



$\frac{20}{24}$ Sustainability Report

A **WATER** technology
LEADER focused on a
culture of **INNOVATION**

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Letter from Kevin Wheeler

CHAIRMAN & CEO



As A. O. Smith celebrates its 150th anniversary, we reflect on a legacy built upon innovation, quality and a steadfast commitment to serving our customers. Our journey has been marked by a relentless pursuit of progress, and we are proud of the impact we have made in advancing water technology and improving lives.

Sustainability — inextricably linked to innovation — is deeply ingrained in our organization. It's more than a corporate responsibility; it's a core component of not only our business strategy, but also who we are and what we do every day. A. O. Smith's fourth Sustainability Report showcases our team's hard work and dedication and the company's enduring commitment to sustainability.

Our leadership extends beyond company walls. We engage with stakeholders to understand their priorities and collaborate with policymakers to help solve sustainability-related issues. We're committed to meeting emerging regulations and industry-leading sustainable practices. In 2022, we invested in becoming WAVE Water Stewardship Verified and committed to revealing new water stewardship goals this year. **We are proud to announce our goal of achieving annual water savings of 40 million gallons in our operations by 2030.**

I'm proud of the work we have done and look forward to seeing our continued accomplishments in the future. Navigating a complex landscape of economic and regulatory challenges requires agility and ingenuity, and a commitment to our values, and I commend our more than 12,000 employees for their dedication in meeting these challenges while delivering exceptional value to our customers. Together, we will build upon our legacy, creating a brighter future for generations to come.

— Kevin Wheeler

We are A. O. Smith

OUR VISION & VALUES

To be the leading provider of innovative, efficient and sustainable water heating and treatment solutions and responsibly create long-term value for our global customers and stakeholders.



Achieve Profitable Growth



Emphasize innovation



Be a Good Place to Work



Be a Good Corporate Citizen



Preserve Our Good Name

GLOBAL BUSINESS HIGHLIGHTS

Milwaukee, WI

Headquarters

~\$3.9B

2023 Revenue*

~12K

Global Employees

~80

Countries Served

***32.2% from green products:** defined as annual revenue from North America water heaters and boilers performing above the Department of Energy minimum efficiency standard, including ENERGY STAR® products, China heat pump water heaters and condensing boilers and global water filtration products.

AWARDS & RECOGNITIONS

- World's Most Ethical Companies - Ethisphere
- USA Today America's Climate Leaders
- U.S. News & World Report - Best Companies to Work For: Construction & Manufacturing
- ENERGY STAR® Sustained Excellence Partner of the Year Award (four consecutive years and six years as Partner of the Year)
- Good Housekeeping Home Reno Award - Signature® 900 Smart Hybrid Electric Heat Pump Water Heater
- Good Housekeeping Home Reno Award - Signature® Tankless Water Heater with X3® Scale Prevention Technology
- ACHR Dealer Design Awards - Voltex® 120V HPWH (gold); Adapt™ tankless (silver)
- Eco Excellence Award - Aquasana® Clean Water Machine
- Good Housekeeping Best Kitchen Gear Award - Aquasana® Claryum® Direct Connect
- Newsweek America's Best Online Shops - Aquasana®
- Consulting Specifying Engineer Product of the Year - Veritus™ HPWH (silver)
- China Best Employers Nationwide Top 30
- China Best Employers for Females Top 10
- Nanjing Environmental Protection Model Enterprises
- 100 Excellence Employer of China
- India's Most Trusted Water Heater Brand

PRODUCTS

Water and Hydronic Heating

Residential and Commercial (Boilers, Tanks, Tankless, Heat Pump)

Water Treatment

Filtration and Softening

LEADING BRANDS

Water and Hydronic Heating

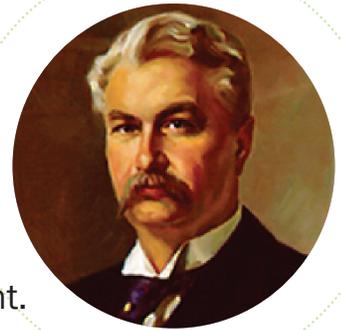


Water Treatment



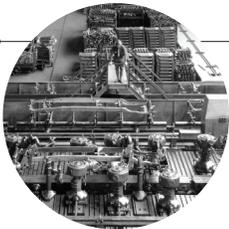
A Legacy of Innovation

The pioneering spirit of **Arthur Oliver Smith** lives on at the company through a culture of continuous improvement, proactive innovation and a commitment to sustainability. We continue to set new standards for quality, efficiency and reliability, influencing industry practices and expectations as a leader in water heating and treatment.



A. O. SMITH THEN ...

1874: Charles Jeremiah Smith, father of Arthur Oliver, hung his shingle, officially opening his business as a baby carriage and bicycle parts manufacturer



1899: Develops world's first pressed steel automobile frame, a lighter, more cost-effective frame enhancing vehicle fuel efficiency while using less steel



1936: Patents process of glass-lining a water heater tank, making hot water an affordable convenience

1954: Creates worker safety standards prior to establishment of OSHA and initiates an annual award for workplace safety



A. O. SMITH NOW ...

2009: Enters the water quality industry

2010: Manufactures first residential high-efficiency electrical heat pump water heater



2019: Introduces the first whole-house filter available direct to consumers under the Aquasana® brand

2020: Selected as one of Harvard Business Review's "Top 20 Business Transformations of the Last Decade"

2021: Introduces analytical tool that helps states and policymakers develop decarbonization strategies to meet U.S. greenhouse gas reduction goals

2023: Prevents almost 562,243 metric tons of carbon emissions in 2023 through sales of our highly efficient water heaters and boilers

2023: Holds 3,216 patents with 353 related to energy efficiency and water conservation

2024: Celebrates 150 years in business

2024: 6X ENERGY STAR® Partner of the Year award winner



Our Sustainability Priorities Align with Our Values

Through a rigorous materiality assessment conducted in 2023, we identified priorities that matter most to our stakeholders, have the highest impact on our business and align with our core values of being a **GOOD CORPORATE CITIZEN**, being a **GOOD PLACE TO WORK** and **PRESERVING OUR GOOD NAME**.

PROFITABLE GROWTH



GOOD CORPORATE CITIZEN



GOOD PLACE TO WORK



PRESERVE OUR GOOD NAME

Environmental

- Energy and Greenhouse Gas Emissions
- Water and Effluents
- Waste

Social

- Occupational Health and Safety
- Training and Education
- Collaborative Teams
- Product Safety

Governance

- Corporate Governance
- Industry Leadership
- Supply Chain / Material Sourcing

INNOVATION

A Methodical Approach to What Matters

Engaging in transparent, open communications with our stakeholders proactively and purposefully allows us to understand their priorities and interests.

Methods of Engagement



Employees

- Biennial employee engagement surveys
- Annual performance reviews
- Annual development planning and career conversations
- Quarterly meeting/updates (corporate/business unit)
- Plant all-employee meetings
- Plant daily shift meetings
- Integrity Hotline
- Training programs and courses
- Recognition programs
- Employee appreciation events



Customers

- Direct engagement by sales teams
- Live events (e.g., tradeshows, conferences)
- Branded social media channels
- Customer surveys and focus groups
- Microsites used in customer education
- Field marketing and training events
- Customer loyalty program engagement



Stockholders and Debtholders

- Forms 10-K, 10-Q, 8-K and proxy
- Equity and credit conferences, investor days and non-deal roadshows
- Investor relations website
- Annual stockholders meeting
- One-on-one investor calls



Suppliers

- Global supplier Code of Conduct
- Site visits
- Procurement department engagement
- Terms and conditions on purchases
- Supplier surveys
- On-site quality audits
- Ongoing third party regulatory due diligence screening (inclusive of human rights)



Community

- A. O. Smith Foundation support
- Partnerships with educational institutions
- Scholarships
- Student internships
- Volunteering

Goals and Scorecard

Sustainability Scorecard: 2023 Update

Climate ^{1,2}	2019	2023
Greenhouse gas emissions intensity (metric tons CO ₂ e/\$MM rev) ³	54.22	39.24
Total greenhouse gas emissions (metric tons CO ₂ e)	162,270	143,109
Total natural gas usage (MWh)	373,071	388,389
Total electricity usage (MWh)	191,052	179,316
Total water usage (gallons 000s)	362,129	358,200
Health & Safety		
Total recordable incident rate (TRIR) ⁴	0.94	1.38
Development & Stability		
Full-time salaried employees with documented development plan	100%	100%
Average tenure of executive leaders (years)	22.0	16.0
Ethics		
Full-time salaried employees certifying adherence to code of conduct ⁵	100%	100%
Suppliers certifying adherence to code of conduct ⁶	n/a	80.0%
Product Stewardship		
Revenue from green products ⁷	30.5%	32.2%
Greenhouse gas avoidance from water heaters and boilers ^{2,8} (metric tons CO ₂ e)	487,383	562,243
Displacement of single-use plastics (millions of bottles)	1,200	2,100
Diversity		
Women employees among full-time global workforce ⁹	42.0%	30.0%
Employees with racial/ethnic diversity among U.S. workforce	n/a	29.0%
Community Support		
A. O. Smith Foundation grants (\$MM)	\$1.6	\$1.7

¹ All manufacturing operations, excluding three small facilities and acquisitions since 2019. ² Greenhouse gas calculations incorporate the most recent electric grid emissions factors on Jan. 1 of the reporting year. ³ Metric reflects energy efficiency improvements and renewable energy. ⁴ TRIR defined as significant work-related injuries or illnesses beyond first aid, calculated per OSHA formula (# of incidents x 200,000/total number of hours worked in one year). Performance is benchmarked against an A. O. Smith derived enterprise-wide standard TRIR of 2.69; the average of the 2021 Bureau of Labor Statistics standards that are applied to each A. O. Smith facility depending on their NAICS code. TRIR increased since the COVID-19 pandemic due to elevated employee turnover and acquisitions. Targeted safety improvement plans are implemented at each facility to address this increase. ⁵ Includes attestations for individuals employed as of 2/3/23. ⁶ North America direct suppliers. ⁷ Includes annual revenue from North America water heaters and boilers performing above the Department of Energy minimum efficiency standard, including ENERGY STAR products, China heat pump water heaters and condensing boilers and global water filtration products. ⁸ Calculation: Annual greenhouse gas (CO₂e) emissions from a standard efficiency equivalent product minus annual greenhouse gas emissions (CO₂e) from North America water heater and boiler units sold performing above the Department of Energy minimum efficiency standard, including ENERGY STAR products. ⁹ Women employees decreased due to the gender makeup of acquisitions and outsourcing of in-store sales positions.



2025 GOALS

48.80 ACHIEVED!

Greenhouse Gas Emissions Intensity (Metric Tons CO₂e/\$MM rev)³

100% ACHIEVED!

Full-time Salaried Employees with documented development plans

100% ACHIEVED!

Full-time Salaried Employees certifying adherence to code of conduct

90%

Suppliers certifying adherence to code of conduct⁶



RISK ASSESSMENT INTEGRATION

We take risk management very seriously and have integrated managing and monitoring climate-related risks and opportunities into our Enterprise Risk Management (ERM) process. Based on our evaluations, we focus on climate physical and transition risks associated with market trends, technology and regulation.

Our Commitment to Water Stewardship



“As a water technology company that strives to be a good citizen in the communities in which we do business, we feel that water stewardship is an absolute necessity for our company.”

Jim Stern, Executive Vice President, A. O. Smith Corporation

In 2022, A. O. Smith was one of the first companies to become WAVE Water Stewardship Verified. The WAVE program was created by the Water Council as an enterprise-wide approach to develop water stewardship strategy. The program provided a framework to understand water uses and risks for A. O. Smith and guidance on developing a roadmap to address such risks, including identifying a water goal. Through engaging internal and external experts, we established our water goal, which is to achieve an annual water savings of 40 million gallons by 2030. To achieve our goal, we are focused on administrative controls, process optimization and water recycling technologies.

OUR 2022 COMMITMENTS

OPERATIONS

We are committed to using water efficiently in our global operations.

PRODUCTS

We will innovate our products to provide water and space heating solutions that are energy and water efficient and reduce waste.

COMMUNITY

We will partner with interested policymakers, regulators and customers to address water quality and scarcity issues impacting our communities.



OUR NEW WATER GOAL

Achieve an annual savings of

40M GALLONS OF WATER BY 2030



At the Heart of Innovation

A. O. Smith has supported a **DEDICATED ENGINEERING GROUP** focused on product and process technology since the 1920s.

The spirit of innovation runs deep and is shared by every team member. Our innovation centers are the heart of our ingenuity and are critical in keeping us at the cutting edge in delivering energy efficiency, water conservation, better water treatment outcomes and customer safety. These sustainability-related initiatives and benefits are central to our customer value proposition and help drive our growth.



A. O. SMITH CORPORATE TECHNOLOGY CENTER | MILWAUKEE, WI

ENGINEERING SPOTLIGHT



Brian Branecky Engineering Fellow

In 2023, Brian received his 40th U.S. patent for A. O. Smith, more than any other employee in our 150 years. He truly defines innovation.

“Pioneering solutions have always driven our business forward and we do it with an eye to benefit both our customers and the natural environment.”



2023 sales of water treatment systems and replacements in North America filtered ~280M gallons of drinking water, equivalent to **eliminating 2.1B plastic bottles of water**



One residential heat pump water heater saves 13MT of CO₂ over its life, equivalent to **taking 2.7 passenger cars off the road for a year**



Our patented Max 4.0 Reverse Osmosis membrane technology **increases the efficiency** of water treatment products up to **330%**



High-efficiency WaterMax® water softeners, used mainly in our retail water softeners, use up to **50% less salt and up to 80% less water**



65% of the steel used to manufacture our North America water heaters and boilers **is sourced from recycled steel**



Our high-efficiency water heaters and boilers contribute to decarbonization and carbon neutrality goals by **reducing energy consumption and associated greenhouse gas emissions**



Facilities using our Protective Coating Division glass product **reuse excess materials** to create raw product to **avoid landfill**, with efforts underway to **expand to other facilities**

Energy Efficiency Leader

A. O. Smith has long been recognized as a **LEADER IN ENERGY EFFICIENCY**, driven by its commitment to innovation in water heating and treatment technologies. The company's products, including high-efficiency water heaters, boilers and hybrid heat pumps, **CONSISTENTLY EXCEED REGULATORY STANDARDS**, helping consumers reduce energy consumption and operational costs.

In relation to Scope 3 emissions, A. O. Smith's emphasis on energy-efficient products plays a critical role. By providing products that consume less energy during their usage phase, the company helps reduce the indirect emissions associated with the energy consumption of its customers. These Scope 3 emissions, which occur from the use of sold products, are a significant focus area as the company seeks to drive decarbonization beyond its direct operations.

MEASURING OUR SCOPE 3 EMISSIONS

From our operations to our product innovations, we work diligently to reduce greenhouse gas emissions.

In 2023, we conducted an assessment of all 15 Scope 3 categories under the Green House Gas Protocol based on our CY2022 and CY2023 data and found two categories to be significant:

- Category 1: Purchased Goods and Services
- Category 11: Use of Sold Products

We identified that Category 11: Use of Sold Products is responsible for most of our Scope 3 emissions and will therefore be a priority focus as we measure and address our impact moving forward. Furthermore, these results will help inform future evaluations and disclosures as we move toward aligning with Corporate Sustainability Reporting Directive (CSRD).

The **ProLine XE® Voltex® AL 50-Gallon Smart Hybrid Electric Heat Pump Water Heater** makes waves as a solution in the residential water heating market.

The ProLine XE® Voltex® HPWH is A. O. Smith's most cost-effective, energy-efficient residential offering on the market fueled by its innovative smart electric grid demand response capabilities. It offers the ability to save up to \$6,000 over 10 years in energy costs compared to standard electric water heaters and provides our residential customers peace of mind knowing that it is built to commercial-grade standards.



Adapting to Excel

TANKLESS CONDENSING WATER HEATERS combine economic benefits to our customers with environmental benefits for our planet. Our products are at the cutting edge.

Tankless condensing water heaters offer significant sustainability benefits compared to tankless non-condensing water heaters by heating water on demand, and reducing energy consumption and greenhouse gas emissions. Their longer lifespan means fewer units need to be produced and disposed of, lowering environmental impact. Additionally, they promote water conservation by delivering hot water faster, eliminating running excess water while waiting for it to warm to acceptable temperatures. Their compact size further optimizes space and reduces material use.



The innovators at A. O. Smith are breaking new ground to increase the advantages.

A. O. Smith's **X3® Scale Prevention Technology**, specifically designed for our tankless condensing water heaters, is an advanced feature integrated into our water heaters to combat scale buildup, which is a common issue in areas with hard water.



OUR CHALLENGE

Scale buildup primarily consists of calcium and magnesium deposits and can significantly reduce the efficiency and lifespan of water heaters.



OUR SOLUTION

The X3 Technology works by preventing these minerals from adhering to the internal components of the water heater. This not only extends the life of the unit but also maintains its efficiency over time, reducing the need for maintenance and improving energy savings. The technology is designed to be a long-term solution, ensuring consistent performance without the drawbacks of traditional water heaters in hard water environments.

Sustainability and Efficiency in Commercial Solutions

Natural gas is vital in the transition to a clean economy. Our high-efficiency gas heaters and boilers minimize environmental impact while maximizing performance, offering a lower-carbon solution today.

CYCLONE® WATER HEATER

The Cyclone® unit is a highly efficient commercial gas water heater designed to meet the demands of various industries, such as hotels, restaurants and large residential buildings. This product stands out in A. O. Smith's portfolio for its technological innovation and efficiency.

Key Features:

- The Cyclone water heater features a fully modulating burner, which adjusts the heating power based on demand. This improves efficiency by ensuring that energy is not wasted on overheating.
- The design of the heat exchanger increases surface area and maximizes heat transfer, making the Cyclone model more efficient than many standard water heaters.
- Equipped with the iCOMM™ connectivity platform, the Cyclone unit offers advanced diagnostics, remote monitoring and control capabilities.
- Thermal efficiencies of up to 96% make it one of the most efficient gas water heaters on the market.

Select Recognitions:

- Best in Class Award from Builder Magazine
- ASHRAE Innovation Award
- ENERGY STAR® Certified



CREST® BOILER

The Crest® boiler is designed for commercial applications, offering flexibility, advanced controls, and efficiency for schools, hospitals and multi-residential buildings. It is famed for its modular design and adaptability to various system configurations.

Key Features:

- The Crest unit features a dual stainless steel heat exchanger and advanced combustion technology that allows for greater modulation (up to 25:1 turndown ratio), ensuring optimal performance across a range of heating demands.
- It offers multiple venting configurations (direct, common, or variable flow) that allow for installation flexibility, reducing the need for costly modifications to existing infrastructure.
- Patented control system provides easy navigation, real-time diagnostics and system optimization to increase both efficiency and reliability.
- With thermal efficiencies up to 96%, the Crest unit is one of the most efficient boilers on the market.
- Advanced combustion technology lowers carbon emissions by optimizing fuel usage, making it ideal for organizations with strict sustainability and energy efficiency goals.
- High-quality components and robust design extend the product's lifecycle, reducing the environmental impact associated with manufacturing and disposal.

Select Recognitions:

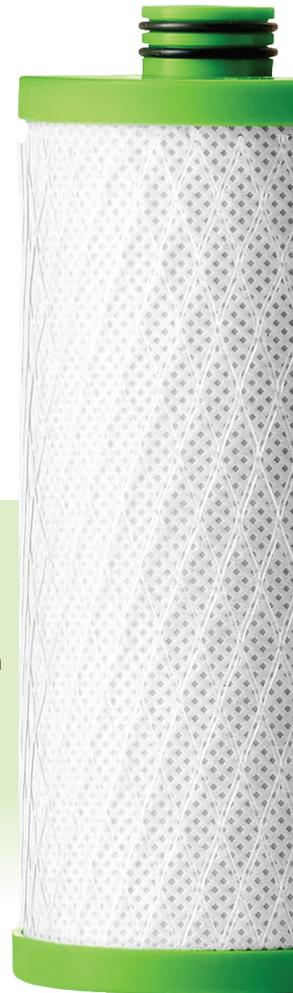
- Commercial HVAC Product of the Year Award
- Facility Executive Readers' Choice Award
- ASHRAE Technology Award
- ENERGY STAR® Certified



Pure Excellence in Water Treatment

A. O. Smith's **CLARYUM® FILTRATION TECHNOLOGY** stands out as a groundbreaking solution for cleaner, healthier water.

Modern water sources are plagued with a wide range of contaminants, including per- and polyfluoroalkyl substances (PFOA/PFOS), microplastics, lead, volatile organic compounds (VOC) and mercury. These contaminants can pose health risks, and effectively eliminating them has been a significant challenge. The Claryum filter was engineered with advanced filtration technology to tackle these challenges head-on through combining activated carbon, catalytic carbon, ion-exchange and absolute sub-micron mechanical filtration.



KEY FEATURES

1

Advanced filtration combining activated carbon, catalytic carbon, ion-exchange and sub-micron filtration to capture a broad spectrum of contaminants

2

Effectively reduces up to 99.9% of common contaminants, including chlorine, lead, pesticides and microbiological impurities

3

Utilizes cutting-edge adsorption technology specifically engineered to capture and reduce PFAS compounds

The Claryum® filter is not only the most certified carbon filter on the market, but also the first filter to receive PFOA/PFOS and microplastics certification by the Water Quality Association to the ANSI/NSF standards.

The RO Max 4.0 / QuadPro SST takes the lead as the most efficient reverse osmosis product.



The leading water efficiency reverse osmosis filtration system is WQA certified at 74% water recovery, a significant improvement over the average market efficiency of 17%.



Our 40,000 Grain Capacity Water Softener is an industry leader in water softener efficiency, featuring a packed bed resin design that is space and water efficient.



A Hague Water Quality International Design, our flow-based regeneration cycle produces less wastewater than traditional options.



Sustainability in Action

DRIVING ACCOUNTABILITY AND RESULTS

We value accountability, and to ensure we live up to our values, we have established sustainability oversight at both the board and management levels. Our ESG Council, formed in 2018, comprises 15 members who represent a cross-section of leaders from our operations, environment, health and safety, government affairs, investor relations, human resources and supply chain functions. The council meets quarterly and discusses sustainability priorities, goals, key performance indicators and improvement areas in order to make recommendations to the ESG Executive Committee, which also meets on a quarterly basis. Our Director of ESG manages the council and reports directly to our CFO. Furthermore, our Board of Directors provides oversight of the company’s sustainability efforts, receives regular sustainability updates and reviews the Company’s sustainability efforts.



ESG COUNCIL



Betsy Curran David Chisolm Josh Greene Helen Gurholt Holly Haseley Laura Kuhn Ted Leamen Steve McBrayer

Telia Peter Jeff Ralph Greg Reynolds Shawn Schmonsky Michael Shi Jenna Suda Eric Trott

ESG DIRECTOR SPOTLIGHT



Noelle Bringham, PE, ENV SP
ESG Director

Noelle Bringham, who was named A. O. Smith’s ESG Director in 2022, is a seasoned sustainability expert who brings over two decades of experience to her role with a strong background in environmental engineering and a proven track record in the consumer products industry.

“The ESG Council brings together leaders from across the company to advance sustainability goals. This cross-functional team plays a pivotal role in shaping our strategies, ensuring that sustainability is integrated into every aspect of our business. By fostering open dialogue we are able to drive meaningful progress within our operations, in the communities we serve and the value chains we support.”

Shaping the Future

Our **PARTNERSHIPS, COMMITMENTS AND RECOGNITIONS** set us apart.



A. O. Smith is a member of the **Air-Conditioning, Heating and Refrigeration Institute (AHRI)**, a trade association that aims to set and advocate for the highest standards of performance and certification in the industry.



Demonstrating our commitment to water stewardship, we are proud to be a founding member of **The Water Council**, a Milwaukee-based non-profit dedicated to solving global water challenges by driving freshwater innovation and advancing water stewardship efforts. We support the Council's water stewardship efforts as a natural complement to water innovation.



A. O. Smith executives are heavily involved in the leadership of the **Water Quality Association (WQA)**, a not-for-profit trade association representing the residential, commercial and industrial water treatment industry and the **Water Quality Research Foundation (WQRF)**, the industry's research arm. The WQA serves as a resource and information source, a voice for the industry, an educator of professionals and a laboratory for product testing. Through WQRF, significant resources are being dedicated to independently conduct studies that show the benefits of treated water.



A. O. Smith is a founding corporate partner of the **Council of the Great Lakes Region (CGLR) Water Innovation and Stewardship Exchange (WISE)**, a forum for accelerating corporate sustainability performance, advancing water innovation and strengthening water stewardship across the region.



Contractor Education: To provide our customers and service providers with the resources needed to support the transition to energy efficient products, A. O. Smith provides state-of-the-art training through A. O. Smith University and Lochinvar University.



A. O. Smith has been recognized as an **ENERGY STAR® Partner of the Year for the last six years**, with four recognitions in Sustained Excellence – the top honor given by the organization – highlighting our strong commitment to energy efficiency in our products.



National Sanitation Foundation (NSF) Standards: A. O. Smith is committed to adhering to and promoting the water treatment standards set by NSF with the goal of promoting public health, safety, sustainability assessment and the environment.



A. O. Smith is proud to have received **WAVE** certification in 2022. Corporations that successfully implement the WAVE methodology will advance their water efforts beyond traditional usage-focused water management, to a more holistic water stewardship approach.

Advocacy in Action

HELPING POLICYMAKERS MAKE POSITIVE CHANGE

A. O. Smith has a long-standing commitment to being a good corporate citizen. Consistent with that value is establishing that the company is an industry leader by serving as a resource to government officials as well as non-governmental organizations that craft policies and regulations that impact our company, its products and the communities in which we work and live. Ensuring that public officials have empirical information as part of their decision-making processes is a key hallmark of the company's advocacy activity. Furthermore, we assist policymakers in analyzing energy data in their municipalities via our unique analytical tool that models energy usage, environmental impact and electrification proposals to help stakeholders better understand how to meet greenhouse gas reduction goals and understand their overall footprint.

Whether it relates to reducing greenhouse gas emissions from the built environment, or providing access to safe drinking water, A. O. Smith values the opportunity to help improve our society in meaningful ways.

WHITE HOUSE ROUNDTABLE

In 2023, Kevin Wheeler traveled to the White House to participate in a roundtable discussion about ways companies like A. O. Smith can help grow the global clean energy economy. Kevin, along with other heat pump manufacturer and distributor executives, spoke with the U.S. Secretary of Energy and other senior leaders in the Administration. During the roundtable, the executives also discussed how the nation can lead in growing the global clean energy economy by investing in America's workers.

Kevin Wheeler, CEO, at the White House, April 2023



U.S. Secretary of Energy Jennifer Granholm and Kevin Wheeler

INDUSTRY AFFAIRS

Wisconsin Dept. of Energy Roundtable: On March 28, 2024, Kevin Wheeler participated in a roundtable discussion with U.S. Secretary of Energy Jennifer Granholm, Wisconsin Gov. Tony Evers, several major manufacturers and other government stakeholders to discuss energy rebate programs funded by the Inflation Reduction Act of 2022. Kevin stated, "As a leader in innovative heat pump water heating products, we know that highly efficient appliances save consumers money while reducing carbon emissions. We strive to ensure that our products are accessible and affordable for consumers and contractors alike. The Home Efficiency Rebates (HOMES) Program and Home Electrification and Appliance Rebate (HEAR) Program have the potential to help more homeowners adopt these technologies."

Wisconsin State Senate Hearing on Lead in Drinking Water:

On July 9, 2024, Engineering Director, Rebecca Tallon, testified to the Wisconsin State Senate Committee on Natural Resources on the pace of addressing and costs associated with lead in drinking water. Furthermore, she addressed additional technologies available to help households mitigate lead concerns.



Rebecca Tallon presenting to the committee

Furthering our Impact

CALIFORNIA HEAT PUMP PARTNERSHIP

A. O. Smith is a founding member of the California Heat Pump Partnership, an alliance that brings together public and private sector leaders. Together, we are rapidly scaling California's heat pump market to assist in reaching the statewide goal of six million new heat pump installations by 2030 in order to significantly reduce greenhouse gas emissions and enhance energy efficiency in buildings.



HEALTHY H₂O ACT

Working with a coalition of non-governmental organizations, including the Water Quality Association, the company continues its advocacy of the Healthy H₂O Act. This federal legislation would provide low-to-moderate income households in rural America, who primarily receive their drinking water from private wells, and fall outside of the protection of the Safe Drinking Water Act, with financial assistance to test and improve the quality of their drinking water.



Catherine Rivest

Leading Decarbonization Efforts

As Director of Regulatory and Technical Affairs at A. O. Smith, Catherine brings a combined engineering and business mindset, along with her experience working at the U.S. Department of Energy, to developing and executing the company's regulatory strategy in front of key government and non-governmental organizations, while helping achieve the company's goal of being a sustainability leader.

Prioritizing Safety

We have a **long-standing commitment to workplace safety** and consider it our most important cultural and operational focus. Our initiatives date back to 1954 when the company established the annual President's Safety Award. The company's rigorous safety protocols and training programs have resulted in consistently low incident rates which have been recognized in our industry. While our Total Recordable Incident Rate (TRIR) has increased slightly in recent years, our performance still compares favorably to our industry benchmark, with **our current TRIR 50% better than the average**. A. O. Smith continuously improves safety through advanced management systems, regular audits, encouraging employee engagement to maintain a safe work environment and Environmental Health and Safety (EHS) Improvement Plans at each facility. Such plans address goals and objectives around culture, compliance, risks and opportunities.

The **Environment, Health, Safety and Security (EHSS) Council** meets monthly and plays a vital role in driving operational discipline and continuous improvement. This council ensures that safety is integrated into all aspects of A. O. Smith's operations, reinforcing its commitment to excellence and sustainability.



Fostering a Culture of Innovation

The cutting-edge innovation at A. O. Smith is the result of thoughtful efforts that combine deep experience with **A CULTURE THAT ENCOURAGES DIVERSE THINKING**. The inventive mindset that allowed us to successfully evolve from the bicycle parts manufacturer that we were in the 1800s to the leading water technology company we are today is alive and well.



Significant Tenures

People love working at A. O. Smith. Our average employee tenure of nine years is a rare feat. According to the U.S. Bureau of Labor and Statistics, the median employee tenure in the U.S. is 3.9 years, and in manufacturing specifically, 4.9 years.

Collaborative Teams in an Inclusive Culture

We create diverse, cross-functional teams and an inclusive culture with freedom to suggest a new way of doing things.

Focus on Employee Development

We place a strong emphasis on employee development, offering various training programs and ensuring that all employees have documented development plans. This commitment to professional development fosters a culture of learning and advancement.



Empowering Performers

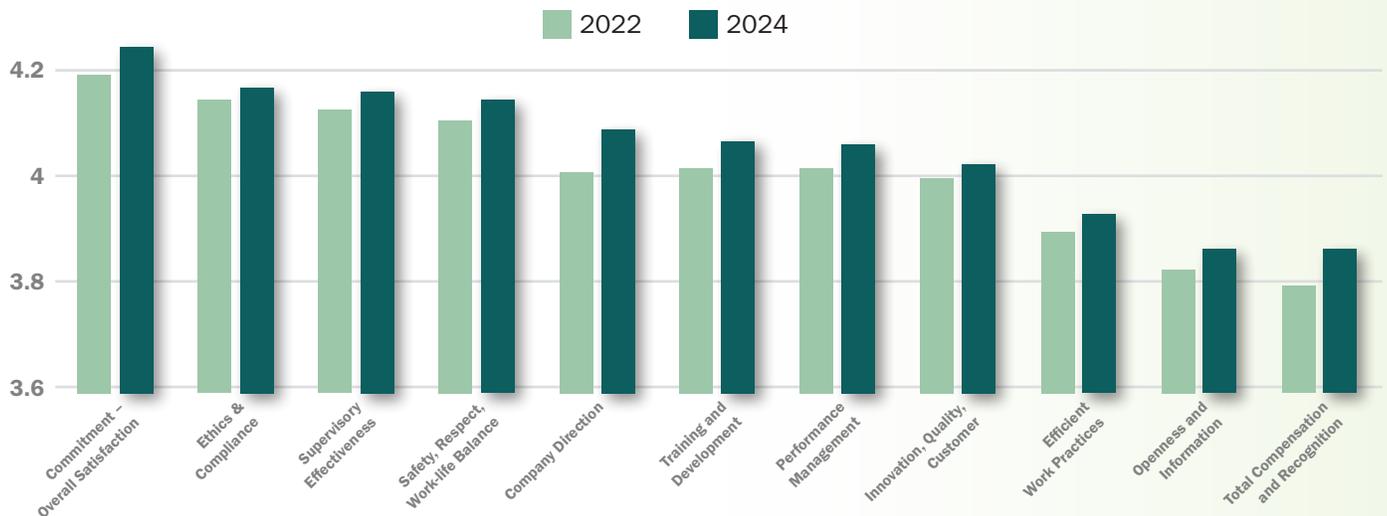
We place a strong emphasis on employee engagement, conducting a biennial **Global Employee Engagement Survey**. This third-party-managed survey measures employees' level of engagement against external norms and provides actionable feedback for improvement. Our commitment to engaging with and listening to our employees is evident in our **remarkably high participation rate of 93%**, among the highest the administrators of the survey have seen. The survey results have consistently highlighted several areas of strength, including the company's commitment to ethics and compliance, customer focus, collaboration and inclusion, innovation, and workforce alignment.

These areas of high performance directly align with A. O. Smith's human capital goal of creating a highly capable, values-based organization. The company's engagement efforts have yielded impressive results in terms of employee loyalty and retention.

This long-term tenure extends to senior management as well, with **executive leadership averaging 16 years of service** and the **senior leadership team averaging 15 years**. These statistics demonstrate the effectiveness of A. O. Smith's engagement strategies in fostering a loyal and committed workforce.

In our commitment to fostering continuous development, we follow the 70-20-10 learning model, where 70% of employee growth occurs through hands-on experience, 20% through social interactions such as mentoring and collaboration and 10% through formal training programs. This approach ensures that our workforce is equipped with practical skills, supported by a strong network of peers and leaders and enhanced by targeted educational opportunities, all contributing to a well-rounded and dynamic learning environment.

Survey Dimension Comparisons from 2022 to 2024



A. O. Smith Foundation

\$1.75M

In donations to nonprofit community organizations in 2023

199

Nonprofit organizations funded in 2023

The A. O. Smith Foundation is **DEDICATED TO SUPPORTING COMMUNITIES AND ORGANIZATIONS** through charitable giving and volunteerism.

The foundation focuses on education, arts and culture, human services and health, providing grants, scholarships and financial support to schools, nonprofits and community programs, aiming to improve the quality of life and promote opportunities for those in need. Additionally, it encourages employee involvement in volunteer activities, reinforcing A. O. Smith's commitment to social responsibility and community engagement.



ARTS & CULTURE

The Milwaukee Symphony Orchestra in Milwaukee, WI

The foundation has provided **over \$760K in grants** since 1962.



HEALTH

Vanderbilt Medical Center in Nashville, TN

The foundation has provided **over \$75K in grants** since 2022.



HUMAN SERVICES

Joseph's Storehouse in Lebanon, TN

The foundation has provided **over \$84K in grants** since 2015.



EDUCATION

St. Marcus School in Milwaukee, WI

The foundation has provided **over \$245K in grants** since 2010.



Celebrating 150 Years through Giving

In honor of the company's 150th anniversary this year, and in keeping with our core value of being a good citizen by serving the public and communities in which we do business, the **FOUNDATION MADE A SIGNIFICANT DONATION** to two impactful organizations and **SUPPORTED THE DONATION WITH A VOLUNTEER EVENT AT EACH LOCATION.**



Each organization received a one-time gift of \$150,000.

At the Milwaukee Rescue Mission Cross Trainers Academy, a school serving over 500 disadvantaged and homeless children, A. O. Smith volunteers sorted uniforms and cleaned classrooms. Volunteers at the Community Resource Center packed hygiene and cleaning kits to distribute to impoverished families to relieve the burden of securing basic essential products for daily life.



A. O. Smith Board of Directors



Board of Directors, left to right, top row: Christopher L. Mapes, Ajita G. Rajendra and Todd W. Fister
Middle: Lois M. Martin, Michael M. Larsen and Mark D. Smith
Bottom: Victoria M. Holt, Kevin J. Wheeler, Ilham Kadri, PhD and Ronald D. Brown

MESSAGE FROM THE BOARD

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This report reflects our company’s unwavering commitment to creating long-term value for all stakeholders by identifying and managing key environmental, social and governance risks and opportunities.

We commend our leadership team and fellow employees for their continued innovation and guidance in water technology, and for living our company values every day. We are especially proud of our newly announced 2030 water savings goal and its link to executive compensation, highlighting our commitment to water stewardship.

We will continue to strategically guide our focus and actions in this area and ensure we operate with integrity, accountability and transparency year after year.

Forward-looking Statements

This release contains statements that the Company believes are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “forecast,” “continue,” “guidance,” “outlook” or words of similar meaning. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this release. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following: further softening in U.S. residential and commercial water heater demand; negative impacts to the Company, particularly the demand for its products, resulting from global inflationary pressures or a potential recession in one or more of the markets in which the Company participates; the Company’s ability to continue to obtain commodities, components, parts and accessories on a timely basis through its supply chain and at expected costs; negative impacts to demand for the Company’s products, particularly commercial products, as a result of changes in commercial property usage that followed the COVID-19 pandemic; further weakening in North American residential or commercial construction or instability in the Company’s replacement markets; inability of the Company to implement or maintain pricing actions; inconsistent recovery of the Chinese economy or a further decline in the growth rate of consumer spending or housing sales in China; the availability, timing or effects of China stimulus programs; negative impact to the Company’s businesses from international tariffs, trade disputes and geopolitical differences, including the conflicts in Ukraine, the Middle East and attacks on commercial shipping vessels in the Red Sea; potential further weakening in the high-efficiency gas boiler segment in the U.S.; substantial defaults in payment by, material reduction in purchases by or the loss, bankruptcy or insolvency of a major customer; foreign currency fluctuations; the Company’s inability to successfully integrate or achieve its strategic objectives resulting from acquisitions; the possibility that the parties will fail to obtain necessary regulatory approvals or to satisfy any of the other conditions to the proposed acquisition; failure to realize the expected benefits of acquisitions or expected synergies; failure to realize the expected benefits, timing and extent, of regulatory changes; competitive pressures on the Company’s businesses, including new technologies and new competitors; the impact of potential information technology or data security breaches; negative impact of changes in government regulations or regulatory requirements; the inability to respond to secular trends toward decarbonization and energy efficiency; and adverse developments in general economic, political and business conditions in key regions of the world. Additional factors are discussed in the Company’s filings with Securities and Exchange Commission, including the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, quarterly reports on Form 10-Q and current reports on Form 8-K. Forward-looking statements included in this news release are made only as of the date of this release, and the Company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the Company, or persons acting on its behalf, are qualified entirely by these cautionary statements.

