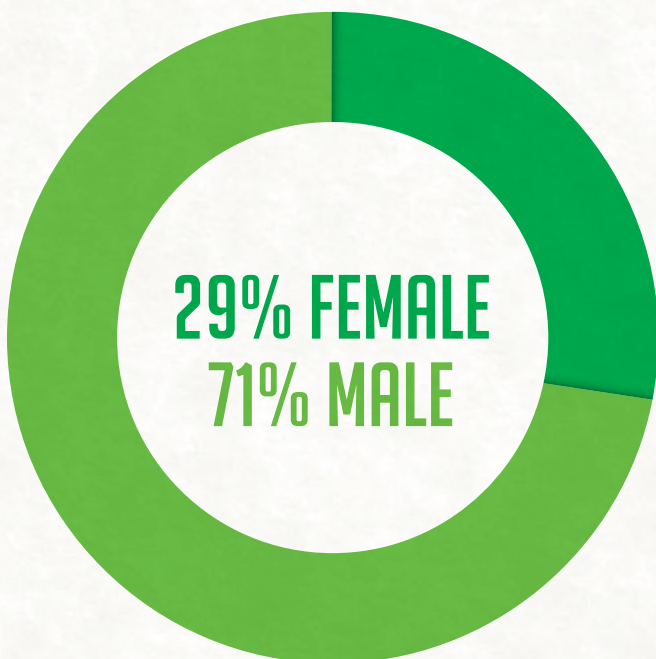
AAON has developed internal career pathway opportunities for team members, and typically promotes over 300 team members internally annually. Career opportunities are posted internally, and the company has hosted internal job fairs. AAON encourages team members to make use of the tuition reimbursement opportunity to gain additional knowledge to advance within the company. AAON profiles various team members for an internal campaign called Aim High to encourage career growth. AAON has a robust college and high school internship program, and sponsors manufacturing classes at 3 different high schools.

AAON values continuing education and offers a multitude of classes and training opportunities both on-site and in partnership with local education institutions. AAON has also partnered with Oklahoma State University for executive and professional development through a program called Emerging Energy Leaders in Manufacturing. Our Frontline Leadership program helps team members who are interested in advancing within the company gain leadership skills to succeed in new roles. The company offers ESL classes, Spanish classes, computer literacy, forklift classes and certifications, 608 refrigeration, Masters of HVAC, Lean, OSHA and other classes related to quality and technical skills.





## Diversity and Inclusion



A diverse and inclusive workplace is integral to our 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, in which each team member is valued for their ideas, identities, experiences and talents. Diversity and inclusion are key drivers for furthering innovation, productivity and team member engagement at AAON. AAON employs individuals from over 32 countries. At the end of 2020, 68% of our total workforce were Black, Indigenous and people of color and 29% were female.

AAON has two team member resource groups: AAON Veterans Empowering Through Service (V.E.T.S.) and the Women's Alliance and Resource Program (WARP). The mission of AAON V.E.T.S. is to unify the core values, beliefs and understanding of active, reserve, National Guard service members, veterans and military family members with that of our AAON business culture.

WARP strives to foster a supportive, encouraging and inclusive environment to provide programs, resources for professional and personal development opportunities. The group aims to promote the advancement of women in the workplace, communicate and connect to overall company strategy, provide mentorship opportunities, educate and share information about common gender biases, celebrate the diversity among women and build on our strengths, support collaboration over competition and empower women to find their voice across cultures.

AAON supports Oklahoma Women in STEM which celebrates women in STEM fields and inspires the next generation. AAON is also a corporate member of Women in Manufacturing, a national association dedicated to supporting, promoting and inspiring women in all manufacturing job functions.

AAON participates in the Tulsa Chamber's Mosaic Diversity and Inclusion Index and has been recognized as a Mosaic Top Inclusive Workplace. Mosaic is the Tulsa Regional Chamber's diversity business council committed to educate, lead, and influence businesses on creating diverse and inclusive workforce cultures to enhance their competitive advantage.

AAON offers on-site classes to help team members develop professionally and advance in the company such as English as a Second Language, Spanish Language Classes, and Frontline Leadership Training for new and existing leaders.

AAON regularly promotes team member achievements with our internal Team Member Spotlight program and the AAON Aim High program. This program highlights employees from various cultural and educational backgrounds to showcase their career achievements and career advancement at AAON.

AAON has hosted Disability Etiquette training for team members and partners with organizations in our communities such as A New Leaf, The Bridges Foundation and ARC.



## Employee Benefits

AAON is a first-class HVAC manufacturing company that offers competitive wages and a robust benefits package that includes 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.

AAON team member benefits include quarterly profit sharing, 175% 401(k) matching, 175% Health Savings Account matching, health insurance, holidays and paid time off and tuition reimbursement in the amount of \$5,250 per year.

## Employer of Choice Awards

- 2020 Forbes Best Mid-Sized Companies
- Oklahoma, Inc. #2 in Company Rankings
- Mosaic Top Inclusive Workplace
- Certified Healthy Business
- Potts Family Foundation Family Positive Workplace
- Oklahoma Magazine Great Companies to Work For
- Spirit of Philanthropy Honoree
- Sustainable Tulsa Scor3card Platinum Level
- Veteran Friendly Employer



AAON strives to be the employer of choice in the communities in which we operate.

## Corporate Social Responsibility

At AAON, we build community one unit at a time. Part of our corporate social responsibility journey is centered around the communities in which we operate. We recognize that our success is interwoven with the vitality of these communities. We apply our assets, resources and capabilities to contribute to each community's resiliency and prosperity. We understand that community also encompasses the physical space.

AAON is dedicated to corporate social responsibility through our AAON Serves initiative. We define quality and build comfort in the communities in which we operate through volunteerism and strategic investments. We support organizations that contribute to workforce readiness, such as the Goodwill, Tulsa Regional STEM Alliance and Junior Achievement and other programs that will drive economic prosperity for individuals and our nation.

We value families and community, and AAON team members contribute their time and resources by volunteering at local schools, participating in mentoring programs and supporting the Tulsa Area United Way, among other organizations.

AAON is committed to environmental stewardship and has an active internal Go Green sustainability committee. We are a proud participant in the Sustainable Tulsa Scor3card sustainability benchmarking initiative and are continuously improving our environmental and social impact. We partner with organizations such as The Nature Conservancy and River Parks that conserve green spaces.

As a manufacturer of HVAC products, AAON has also made equipment donations to nonprofit capital campaign projects that align with the company's priorities in the community.

Each team member is allowed 24 hours of paid volunteer hours per year, and AAON partners with over 65 nonprofit organizations. In 2020, AAON matched over \$95,000 in employee giving.



## Governance

Our corporate governance framework provides the directive for a culture of integrity and ethical behavior in our business. Our seven member Board of Directors includes our Executive Chairman, Chief Executive Officer and 5 independent directors. The Board of Directors provides advice, insight and oversight to advance the interests of AAON, our shareholders and other stakeholders. AAON strives to maintain governance standards through governance charters and the Code of Business Conduct and Ethics.

In May 2020, Norman H. Asbjornson, founder of AAON, stepped down as CEO after leading the Company since its creation 32 years ago. Mr. Asbjornson transitioned to the role of Executive Chairman, while Gary Fields, President of the Company since 2016, took over as CEO and

President. The change at the top of the organization marked the end of a succession plan that began several years ago. Along with a transition at the top, the company undertook many other changes in leadership and structure. Although this change did come with some growing pains in 2018-2019, we are confident the Company is back on track as reflected in our 2020 results. This change will lead to many long-term positive outcomes. We strongly believe our new team-oriented leadership structure, along with improved internal processes, will best position the Company to continue to build on its impressive foundation while fostering sustainable, long-term success. AAON's Senior Leadership Team oversees and directs corporate strategy.



AAON was named a "W" company, an honor that is given to companies that champion diversity by having 20 percent or more of their board seats held by women.

## Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics reinforces our commitment to the manner in which we do business. We expect all AAON team members and business partners to act in a manner consistent with the values and standards set forth in our Code of Ethics. The code encompasses: compliance with laws, rules and regulations, conflicts of interest, insider trading, corporate opportunities, competition and fair dealing, discrimination, harassment and fraternization, health and safety, record keeping, confidentiality, protection and proper use of company assets, payments to government personnel, waivers of the code, reporting illegal or unethical behavior and compliance procedures.



## ESG Disclosure Content Index

Disclosure Language	2020 Response	Related SDG
<b>Organizational Profile</b>		
Name of Organization	AAON, Inc.	
Activities, brands, products and services	See Form 10K	
Location of headquarters	AAON, Inc. is headquartered in Tulsa, Oklahoma	
Location of operations	AAON, Inc has locations in Tulsa, OK, Longview, TX and Parkville, MO	
Ownership and legal form	AAON, Inc. (AAON) is a publicly traded company on the NASDAQ Stock Exchange	
Markets served	See Form 10K	
Information on employees and other workers	Total Workforce: 29% Female, 71% Male, 68% People of Color	SDG 8
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, Parkville Chamber of Commerce, Tulsa Regional Chamber of Commerce, Women in Manufacturing	
<b>Strategy</b>		
Key Impacts, risks and opportunities	See Form 10K	
<b>Ethics and Integrity</b>		
Values, principles, standards and norms of behavior	Core Values p. 8, Code of Business Conduct & Ethics p. 15	SDG 16
<b>Governance</b>		
Governance Structure	Governance p. 15	
Consulting stakeholders on economic, environmental and social topics	Materiality & Stakeholder Engagement p. 6	SDG 16
<b>Stakeholder Engagement</b>		
List of stakeholder groups	Materiality & Stakeholder Engagement p. 6	
Approach to stakeholder engagement	Materiality & Stakeholder Engagement p. 6	
<b>Reporting Practice</b>		
List of material topics	Materiality & Stakeholder Engagement p. 6	
Reporting period	About this report p. 3	
Date of most recent report	About this report p. 3	
Reporting cycle	About this report p. 3	
<b>Economic Performance</b>		
Direct economic value generated and distributed	See Form 10K	SDG 2, SDG 5, SDG 7, SDG 9
<b>Materials</b>		
Materials sourcing	See Conflict Minerals Policy	
<b>Hazardous Waste Management</b>		
Amount of hazardous waste generated, percentage recycled	2019: 58.5 tons	2020: 72 tons



# ESG Disclosure Content Index

Disclosure Language	2020 Response			Related SDG	
<b>Hazardous Waste Management</b>					
Amount of hazardous waste generated, percentage recycled	2019: 58.5 tons		2020: 72 tons		
<b>Energy</b>					
Energy consumption within the organization	Energy Used by Source		2020	2019	SDG 7, SDG 8, SDG 12, SDG 13
	Purchased Electricity (MWh)		35,006	32,883	
	Natural Gas (MMBTU)		20,667	16,698	
<b>Water</b>					
Water withdrawal	Total Water Withdrawal in GAL: 2019-11,237,200 2020-10,928,300			SDG 6, SDG 8, SDG 12	
<b>Emissions</b>					
Scope 1 & 2 Emissions	2019: 18,415 Mt 2020: 19366 Mt			SDG 3, SDG 12, SDG 13, SDG 14, SDG 15	
<b>Waste</b>					
Recycling Type and Disposal Method				SDG 3, SDG 6, SDG 12, SDG 13, SDG 14, SDG 15	
	Recycling by Type	2020	2019		
	Metal (tons)	11,741	9,836		
	Waste to Energy (tons)	556	523		
<b>Employment</b>					
Benefits	Employee benefits p. 14				
<b>Occupational Health and Safety</b>					
Hazard Identification, risk assessment and incident investigation	Workplace Health and Safety p. 12				
Occupational health services	Workplace Health and Safety p. 12			SDG 3, SDG 8	
Worker training on occupational health and safety	2,376			SDG 3, SDG 8	
Work related injuries	Workplace Health and Safety p. 12				
<b>Training and Education</b>					
Hours and participants in training	Employee onboarding: 2440 hours			SDG 4, SDG 5, SDG 8	
Programs for upgrading employee skills	AAON Career Development p. 12			SDG 8	
<b>Diversity and Equal Opportunity</b>					
Diversity of governance body and employees	Diversity and Inclusion p. 13, Governance p. 15			SDG 5, SDG 8	
<b>Environmental Responsibility Goals</b>					
Reduce Scope 1 & 2 GHG Emissions by 10% by 2025	AAON will accomplish this through facility improvements and investments in projects that reduce carbon emissions			SDG 13	
Increase Hazardous Material Recycling Rate by 10% by 2025	AAON will accomplish this by continuing to partner with a reclamation organization to recycle paint and acetone products			SDG 12	
80% of total equipment sales will be non-fossil fuel consuming products	AAON will accomplish this through increased production of air, water and electric powered units			SDG 13	



# 2020 SUSTAINABILITY REPORT



[www.AAON.com](http://www.AAON.com)

## **Tulsa**

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p: 918.583.2266

## **Longview**

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203 Gum Springs Road,  
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p: 903.236.4403

## **Parkville**

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