2022 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>About AAON</strong></td>
</tr>
<tr>
<td>AAON LOCATIONS</td>
</tr>
<tr>
<td>MISSION</td>
</tr>
<tr>
<td><strong>Report Highlights</strong></td>
</tr>
<tr>
<td><strong>About this Report</strong></td>
</tr>
<tr>
<td>Letter from the CEO</td>
</tr>
<tr>
<td>Timeline</td>
</tr>
<tr>
<td><strong>Business</strong></td>
</tr>
<tr>
<td>PROPERTIES</td>
</tr>
<tr>
<td>RISK FACTORS</td>
</tr>
<tr>
<td>MATERIALITY</td>
</tr>
<tr>
<td>STAKEHOLDER ENGAGEMENT</td>
</tr>
<tr>
<td>RESEARCH AND DEVELOPMENT (R&amp;D)</td>
</tr>
<tr>
<td>SALES</td>
</tr>
<tr>
<td>AAON QUALITY MANAGEMENT SYSTEM</td>
</tr>
<tr>
<td>AAON TECHNICAL ACADEMY</td>
</tr>
<tr>
<td>AAON PRODUCTS</td>
</tr>
<tr>
<td>BASX PRODUCTS</td>
</tr>
<tr>
<td>AIR QUALITY PRODUCTS</td>
</tr>
<tr>
<td>PRODUCT AWARDS AND RECOGNITIONS</td>
</tr>
<tr>
<td><strong>Environmental Responsibility</strong></td>
</tr>
<tr>
<td>CLIMATE CHANGE</td>
</tr>
<tr>
<td>REFRIGERANT TRANSITION</td>
</tr>
<tr>
<td>ENERGY</td>
</tr>
<tr>
<td>WATER</td>
</tr>
<tr>
<td>WASTE</td>
</tr>
<tr>
<td><strong>Cybersecurity</strong></td>
</tr>
<tr>
<td><strong>Workplace Health and Safety</strong></td>
</tr>
<tr>
<td><strong>People and Culture</strong></td>
</tr>
<tr>
<td>AAON CORE VALUES</td>
</tr>
<tr>
<td>CULTURE AND ENGAGEMENT SURVEY</td>
</tr>
<tr>
<td>TEAM MEMBER DEMOGRAPHICS</td>
</tr>
<tr>
<td>CAREER DEVELOPMENT</td>
</tr>
<tr>
<td>AIM HIGH</td>
</tr>
<tr>
<td>DIVERSITY AND INCLUSION</td>
</tr>
<tr>
<td>EMPLOYEE BENEFITS</td>
</tr>
<tr>
<td>EMPLOYER OF CHOICE AWARDS</td>
</tr>
<tr>
<td><strong>Corporate Social Responsibility</strong></td>
</tr>
<tr>
<td>WORKFORCE READINESS</td>
</tr>
<tr>
<td>STRONG FAMILIES AND COMMUNITIES</td>
</tr>
<tr>
<td>ENVIRONMENTAL STEWARDSHIP</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
</tr>
<tr>
<td><strong>Conduct and Ethics</strong></td>
</tr>
<tr>
<td><strong>Disclosure Index</strong></td>
</tr>
</tbody>
</table>
We lead the charge in advancing HVAC innovation our world depends on.

AAON, founded in 1988, is a leader in HVAC solutions for commercial and industrial indoor environments.

At AAON, we build 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 continuously push boundaries and advance the industry.
AAON LOCATIONS

BASX
REDMOND, OR

AAON CORPORATE HEADQUARTERS
TULSA, OK

AAON CONTROLS
KANSAS CITY, MO

AAON COIL PRODUCTS
LONGVIEW, TX
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.
<table>
<thead>
<tr>
<th>Report Highlights</th>
<th>$888,788 million in sales</th>
<th>Recycled 8% more metals</th>
<th>68% diverse total workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,426 team members</td>
<td>78 non-profits served</td>
<td>50% diverse board</td>
</tr>
</tbody>
</table>
The 2022 AAON Sustainability/Environmental, Social, and Governance Report is AAON’s fifth ESG report and covers performance for 2022. The information and data in this report are shared based on the best available information and data at publication are subject to change. In some cases, information and data are estimated. This report was created in accordance with SASB Standards and informed by 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. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “should,” “will,” variations of such words, and similar expressions are intended to identify 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.
At AAON, we view ourselves as being the most impactful company in the commercial HVAC industry when it comes to sustainability. For a business to achieve the highest level of sustainability, its leadership must understand how the industry impacts people and society, what factors are most impactful, and whether these factors are positioned correctly for the long term. For AAON and the commercial HVAC industry, the most impactful factor on people and society is the HVAC equipment we manufacture. Commercial buildings comprise 16% of the total carbon emissions in the U.S., and approximately 40% of those emissions are related to building HVAC systems. This means that the HVAC equipment that our industry manufactures and sells impacts millions of people and communities across the U.S. While managing our manufacturing facilities and employees for long-term sustainability is critical, our ability to produce highly efficient HVAC equipment for non-residential buildings is much more important to society.

Since the company's inception in 1988, AAON's business model has centered on a niche of the market associated with designing and manufacturing high-performing, high-energy efficient HVAC equipment to help commercial and industrial buildings reduce their energy footprint and lower their carbon emissions. Over the years, AAON worked continuously to improve its equipment designs and introduce new products to help maintain its leadership in this niche.
In 2021, AAON widened its leadership with the introduction of the industry’s first-ever fully electric cold climate air-source heat pump operable down to zero degrees Fahrenheit. Until then, the industry offered heat pump technology that was operable down to only around 30 degrees Fahrenheit, which excludes a big percentage of North America from utilizing the technology. Due to that factor, most of the industry still utilizes gas-powered equipment. Initially, AAON introduced this new technology in our 2 to 10-ton packaged rooftops. In 2022, we integrated it into a majority of our units and now offer zero-degree air-source heat pump technology in units up to 50 tons. Approximately 87% of industry shipments were units of 2 to 50-ton capacity. Therefore, AAON now has a product offering that can service a vast majority of the market, making this revolutionary for the sustainability of the company and for society. Sales of non-fossil fuel-powered equipment in 2022 were about 50% of AAON’s total sales, which positions the company to stay on track for achieving our goal of 80% by 2030.
Over the last several years, the niche market related to high-performing, high-energy efficient equipment has become more mainstream. This shift accelerated due to an increase in the minimum standards set by the Department of Energy, taking effect on January 1, 2023. AAON was unaffected by these new regulations since our equipment has met these higher standards for years. Our competitors struggled to meet the new minimum requirements in at least 30%–50% of their equipment, forcing them to alter designs and incorporate higher-quality components. This led to a higher cost of manufacturing among most of our competition, leading to large price increases. As a result, we are able to sell our highly sustainable, premier-quality equipment at a smaller price premium, which opened a big percentage of the market. This allows AAON to be even more impactful in lowering carbon emissions worldwide.

While our products mostly impact our overall sustainability, we also heavily invest in our facilities, employees, and governance. Investing time and resources in clean, safe, environmentally-friendly facilities, developing our culture, and our policies that promote an inclusive and equitable workforce is critical to our long-term sustainability. This report highlights many areas we have improved, including: our innovative products, inclusive and diverse culture, training, quality matrix, and risk assessment.

I am proud to lead a company that has such a significant impact on the world. We take immense pride in outpacing the industry in innovation and challenging our competitors related to energy efficiency and sustainability. AAON empowers people and manages our facilities, work processes, and business systems to deliver sustainable long-term value to all stakeholders. We continue to strive for further growth and progress in the communities where we live and work.

Gary Fields
AAON President & CEO
1988
AAON, an Oklahoma corporation, was founded. Purchase of John Zink Air Conditioning Division.

1989
AAON purchased, renovated, and moved into a 184,000 sq/ft 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 sq/ft plant in Longview, Texas.

1993
Listed on the NASDAQ National Market System.

1995
Completed expansion of the Tulsa facility to 332,000 sq/ft.

1996
Purchased 40 acres with 457,000 sq/ft plant and 22,000 sq/ft 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 sq/ft.

2001
Introduced the evaporative-cooled condensing energy-saving 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.

2012
AAON yearly shipments exceed $300 million.

2015
AAON Low Leakage Dampers voted “Product of the Year” by Consulting Specifying Engineer magazine.

2018
AAON acquires WattMaster Controls, Inc. in Parkville, MO.

2019
AAON breaks ground on a new facility in Longview, TX.
AAON opens the Norman Asbjornson Innovation Center in Tulsa, OK.

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 AAON Mobile Experience tour trailer.
AAON RZ Series Rooftop Unit named “Product of the Year” by readers of Consulting-Specifying Engineer magazine.
AAON acquires BASX in Redmond, OR.

2022
AAON Zero Degree Cold Climate AirSource Heat Pumps win ACHR Dealer Design award.
AAON exceeds $880 million in sales.
AAON products serve the commercial, industrial, data center cooling solutions, and cleanroom 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. We combine the low unit costs of mass production processes with the flexibility of individual customization.

Collaborating with our independent representative sales offices, we design and manufacture the precise semi-custom HVAC products that best serve the customer’s needs.

Our marketing strategy focuses on customers and markets that demand higher performance, greater energy efficiency, and the best indoor air quality.

We manufacture equipment with more capabilities than the standard in the HVAC equipment industry. We develop a company culture focused on customer satisfaction, reducing product delivery channel time and cost. We lead the charge in innovation, product manufacturing technology, and serviceability. Our product mix, with a heavy investment in research and development, emphasizes energy efficiency and indoor air quality.

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

Our manufacturing areas are heavy industrial-use buildings, with overhead cranes, manufacturing equipment designed for sheet metal fabrication, metal stamping, and tube forming. The manufacturing equipment in our facilities consists primarily of automated sheet metal fabrication equipment supplemented by presses and tube bending equipment. Assembly lines consist of cart-type and roller-type conveyor lines with variable line speed adjustment. Subassembly areas and production line manning are based on rates set by production management. We own and lease our properties and facilities, as further described below. We believe our facilities are well maintained, in good condition, and suitable for business.

AAON OKLAHOMA

Our corporate headquarters, plant, and office facilities in Tulsa, Oklahoma, include:

- A 342,000 square-foot building on 12 acres.
  - 327,000 square feet of manufacturing/warehouse space.
  - 15,000 square feet of office space.
- A 940,000 square-foot manufacturing/warehouse building and a 70,000 square-foot office building located on approximately 79 acres across the street from the original facility at 2440 South Yukon Avenue. This also houses an on-site retail parts store.
- A 40,000 square-foot building used as warehouse space located on six acres.
- A leased 198,000 square-foot warehouse space used for additional inventory storage.
- AAON owns a 13,500 square-foot stand-alone building on one acre used as additional retail parts store at 9528 E 51st Street, to provide customers more accessibility to our products.
  - 7,500 square-foot of warehouse and a 6,000 square-foot office.
Our Tulsa location is also home to our engineering research and development laboratory, the Norman Asbjornson Innovation Center (NAIC).

- A three-story, 134,000 square-foot facility located west of the manufacturing/warehouse building.
- The NAIC is an acoustical and performance-measuring laboratory with 12 test chambers, allowing AAON to meet and maintain industry certifications.

The Exploration Center is a facility under construction at our Tulsa location to add a new dimension of customer engagement.

- A 28,000 square-foot facility located adjacent to the NAIC.
- The new facility will showcase our products and allow our customers an interactive experience. It will also serve as an event space for stakeholders, including customers, employees, representatives, and investors.

AAON CONTROLS

Our controls operations and office facilities located in the Parkville Commercial Underground properties in Parkville, Missouri, include:

- Approximately 51,000 square feet of leased plant/office space.
- In 2022, we modified the existing lease to expand to approximately 86,000 square feet with plans to fully utilize and double production capabilities in 2023.
AAON COIL PRODUCTS

Our plant and office facilities in Longview, Texas include:

» A 263,000 square-foot building on 13 acres.
  • 256,000 square feet of manufacturing/warehouse space.
  • 7,000 square feet of office space.

» A 222,000 square-foot building on approximately 22 acres.
  • 210,000 square feet of manufacturing/warehouse space.
  • 12,000 square feet of office space.

» A 5,000 square-foot building utilized as a retail parts store, leased to a representative of the company.

BASX

Our operations in Redmond, Oregon include:

» A 194,000 square-foot plant/office on 13 acres.
  • 169,000 square feet of manufacturing/warehouse space.
  • 25,000 square feet of office space.

» A leased 15,000 square-foot manufacturing/warehouse building located at 2895 SW 13th Street.

» A leased 4,000 square-foot building at 1725 Blankenship Road, West Linn, Oregon.

» In 2022, AAON purchased about one acre adjacent to the main plant/office to facilitate the future growth of our operations.
RISK FACTORS

The following risks and uncertainties may affect our performance and the 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 differ materially from anticipated ones. The ability of our competitors to react to material risks will also affect our future results.

| RISKS RELATED TO PANDEMICS |  |
|----------------------------|  |
| **Public Health Emergencies** | 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. |

<p>| RISKS RELATED TO OUR BUSINESS |  |
|-------------------------------|  |
| <strong>The loss of major customers could negatively impact our results of operations and financial condition.</strong> | From time to time, AAON derived a significant portion of sales from a limited number of customers, and such concentration may continue in the future. In 2022, 2021, and 2020, one customer, Texas Air Systems LLC, accounted for more than 10% of sales. The loss of, or significant reduction in sales to, a major customer could have a material adverse effect on our results of operations, financial condition, and cash flow. Further, adding new major customers in the future could increase our customer concentration risks, as described above. |
| <strong>The loss of a major third-party representative could negatively impact the results of operations and financial conditions.</strong> | We are dependent on third-party representatives to market and sell our products. If such relationships were terminated for any reason, it could materially and adversely affect our ability to generate revenues and profits. Certain competitors with greater financial resources could target our third-party representatives for exclusive sales channels. The Company may be unable to secure additional third-party representatives to effectively market our products in certain geographical areas. Adding new representatives requires additional administrative efforts and costs. If we cannot establish new representative relationships or continue current relationships, our business, financial condition, and results of operations could be materially and adversely affected. |
| <strong>We may incur material costs due to warranty and product liability claims that would negatively affect our profitability.</strong> | 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 inability to find additional insurance carriers. Warranty claims are not covered by our product liability insurance, and there may be types of product liability claims also not covered by our product liability insurance. |</p>
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<thead>
<tr>
<th>We depend on our senior leadership team. The loss of our Chief Executive Officer, one or more key leadership employees, or an inability to attract and retain highly skilled employees could adversely affect our business.</th>
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<tbody>
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<td>Our success depends largely upon the continued services of our officers and senior leadership team. AAON’s Chief Executive Officer (CEO), Gary D. Fields, is critical to our vision, strategic direction, culture, and overall business success. 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 research and development, 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 team members, which could disrupt our business. While a robust succession plan is in place for each 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 officers or senior leadership team members that require them to continue to work for us for any specified period. 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, 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.</td>
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<td>Operations may be affected by natural disasters, especially since most of our operations are performed at a single location.</td>
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<td>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 likely can occur, with the majority of our operations at our Tulsa, Oklahoma facilities. With the acquisition of BASX in 2021, we now have operations in an area that is historically affected by wildfires. The effects of natural disasters and other events could damage our facilities and equipment, forcing a temporary halt to manufacturing and other operations. Such events could consequently cause severe damage to our business. We maintain insurance against these types of events at AAON Oklahoma and AAON Coil Products with $100 million of total coverage with a per occurrence deductible of $2.5 million and BASX with $24 million of total coverage with a per occurrence deductible of $5 thousand. However, these policies are not guaranteed to cover all the losses and damages incurred. Furthermore, we may experience increases in our insurance premium costs in relation to these matters that may have a material adverse effect on our business, liquidity, financial condition, or results of operations.</td>
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<td>If we are unable to hire, develop or retain employees, it could have an adverse effect on our business.</td>
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<td>We compete to hire new employees and 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.</td>
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<td>Variability in self-insurance liability estimates could impact our results of operations.</td>
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<td>We self-insure for employee health insurance (AAON Oklahoma and AAON Coil Products) and workers’ compensation insurance (AAON Oklahoma) coverage up to a predetermined level, beyond which we maintain stop-loss insurance from a third-party insurer for claims over $250,000 and $750,000 for employee health insurance claims and workers’ compensation insurance claims, respectively. Our aggregate exposure varies yearly based on 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, 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.</td>
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### RISKS RELATED TO AAON’S BRAND AND PRODUCT OFFERINGS

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<th><strong>We may not be able to compete favorably in the highly competitive HVAC business.</strong></th>
<th>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 research and development. We may not be able to compete successfully against the current and future competition, and current and future competitive pressures we face may materially adversely affect our business and the results of operations.</th>
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<td><strong>We may not be able to successfully develop and market new products.</strong></td>
<td>Our future success will depend upon our continued investment in research and new product development and our ability 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 at a pace consistent with that of our competitors could lead to a material adverse effect on our business and the 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 on our financial condition or the results of operations.</td>
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### 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 cancellable and non-cancellable contracts on terms from six to 18 months for raw materials and components at fixed prices. 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-cancellable fixed-price contracts.** | Historically, we have attempted to limit the impact of price fluctuations on commodities by entering into non-cancellable fixed-price contracts with our major suppliers for periods of six to 18 months. We expect to receive delivery of raw materials from our fixed-price contracts for use in our manufacturing operations. These fixed-price contracts are not accounted for using hedge accounting since they meet the normal purchases and sales exemption. |

### RISKS RELATED TO ELECTRONIC DATA PROCESSING AND DIGITAL INFORMATION

| **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 the 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. This could result in a competitive disadvantage within our industry which could have a material adverse effect on our financial condition and the results of operations. |
## Our business is subject to the risk of interruptions by cybersecurity attacks.

We depend on information technology infrastructure, including networks, hardware, and software systems, to conduct our business. Despite our implementation of network and other cybersecurity measures, our information technology system 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. We have not experienced a material impact on our business or operations resulting from cyber-security or other similar information attacks. Still, due to the ever-evolving attack methods and the increased level of sophistication of these threats, 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 efforts to protect, may be vulnerable to security breaches, theft, or other improper disclosure. Any cyber-related threat 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.

## 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 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 components as part of government 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 the equipment we currently manufacture and could impact 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 that use conflict minerals in their products. Accordingly, we began our reasonable country of origin inquiries in the fiscal year 2013, with initial disclosure requirements beginning in May 2014. There are costs associated with complying with these disclosure requirements, including 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. Implementing 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 of all conflict minerals used in our products through the procedures we may implement.

Our operations could be negatively impacted by new legislation and 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 expenses 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 subject to state and local tax examinations for which we do not expect major assessments. |
| **We are subject to international regulations that could adversely affect our business and the results of operations.** | 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 the results of operations. |
| **Changes in legislation or government regulations or policies could adversely affect our results of operations.** | 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 meeting applicable efficiency and environmental standards may negatively impact our results.

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 and additional sensors and detectors on our HVAC systems. In addition, we expect to incur costs to our facilities, specifically 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.

Due to the expected increased demand for 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.

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. |
Marked by a continuously changing world, we regularly evaluate and align our strategy and reporting against the highest number of corporate responsibility topics for our business and stakeholders. This drives how we engage internally and externally, invest resources, and adapt our strategy on environmental, social, economic, and governance topics.

We have identified the following as material topics for 2022:

- 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.
Team Members: We encourage communication from team members through surveys, development conversations, internal committees, culture and engagement teams, focus groups, and our “All Ideas Matter” program, where they can share thoughts, give feedback, and seek guidance.

Customers: Customer feedback is encouraged through dialogue and product and service training programs. Our sales force includes 69 individuals and approximately 64 independent manufacturer representative organizations, including 127 offices, to market our products in the United States and Canada. We have one international sales organization, which utilizes 28 distributors in other countries. Sales are made directly to the contractor or end user, with shipments from our Tulsa, Oklahoma, Longview, Texas, Parkville, Missouri, or Redmond, Oregon, facilities to the job site.

Investors: AAON leadership engages in transparent and open communications with investors. As a publicly traded company, we regularly meet to receive feedback and share information on financial performance, strategy, and company goals.

Suppliers: AAON actively collaborates with our growing supplier network. We are members of several industry organizations and take part in initiatives to collectively work on further developing and improving the supply chain.

Government: AAON proactively engages with local, state, and federal leaders to share information and receive feedback on public policy issues important to our business and industry. We also partner with multiple advocacy organizations that relate to our business.

Communities: AAON partners with more than 78 nonprofit organizations in our regions focused on workforce readiness, strong families and communities, and environmental stewardship.
For more than 30 years, the company’s primary focus has been and continues to be developing innovative products that lead to higher quality, performance, and energy efficiency. All AAON products are designed and engineered to exceed the industry standards for performance, flexibility, and serviceability. These are critical factors for competing in the HVAC equipment industry, particularly now as market demand shifts toward more quality energy-efficient equipment. AAON’s innovative and competitive edge effectively meets the ever-evolving regulatory standards in our major product lines. Rather than depend on customer-sponsored Research and Development (R&D) activities, we re-invest in our lab and testing operations.

R&D activities have included:

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

R&D expenses incurred were approximately $46.8 million, $16.6 million, and $17.4 million in 2022, 2021, and 2020, respectively. The significant increase for 2022 was related to including a full year of operations of BASX and our continued commitment to product performance and innovation.
AAON continues to lead in innovation in developing new air-sourced heat pump technology, operable down to zero degrees Fahrenheit. This is revolutionary in the industry as heat pump technology was not operable at temperatures much lower than 30 degrees. This excluded commercial and industrial buildings in North America from utilizing the fully electric, highly energy-efficient heat pump technology. In 2022, AAON configured this new design option into its rooftop units from 2 to 50 tons. The company continues to design and develop the technology to integrate it into its 50-plus ton equipment, to improve operability in temperatures below zero degrees.

Our NAIC research and development laboratory facility includes many unique capabilities that, to our knowledge, exists nowhere else in the world. AAON is leading the industry by featuring an NAIC Lab testing to include air supply, return, and outside sound testing at actual load conditions, up to a 300-ton air conditioning system, up to a 540-ton chiller system, and 80 million BTU/hour of gas heating test capacity. The NAIC was designed to test products 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 critical in developing high-performing equipment that leads to energy efficiency. This is a vital process for critical facilities where units must perform properly, allowing customers to verify performance in advance rather than after installation.
Environmental testing capabilities include -20 to 40°F conditions, up to eight inches per hour of rain, up to two inches per hour of snow, and up to 50mph wind. Until proven otherwise, we maintain that we have the largest sound-testing chamber in the world for heating and air conditioning equipment that can conduct this rigorous testing while putting the equipment under full environmental load. The unique capabilities of the NAIC will enable us to lead the industry in further developing quiet, energy-efficient commercial and industrial heating and air conditioning equipment and prove their capabilities.

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 note up to 63 tons of air conditioning because this is the largest environmental chamber available for testing outside our facility. The NAIC contains a 100-ton and a 540-ton chamber, allowing AAON to prove to customers our capacity and efficiency on these larger units.

In 2021, at AAON Controls, a major investment made way for our first Electronic Prototype Lab. This state-of-the-art lab allows our Controls Engineering team to experiment with new technology and create prototypes. A pick-and-place machine allows us to place the latest components quickly, accurately, and reliably. The Electronic Prototype Lab increases our speed to market and incorporates cutting-edge technology into our unit controls product offerings. This vertical integration will further help our quest to develop higher-quality and more efficient equipment for our customer base.
2022 DATA FOR R&D AS A PERCENT OF EQUIPMENT SALES

- **AAON**: 5.3%
- **Johnson Controls**: 3.0%
- **Lennox**: 1.9%
- **Carrier**: 1.7%
- **Trane**: 1.5%
PATENTS, TRADEMARKS, LICENSES, AND CONCESSIONS

Patents, trademarks, licenses, or concessions are not considered material to our business operations other than those described below. AAON holds several patents that relate to the design and use of our products.

We consider these patents important, but no single patent is material to the overall conduct of our business. We proactively obtain patents to further our strategic intellectual property objectives. We own certain trademarks we consider important in the marketing of our products and services, and we protect 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, certain of which are material to its business, are registered or otherwise legally protected in the U.S.
SALES

NET SALES

$888,788 MILLION = NET SALES

PRODUCT MIX

PREMIUM PRODUCT LIST

- Air Handling Units
  INDOOR AND OUTDOOR
  (800–72,000 CFM)
- Air-Source
  Heat Pumps
  (2–70 TONS)
- Condensers and
  Condensing Units
  (2–70 TONS)
- Controls
- Custom Air Handling Units
  -BASX
- Data Center and
  Cleanroom Units
  -BASX
- Geothermal and
  Water-Source
  Heat Pumps
  (2–70 TONS)
- Self-Contained
  Units
  (3–70 TONS)
- Rooftop Units
  (2–240 TONS)
- Rooftop Units
  (2–240 TONS)
- Condensing Units
  (2–70 TONS)
- Cleanroom Systems
  (6%)
- Part Sales
  (6%)
- Water-Source Heat Pumps
  (2%)
- Data Center Cooling Solutions
  (6%)
- Other
  (3%)
AAON’S ELECTRONIC CATALOG

Our goal is to develop systems that use the minimum power to meet the control objective.

AAON continues proving its tremendous growth and performance potential with excellent leadership and engineering capabilities. Connecting this to our marketplace and customers is AAON’s development of the Electronic Catalog (ECAT) platform, called the AAONECat32™, a Windows® based product selection program.

The ECAT system allows a user to easily select available product features from a list and calculate the airflow performance of our semi-custom units while entering changing thermal conditions. The ECAT can price the unit and develop rating sheets, detailed drawings, and specifications of a unit.

When introduced in the 1990s, the ECAT platform was ahead of its time and remains so today. We quickly learned how valuable this new tool would be to get our innovative ideas into the marketplace. Energy-efficient concepts and products, such as AAON’s energy wheels, unhoused airfoil fans, variable capacity compressors, variable volume, and new evaporative condensing coils, are marketed through the ECAT.

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

At AAON we understand the need to quickly and precisely match customer needs. Our AAONECat32™ Windows® based selection program provides a complete variety of component options, HVAC system calculators, a comprehensive system analysis program, and instant drawing creation.
AAON MASTERS OF HVAC—Building a strong foundation for top performing sales representatives.

In addition to building the most efficient and reliable HVAC equipment, we're dedicated to providing world-class training programs for all AAON Sales Representatives.

The AAON Masters of HVAC training program is offered to all AAON Sales Representatives and many of AAON’s internal quality and engineering staff. The program is considered one of the most advanced in-depth HVAC training programs available today. Since 2017, AAON has partnered with industry experts to develop this custom-tailored program with a specific focus on a high level of proficiency in operating, optimizing, and selling AAON HVAC equipment.

The intensive and all-inclusive course is six weeks of training, offered one week per month. Five weeks are held at AAON's headquarters in Tulsa, OK, and one week at AAON Coil Products, Longview, TX.
Given the sophisticated nature of AAON’s semi-custom configurable HVAC equipment, it can be more challenging to sell its value proposition than it is to sell alternatives on the market. Providing this educational support significantly helps our sales channel to assure building owners, contractors, and engineers are ready to invest in our high-performing, high-energy-efficient equipment.

Since the AAON Masters of HVAC program began, more than 260 students have enrolled and graduated. What do they all have in common? They are from the top-performing companies in their respective markets. The Masters of HVAC training program has proven to be an invaluable learning opportunity for AAON Sales Representatives. Anyone involved in the HVAC industry will find the classes informative and helpful in understanding the fundamentals of this business.

“We are beyond grateful for the support we have received for this program and enjoy seeing the positive reviews from past students. We look forward to assisting more graduates in setting a foundation for a successful career in not only HVAC but also in selling AAON products.”

GARY FIELDS
CEO, AAON, INC.
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 are required to attend regional meetings covering topic discussions incorporating service quality.

In 2022, 60% of our representatives attended formal training programs offered. To support the success of our sales force, we also have the following Quality Management System (QMS).

AAON’s QMS focuses on continual improvement, operational effectiveness, and control of business processes affecting customer satisfaction. Robust documentation includes the number of processes, the complexity of those processes, and the number of language translations required to communicate effectively with internal team members.
We identify critical processes, resource allocation, product development, measurement, analysis, and improvement actions necessary to achieve the planned results.

We ensure control over all outsourced processes that affect product conformity to requirements.

Each facility is responsible for implementing and maintaining a QMS, which complies with any location-specific agency or regulatory standards. Each facility shall have a plant procedure and/or a separate index of maintained procedures to satisfy those regulatory requirements.

To remain compliant with AAON’s Quality Management System, each facility shall ensure that:

- Revisions to documentation are systematically tracked.
- Authority is given to parties responsible for quality systems, processes, or individual products.
- Preventive and/or corrective actions are implemented effectively and efficiently. These actions shall be implemented for current and potential systems, processes, and product deficiencies/non-conformances.
- Adherence to the QMS is tracked through an internal audit.
- Functions responsible for outsourcing any process which affects product conformity to requirements are responsible for verifying the integrity of service of said business partner(s). Each function shall use its own discretion regarding the extent of control of these outsourced processes; however, the amount of applied control shall be documented, implemented, and tracked by following developed and established procedures.
- Management reviews of the QMS annually.

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

The diligent work of the independent AAON Representative Firm network (Rep Firm) across North America achieves our product distribution. Each firm is required to support customer-facing engagements for the products we manufacture and that they sell. They maintain direct relationships with their customers. At times, AAON also engages in direct customer relations.

AAON maintains close relations with each Rep Firm supporting their customer-facing activities for equipment, parts, and service. Firms that provide these three elements are vital to AAON’s external Quality Management Systems. Our equipment’s operational lifecycle is expected to last 30 years with proper maintenance and service procedures.

Quality and Training Managers at AAON track and measure field conditions. Specific quality issues are identified, shared with colleagues at regular meetings, and rectified with a sense of urgency. Warranty and Tech Support Teams work daily to support external Rep 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 Rep Firms and our support team members. We are committed to serving customers with an experience that exceeds their expectations.
The AAON Technical Academy is an advanced program for service technicians sponsored by AAON Sales Representatives. The AAON Technical Academy is the premier training facility for educating service technicians on AAON HVAC equipment, controls, and more. The training facilities are located at AAON’s headquarters in Tulsa, Oklahoma, and its Longview, Texas manufacturing plant giving students access to the latest equipment, engineering resources, and training center. Providing this resource strengthens customer service and ensures a smooth customer experience. This furthers progress towards our sustainability impact by increasing the percentage of buildings utilizing highly energy-efficient HVAC equipment.

AAON Technical Academy instructors create training modules specifically geared toward real-life situations that a technician may experience when installing, servicing, and maintaining AAON equipment. Instructors are renowned industry and technical experts with decades of design and field experiences—bringing this knowledge to the classroom and training facility. Our primary goal is to communicate what technicians need to properly initiate the start-up procedure, provide service, and repair AAON products.

We also customize training programs to meet the needs of a customer looking to further develop their technical staff. Our state-of-the-art classroom with the latest control equipment allows hands-on experiences that cannot be provided solely from a textbook or installation manual. Incorporated in the training experience is practical learning along with start-up and troubleshooting exercises performed on real operational AAON HVAC units, ranging from rooftop units to split systems, vertical self-contained units, and heat pumps.
AAON Technical Academy uses simulators capable of creating real-world scenarios that test students’ ability to think and adapt through troubleshooting problems.

**CLASS TOPICS:**
- Developing Maintenance Schedules
- System Checks
- Troubleshooting Mechanical, Electrical, Controller, and Piping Issues
- VFDs, Fans, and Airflow
- Refrigeration Systems
- Equipment Startup

**TRAINING ON EQUIPMENT:**
- Rooftop Units
- Split Systems
- Air Handling Units
- Chillers
- Self-Contained Units
- Water-Source Heat Pumps
- Control

**CUSTOMER SATISFACTION**

AAON strives to ensure its Senior Leadership and other key organizational stakeholders have access to feedback and input provided by customers, sales representatives, regional managers, and service technicians. This information comes from multiple sources, including regional meetings, representative principle meetings, and information relayed through customer service, regional managers, or AAON Warranty.

AAON maintains a Rep Council within each sales territory. The Rep Council and AAON Senior Leadership meet in an open forum to discuss issues and requirements from each territory. Members of the Rep Council serve as a voice of the customer, providing AAON Leadership with relevant feedback from all Company Representatives used to measure customer satisfaction.
AAON PRODUCTS

AAON OKLAHOMA AND AAON COIL PRODUCTS:

AAON rooftop and condensing unit markets primarily consist of units installed on commercial or industrial structures, generally less than ten stories in height. Our air-handling units, self-contained units, heat pumps, and coils are suitable for all sizes of commercial and industrial buildings.

The size of these markets is determined by the number of commercial and industrial building completions and replacement demand from existing buildings. The replacement market consists of products installed in existing units to replace or upgrade worn or damaged components, such as low leakage dampers, high-efficiency heat exchangers, and modern controls.

The commercial and industrial new construction markets are subject to cyclical fluctuations in that they generally lag behind the housing market. The housing market, in turn, is influenced by cyclical factors such as interest rates, inflation, consumer spending habits, employment rates, the state of the economy, and other macroeconomic factors. When new construction is down, we emphasize the replacement market and the value proposition that highly energy-efficient equipment provides to building owners.
Based on our 2022 combined sales of $771.1 million at AAON Oklahoma and AAON Coil Products, we estimate that we have approximately a 12% share of the greater than 5-ton rooftop market and a 2% share of the less than 5-ton equipment market. Generally, the cyclicality of the new construction market impacts this ratio the most over an economic cycle.

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.

AAON offers three groups of rooftop units:

- **RQ Series**, offered in five 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, which 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 our NAIC lab down to an ambient temperature of 0 degree 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 America market for investing in heat pump technology.
The SA, SB, and M2 Series indoor packaged, water-cooled, or heat pump self-contained units offer cooling capacities of 3 to 70 tons.

Our condensing unit, the CF Series, is available from 2 to 70 tons.

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.
As regulatory agencies increase the minimum standards to ensure progress with sustainability and energy efficiency, many of AAON’s products far exceed these standards and are among the highest-efficiency products currently available. In 2022, the industry was confronted with significant changes in efficiency standards from the Department of Energy that will be in effect on January 1, 2023. Leading up to this date, most of the industry had to overhaul the designs of a significant portion of product portfolios, leading to a higher cost of manufacturing and resulted in aggressive price increases. Since our entire product portfolio already met the higher standards, this allowed AAON to implement smaller price increases compared to the industry. We believe AAON will be able to further our market reach, allowing us to increase the percentage of buildings that utilize our highly energy-efficient HVAC equipment.

Performance characteristics of AAON products range in cooling capacity from 2 to 261 tons and in heating capacity from 7,200 to 4,500,000 British Thermal Units (BTUs). A typical commercial building installation requires one ton of air conditioning for every 300 – 400 square feet or, for a 100,000 square foot building, 250 tons of air conditioning, which can involve multiple units. AAON packaged rooftop units with two-stage compressors are optimized with 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.

AAON H3/V3 Series energy recovery wheel air handling units provide energy-efficient 100% outside air ventilation by recovering energy that would otherwise be exhausted from a building.

OUR ENERGY RECOVERY OPTION APPLICABLE TO OUR RQ, RN, RZ, AND SB UNITS, AS WELL AS OUR H3, V3, AND M2 SERIES AIR HANDLING UNITS, RESPONDS TO THE U.S. CLEAN AIR ACT MANDATE TO INCREASE FRESH AIR IN COMMERCIAL STRUCTURES. OUR PRODUCTS ARE DESIGNED TO COMPETE ON THE HIGHER QUALITY END OF STANDARDIZED PRODUCTS.

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

We offer several controls options:

- Orion Controller
- Pioneer Gold,
- Pioneer Silver,
- Terminal block for field-installed controls and factory-installed customer-provided controls.

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

Out of the box, our controls are user-friendly and configurable to provide a variety of HVAC unit application option. We also customize our controls to meet customers’ unique requirements. We have controls solutions that enhance our products’ unique features and capabilities.
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 requiring 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.
Our reputation as a technology leader is directly tied to our commitment to Research and Development and product testing. BASX maintains a laboratory facility with a wide range of testing capabilities to meet our customer’s needs.

BASX cleanroom products are built to provide environmental control, serving critical processes and 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 include 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 direct expansion, 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.
The Coronavirus Disease 2019 (COVID-19) pandemic fueled great concern over best practices in the design and operation of building HVAC systems. To mitigate the spread of COVID-19, influenza, and other similar type respiratory diseases, AAON has significantly researched what affects the transmission of these diseases and how our HVAC systems can be best designed.

The American Society of Heating, Refrigeration and Air-Conditioning Engineers (“ASHRAE”), a professional association with the 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
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 recommended ambient 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 airflow required for the ASHRAE recommended MERV 13 filtration, the minimum filter level for virus mitigation, 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. This can help building operations managers follow outdoor ventilation air recommendations while limiting an increase in energy usage and maintaining recommended humidity levels.

AIR DISINFECTION
AAON has basic design characteristics that allow for an easy installation of ultraviolet lighting equipment. In addition to this equipment offered as options in new units sold, AAON has basic design characteristics that allow easy installation in our units already used in the field.
Overall, AAON is well-positioned to accommodate the heightened demand for features to help mitigate virus transmission and improve indoor 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.
AAON Zero Degree Cold Climate Air-Source Heat Pump Winner in ACHR News 2022 Dealer Design Award

AAON was recognized for excellence in product design in the 19th annual Dealer Design Awards Program sponsored by The Air Conditioning Heating & Refrigeration News magazine. The company’s RQ/RN Series Zero Degree Cold Climate Air-Source Heat Pump was the Gold award winner in the HVAC Light Commercial Equipment. The ACHR News is the leading trade magazine in the heating, ventilating, air conditioning, and refrigeration industries.

The Zero Degree Cold Climate Air-Source Heat Pump is recognized as a critical solution to meeting the increasing demand for building decarbonization in cold climates. By optimizing variable speed compressors, variable speed outdoor fans, and advanced AAON controls, this zero-degree cold climate air-source heat pump enhances compressed heat pump heating application into a wide range of climate zones, down to 0°F.
TARGET: 80% OF TOTAL EQUIPMENT SALES WILL BE NON-FOSSIL FUEL CONSUMING UNITS BY 2030

**Approach:** We can address greenhouse gas emission reductions through our product design. We are committed to increasing the production of air, water, and electric-powered units. We are committed to growing this sector of the business.

- In 2022, 63% of units produced and 48% of sales were non-fossil fuel-consuming units.
- In 2021, 64% of units produced and 48% of sales were non-fossil fuel-consuming units.

TARGET: REDUCE GHG EMISSIONS BY 10% BY 2025

**Approach:** We recognize that climate change is a global crisis. We are committed to reducing our greenhouse gas emissions through operational efficiencies and investments in projects that reduce carbon emissions.

- In 2022 we realized a 7% reduction in emissions for our Tulsa and Longview facilities. With the addition of the BASX facilities and new property acquisitions, we will review this target.

TARGET: INCREASE HAZARDOUS MATERIAL RECYCLING RATE BY 10% BY 2025

**Approach:** We understand the need to be good stewards in material management, especially with items considered hazardous waste. The primary hazardous waste in our manufacturing processes is paint and acetone byproducts. We have identified a partner organization that is able to reclaim and recycle these waste products.

- In 2022, we recycled 54 tons of paint byproducts achieving 90% recycling of total paint waste.
Climate change is one of the most significant issues facing humanity.

As a leading designer and manufacturer of the most energy-efficient equipment in the commercial HVAC industry, our innovative designs substantially help our customers reduce their carbon footprint while reducing the cost of building management and maintenance.
**PRODUCTS**

AAON manufactures some of the highest-performing, most energy-efficient equipment in the commercial HVAC industry.

Many AAON HVAC units are unique in design, with two-stage variable capacity or variable speed compressors, high-efficiency evaporators, condenser coils, and variable speed fans. This led 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 elected to begin the transition to the lower global warming potential R-454B refrigerant starting in 2023. We continue to develop and manufacture non-fossil fuel consuming units to provide the most sustainable commercial HVAC equipment in the market.

AAON’s new Zero Degree Cold Climate Air-Source Heat Pump is a critical solution that meets the increasing demand for building decarbonization in cold climates. The optimization of variable speed compressors, variable speed outdoor fans, and advanced AAON controls, this zero degree cold climate air-source heat pump enhances compressed heat pump heating application into a wide range of climate zones, down to 0°F. This is significant because up until now this fully electric, highly energy efficient technology was operable down to only around 30°F. This limitation left out a large percentage of North America from investing in heat pump technology. Now, with capabilities down to zero degrees, it opens up a more significant percentage of the market to heat pump technology. This packaged rooftop unit is now available in 2-50 tons.
OPERATIONS

Approximately 36% of AAON’s total energy consumption energy is currently derived from renewable sources. The company’s Scope 1* and Scope 2* emissions are being tracked by THG Energy Solutions platform. AAON opted into an additional percentage of renewable energy through the Public Service of Oklahoma’s WindChoice business program at our Tulsa, Oklahoma facilities in 2022.

AAON eliminated the usage of R134A in the foaming process and switched to a non-fluorinated, non-ozone-depleting alternative with a global warming potential of 0. The Company also transitioned to a lower VOC paint for all units and products. AAON has an ongoing focus on reducing its operational carbon footprint through energy efficiency and GHG reduction projects.

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

Scope 1* emissions are direct greenhouse (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.
The Montreal Protocol is an international treaty that phased out chlorofluorocarbon (CFC) and hydrochlorofluorocarbon (HCFC) refrigerants. This treaty was signed in 1987 and phased out the use of ozone-depleting potential (ODP) substances. HCFCs like R22 were commonly used in rooftop air conditioners. The Montreal Protocol banned the production of new air conditioners that used HCFC refrigerants in 2010. Hydrofluorocarbon (HFC) refrigerants like R410A became the predominant refrigerant used in rooftop air conditioners in 2010. HFCs have zero ODP but can have a very high global warming potential (GWP). The GWP of carbon dioxide (CO2) is equal to one. The GWP of R410A is 2,088—meaning R410A has a global warming potential of 2,088 times that of CO2.

The Kigali Amendment to the Montreal Protocol was created to reduce the use of high GWP refrigerants. This amendment created phase-down schedules for HFC refrigerants for developed and developing countries. The US Senate ratified the Kigali amendment in September 2022. The U.S. Environmental Protection Agency (EPA) did not have the authority to regulate refrigerants based on GWP through the U.S. Clean Air Act. Many states began to create phase-down requirements for HFC refrigerants since the EPA could not.

This would create market confusion and put tremendous pressure on HVAC manufacturers, as different states would require different refrigerants and dilute the economies of scale that HVAC manufacturers use to be profitable.
In December 2020, President Trump signed the American Innovation and Manufacturing (AIM) Act, which gave the EPA the authority to phase down the use of HFCs based on the Kigali phase-down schedule. The EPA has issued a proposed rule that bans refrigerants with GWP > 700 beginning January 1, 2025, for air conditioners and chillers. ASHRAE 34 determines the safety classification for refrigerants. Historically this classification consisted of two digits. The first digit is either A or B to represent toxicity. An A is non-toxic a B is toxic. The second digit represents flammability. This could be 1 (non-flammable), 2 (flammable), or 3 (very flammable). R410A is an A1 refrigerant (non-toxic/non-flammable). Propane is an example of an A3 refrigerant. As the refrigerant manufacturers developed replacements for R410A, it became clear that a new flammability classification would have to be created.

The new R410A replacement refrigerants with GWP < 700 were mildly flammable, so a new classification called A2L was created. These refrigerants are difficult to ignite, do not sustain ignition well, and propagate flame spread slowly. The HVAC industry has spent the last decade devoted to research and development for the safe use of A2L refrigerants and the adoption of the A2L classification into building codes. R32 and R454B became the main replacement candidates for R410A. AAON has selected R454B to replace R410A as our refrigerant of choice in all of our products. The GWP of R454B is 467, while the GWP of R32 is 675. R454B is very similar to R410A while R32 is more difficult to apply. Many manufacturers of air conditioners in the U.S. have selected R454B as their replacement refrigerant.

A few manufacturers have selected R32. R454B has about 1/3 less GWP than R32, which should allow for a longer useful life as GWPs are lowered over time to meet the Kigali Amendment and AIM Act.

We are currently in development to replace R410A with R454B in all of our products. We will begin producing R454B in some product lines beginning in Q4 of 2023. We will release new R454B products every month in 2024 and all products will be ready for production with R454B by Q3 of 2024. It is expected that all products built for the United States must be manufactured with a GWP < 700 by January 1, 2025, and AAON will meet this requirement. AAON is committed to providing our customers with innovative products that solve their problems. We strive to create products that meet their environmental and efficiency goals.

Efficiency plays an important part in the equation in meeting environmental goals and most of AAON’s products greatly exceed Federal and industry minimum efficiencies. Most of the lifetime emissions of an air conditioner come from electricity use. Reducing power through increased efficiency has a dramatic reduction in the lifetime emissions of an air conditioner. Efficiency is increasingly important as energy prices rapidly rise, and the grid becomes less reliable with more renewables added to the electric grid.
In the area of energy efficiency and conservation, we are investing in decarbonizing our operations and diversifying our energy portfolio.

**OPERATIONS**
The Company has made capital investments including:

- The acquisition of new, energy efficient equipment for the production floor and office areas.
- New high-speed overhead facility doors.
- The installation of new HVAC equipment and building control systems.
- The application of heat and light reflective material to production facilities in addition to other behavioral-based energy efficiency changes.

AAON’s Tulsa Oklahoma and Longview, Texas facilities have transitioned to over 95% LED lighting in our facilities leading to considerable cost savings and reduced energy consumption. Our Redmond, Oregon facilities are installing LED lights into any new fixtures in their current facility and working towards retrofitting old fixtures to LED. 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**
AAON has opted into a program to purchase additional wind energy through our current utility provider. We are also installing solar panels at our Tulsa facilities.

Approximately 36% of the Company’s energy is generated through renewable sources.
We recognize water is a critical resource to our planet and our business. We monitor usage at all of our facilities and strive to conserve and reduce consumption where possible. We track our water usage 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 recycling, reducing, reusing 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.

The company is on a digital transition journey drastically reducing the amount of paper involved in our business processes. There is also an effort to reduce the usage of single use plastic bottles. Bottle refill stations are installed around the facilities and water coolers have been placed in training and meeting rooms. All team members were gifted reusable mugs as a way to encourage participation in this effort.
REUSE/RECLAIM
AAON has found ways to repurpose and reuse a number of shipping-related products. The packaging that the company receives fan blades in have been converted to be cardboard collection containers to support recycling efforts. The company also transitioned from wooden shipping containers to transport coils between facilities to reusable metal shipping containers.

RECYCLE
➢ In 2022, AAON Tulsa and AAON Longview facilities recycled more than 14,928 tons of metal. 13,793 tons of metal were recycled in 2021.

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

Through our partnership with a waste to energy facility, we successfully diverted over 668 tons and 460 tons of waste from landfills in 2022 and 2021, respectively. We have identified hazardous waste recycling partners for paint products at both our Tulsa and Longview facilities. The company has developed a relationship with an organization to recycle hazardous waste, including oil and paint. We successfully transported and recycled 54 tons of hazardous waste in 2022. The locations recycled more than 21 tons of cardboard and recycle paper and wood where available.
We depend upon information technology infrastructure, including network, hardware and software systems to conduct our business. Our cybersecurity executive leadership team has more than 30 years of experience in the industry.

AAON is also supported by a member of its Board of Directors who has a 25 years of experience involving various IT roles including Vice President of IT and holds a current role as Chief Information Officer (CIO) at the University of Tulsa.

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.

AAON’s employee handbook discusses its Electronic Communications policy. This section addresses information on security/cybersecurity. AAON is diligent to promoting employee awareness of cyber risks by providing training from third-party assignments paired with email phishing campaigns.
The safety of all AAON employees, visitors, business partners, and our environment is a fundamental value of our organization.

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 critically 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. We consistently improve training programs and work processes and modify work environments safely as AAON’s workforce expands in all locations.

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 help improve safety for 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.

AAON launched a Wellness Committee to oversee the strategy of health and wellness with the company. AAON offers the opportunity to be part of a Wellness Club to all team members. It is free to employees and promotes fitness by covering costs of several cycling and running activities in the region. AAON also supports employee participation in team sports such as softball, soccer, and basketball by covering league fees.

AAON promotes healthy lifestyles through annual on-site health assessments, blood drives, on-site flu shots, on-site lactation space, and wellness lunch-and-learns that promote overall health, all offered at no cost to our team members.

AAON also encourages healthy vending options with company added discounts, convenient alkaline water stations. All team members and their families are eligible for discounts at partnered fitness facilities.

AAON facilities provide insurance coverage with minimal to low out-of-pocket costs for prescription tobacco cessation medications and over the counter nicotine replacement products. We also promote and refer employees to programs such as Oklahoma Tobacco Helpline or smokefree.gov. Our team members also have access to the Employee Assistance Program offering stress management, financial counseling, health information, and online health-management tools. The company has also Question, Persuade, Refer (QPR) suicide prevention training, stress management, and mental health awareness sessions.
Our team members are AAON’s greatest strength and asset. The diversity of thoughts, experiences, and perspectives of each team member drives our innovation, productivity, and sustainability. AAON is committed to empowering our people and culture through company core values to further strengthen families and communities. We are building a place of belonging, career pathways, mentorship and leadership programs, and promoting cross-location collaboration where team members enjoy and take great pride in their work environment and responsibilities.

The ongoing success of our company can be directly attributed to our employees.
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
CULTURE AND ENGAGEMENT SURVEY

By creating and molding a culture of One AAON, we can take care of each other, promote great thinking, and take bold actions. Together we must cultivate a place where people are heard and feel valued to continue our great success and achieve more history-making milestones.

Diversity, safety, health, and wellness are integral parts of AAON’s culture offering employee engagement opportunities to improve AAON as a positive and healthy workplace. AAON offers annual engagement surveys as a venue for open communication and feedback. From recruiting talent to developing our workforce, all team members work to understand and share AAON’s core values. Our working environment is a place where team members can grow and advance both professionally and personally. Team members with a vision and optimistic outlook for their future are more engaged and prepared to help our customers.

As an organization, AAON is committed to listening to the needs of the workforce and taking steps toward improved communication and culture across all locations. One of AAON’s focus areas is to create more opportunities for alignment as a multi-site enterprise to facilitate better communication and collaboration across all locations. We look forward to continued employee engagement by sharing ongoing solutions to concerns while building on our strengths.

These responses were the most encouraging:

- Team members responded that AAON makes them feel they are a part of something meaningful.
- Team members responded that AAON enables them to work at their full potential.
- Team members responded that AAON is going in a positive direction.

These responses give insight on areas that require action and attention:

- Team members responded that they would like to have more transparency among leaders and team members.
- Team members responded that they would like to see our values strengthened as an organization.
- Team members responded that AAON should offer a more open-door approach between leaders and team members.
TEAM MEMBER DEMOGRAPHICS

GENDER

- 64% MALE
- 26% FEMALE
- 2% NON-BINARY
- 8% UNSPECIFIED

ETHNICITY

- 32% WHITE
- 28% ASIAN
- 15% HISPANIC OR LATINO
- 13% BLACK OR AFRICAN AMERICAN
- 4% AMERICAN INDIAN OR ALASKA NATIVE
- 3% NATIVE OR PACIFIC ISLANDER
- 5% OTHER

PEOPLE AND CULTURE TEAM MEMBER DEMOGRAPHICS
AAON develops internal career pathway opportunities for team members to support the growth of the company.

AAON typically promotes more than 10% of its team members internally annually. In 2022 AAON saw an increase of 18% in our career development program.

Career opportunities are posted on our social media platforms including Facebook, Instagram, and LinkedIn. Internal job postings and career fairs are ways AAON makes its team members a top priority to maintain great talent. We encourage team members to further their education and knowledge by participating in our tuition reimbursement program. AAON’s tuition reimbursement opportunities show that we value our team members and want to invest in their dedication to growth and improved skill sets.

AAON has an internal mentorship program to further team member development, empower in professional and personal growth and identify their career goals. This program allows AAON to advance in diversity and inclusion initiatives. AAON has a robust college and high school internship program, where we host more than twenty interns per year and sponsor manufacturing classes at four different high schools.
## 2022 EMPLOYEE TRAININGS

**AAON employees participated in a total of 65,310 hours of employee trainings.**

### HUMAN RESOURCES—ONBOARDING
Employee Handbook, Benefits, Code of Ethics, and other HR topics

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<th>LOCATION</th>
<th>NUMBER OF EMPLOYEES</th>
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<td>BASX, OR</td>
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### LEADERSHIP TRAINING
Pryor Leadership Program

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### QUALITY COURSES
Quality practices, Leadership, 608, Warehouse, Sheet metal, Brazing

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### SAFETY COURSES
PPE Training, Hazardous Materials, CPR, Forklift Training, and more

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### PRODUCTION TRAINING—SPECIFIC
Quality Team Leadership, Sheet metal, and Welding

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### CONTROLS TRAINING

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<td>PARKVILLE, MO</td>
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</table>
THIS CAREER WHEEL IS DISPLAYED AROUND AAON’S FACILITIES TO VISUALLY SHARE INTERNAL CAREER DEVELOPMENT OPPORTUNITIES.

CAREER WHEEL

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)
AAON profiles team members throughout the year for an internal campaign called AIM High to encourage career development and growth.
A diverse and 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. Diversity and inclusion are key drivers for furthering innovation, productivity, and team member engagement.

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.

AAON EMPLOYEE RESOURCE GROUPS:
AAON V.E.T.S. & AAON WARRIORS

The mission of AAON V.E.T.S. and AAON Warriors is to unify the core values, beliefs, and understanding of active, reserve, National Guard, veterans and military family members with our AAON business culture.

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. The group aims to promote the advancement of women in the workplace, communicate and connect to overall company strategy, and provide mentorship opportunities. 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.
We offer on-site classes in English as a Second Language, Spanish language, and Leadership Training to help team members develop professionally and advance in the company.

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

AAON has hosted disability etiquette training and partners with organizations in our communities including A New Leaf, The Bridges Foundation, and ARC, supporting individuals with developmental disabilities.

The Company hosted inclusion training in 2022 that was available company-wide and has been featured as a best practice case study by the Manufacturing Institute for work with diverse populations.

- AAON signed the Pay Equity Pledge, designed to combat inequality in the compensation of women.
- AAON supports Oklahoma Women in STEM and is a corporate member of Women in Manufacturing, a national association dedicated to supporting, promoting, and inspiring women in all manufacturing job roles.
- AAON participates in the Tulsa Chamber’s Mosaic Diversity and Inclusion Index and has been recognized as a Mosaic Top Inclusive Workplace by Tulsa Regional Chamber’s diversity business council.

**SUPPLIER DIVERSITY**

In 2022, AAON began conducting supplier diversity and sustainability surveys to benchmark the current state of our supply chain.
EMPLOYEE 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:

- Quarterly Profit Sharing
- 175% 401(k) Matching
- 175% Health Savings Account Matching
- Health Insurance
- Paid Holidays
- Paid Time Off
- Tuition Reimbursement ($5,250 per year)
- Paid Military Leave
- Paid Parental Leave
- Employee Disaster Relief Fund
AAON was ranked on the list of America’s Best Midsize Employers by Forbes Magazine in 2021 and 2022.
The AAON Serves initiative is a large part of our corporate social responsibility journey and is centered in the communities in which we operate. Our success is interwoven with the vitality of these communities and we generously apply our assets, resources, and capabilities to contribute to their resiliency and prosperity. We understand that community also encompasses the physical space. We create tomorrow’s solutions today in our surrounding communities through volunteerism and strategic investments. AAON partners with more than 78 nonprofit organizations.

AAON’s Community Council at each location allows employees to help build our company culture of service. Team members contribute their time and resources by volunteering at local schools, participating in mentoring programs, and by supporting our signature community partners. We create a close-knit network through utilizing our different talents, learning about each other’s service passions, and serving our communities together. Through AAON Serves we are able to educate ourselves about the communities’ needs while strengthening important community partnerships.

- AAON donates HVAC equipment to nonprofit capital campaign projects that align with the company’s priorities in the community.
- AAON team members have 24 hours of paid volunteer hours per year.
- AAON team members served over 5,000 volunteer hours during this reporting year.
- In 2022, AAON contributed more than $190,000 in matching gifts. AAON expanded its matching gifts program in 2021 to further support team member’s donations to nonprofits of their choice.
- AAON has a nonprofit board placement program to connect team members to serve area nonprofits.
AAON recognizes and values the importance of supporting pathways to opportunity for current and future 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 to drive economic prosperity for individuals and our nation.

PARTNERSHIP HIGHLIGHT: GOODWILL INDUSTRIES

Goodwill helps people find jobs through education and training programs. Through donations, Goodwill diverts millions of pounds of clothing and household goods from landfills every year. When you shop our stores, you are reusing goods, saving money and helping the planet. Most significant of all, Goodwill reinvests profits right back into the community by offering education, job training, job placement and case management services to individuals with disabilities or other challenges to employment. Goodwill works to empower people to overcome the hurdles they face to obtain and maintain a job and experience the dignity and self-respect that comes from work. Donations and purchases help us reuse, resell, recycle and reinvest!

AAON partners with Goodwill on high school career pathways programs to provide forklift training for high school seniors and incumbent workers at AAON. Goodwill has provided financial literacy lessons for AAON team members and AAON provides employment opportunities for Goodwill clients.
We value 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 provide valuable services our team members and their families.

PARTNERSHIP HIGHLIGHT: CHILD ABUSE NETWORK

The Child Abuse Network, Inc. is a charter member of the National Children’s Alliance (formerly the national Network of Children’s Advocacy Centers). CAN was incorporated in 1988 and is the first of its kind in the state of Oklahoma. CAN is an independent, non-profit corporation funded by community donations and grants (Federal, State and City). CAN was established by public and private community service agencies specifically to address:

- “System” re-traumatization of child abuse victims.
- Coordination of services and programs for child abuse victims and their families.

CAN’s centralized approach facilitates seamless communication among the multidisciplinary team of agencies that investigate child abuse. CAN is located in a safe, child-friendly facility known as the Children’s Advocacy Center, which was specially designed for the comfort of children and families and the agencies involved in child abuse investigations.

AAON supported the Child Abuse Network’s capital campaign for their new facility with an equipment donation to fulfill their building’s HVAC needs.
ENVIRONMENTAL STEWARDSHIP

AAON is committed to environmental stewardship and ensuring natural resources are available for future generations. The company has an active internal Go Green sustainability committee and ESG Committee. We participate in the Sustainability Alliance Scor3card sustainability benchmarking initiative and continuously improve our environmental and social impact.

We partner with organizations that conserve and protect green spaces such as River Parks, Keep Longview Beautiful, and The Nature Conservancy.

PARTNERSHIP HIGHLIGHT: RIVER PARKS & TURKEY MOUNTAIN MASTER PLAN

AAON has partnered with River Parks since 2019 to support the conservation and maintenance of green spaces, including a trail system, urban wilderness, public parks, and quality community events. In 2022 AAON committed to invest over $100,000 and support the Master Plan for the urban wilderness space.

PARTNERSHIP HIGHLIGHT: KEEP LONGVIEW BEAUTIFUL

AAON members serve on the Keep Longview Beautiful board of directors and have adopted the road directly in front of our Longview campus. The company regularly hosts clean-up events and recently committed to being a community sponsor of the city-wide Love Longview clean-up event.
Our corporate governance framework directs a culture of integrity and ethical behavior in our business. Our eight-member Board of Directors includes an independent chairman of the board, an independent vice chair of the board, a Chief Executive Officer, AAON’s founder Norman Asbjornson, and four other independent directors. The Board of Directors provides advice, insight, and oversight to advance the interests of AAON, shareholders, and other stakeholders. AAON strives to maintain governance standards through governance charters and the Code of Business Conduct and Ethics.

In 2022, Paul K. “Ken” Lackey Jr. retired from the board and his Lead Independent Director role, reducing the size of the board from nine to eight. At the same time, Mr. Asbjornson stepped down from his role as Executive Chairman. To strengthen the board’s governance, A.H. “Chip” McElroy II, a director since 2007, was elected as Independent Chairman, and Caron Lawhorn, a director since 2019, was elected Independent Vice Chair.

The Company is led by Gary Fields, Chief Executive Officer, and Officers of the Company: Rebecca Thompson, Doug Wichman, Stephen Wakefield, Rob Teis, Casey Kidwell, Xerxes Gazder, and Chris Eason, along with members of the Senior Leadership Team, that oversees and directs corporate strategy. 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.
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 the 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

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 Rebecca A. Thompson, or by calling (918) 382-6216.
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<td>Ethnicity: White: 32%, Asian: 28 %, Hispanic: 15%, Black or African American: 13 %, American Indian or Alaska Native: 4 %, Native or Pacific Islander: 3 %, All other races: 5%</td>
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<tr>
<td>GRI 2-9</td>
<td>Governance structure and composition</td>
<td>Governance p. 75</td>
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<td>GRI 2-22</td>
<td>Statement on sustainable development strategy</td>
<td>About This Report p. 5</td>
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<td>GRI 2-27</td>
<td>Compliance with laws and regulations</td>
<td>About This Report p. 5</td>
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<td>2022 RESPONSE</td>
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<td>GRI 2-29</td>
<td>Approach to stakeholder engagement</td>
<td>Materiality &amp; Stakeholder Engagement p. 20</td>
<td>17</td>
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<tr>
<td>GRI 3-1</td>
<td>Process to determine material topics</td>
<td>Materiality &amp; Stakeholder Engagement p. 20</td>
<td>12</td>
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<td>GRI 3-2</td>
<td>List of material topics</td>
<td>Materiality &amp; Stakeholder Engagement p. 21</td>
<td>12</td>
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<td>GRI 3-3</td>
<td>Management of material topics</td>
<td>Materiality &amp; Stakeholder Engagement p. 21</td>
<td>12</td>
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<td>GRI 201-1</td>
<td>Direct economic value generated and distributed</td>
<td>See Form 10K</td>
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<td>SASB RT-IG-440a.1</td>
<td>Materials sourcing</td>
<td>See Conflict Minerals Policy AAON Form SD 2022</td>
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<td>ENERGY</td>
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<td></td>
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<tr>
<td>SASB RT-10-130a.1</td>
<td>Energy Management</td>
<td>(1) Total energy consumed 19,255.2 GJ, (2) percentage grid electricity 100%, (3) percentage renewable 36%</td>
<td>12</td>
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<tr>
<td>GRI 302-1</td>
<td>Energy consumption within the organization</td>
<td>Energy Use By Source</td>
<td>2022</td>
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<tr>
<td></td>
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<td>Purchased Electricity (MWh)</td>
<td>40,205</td>
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<td></td>
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<td>Natural Gas (MMBTU)</td>
<td>45,313</td>
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<td>GRI 302-3</td>
<td>Energy intensity</td>
<td>Energy p. 52</td>
<td>13</td>
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<td>GRI 302-4</td>
<td>Reduction of energy consumption</td>
<td>Energy p. 46</td>
<td>13</td>
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<td>GRI 302-5</td>
<td>Reductions of energy requirements in products and services</td>
<td>Products p. 48</td>
<td>13</td>
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<td>WATER</td>
<td>GRI 303-3 Water withdrawal</td>
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<tr>
<td></td>
<td>Total Water Withdrawal in GAL</td>
<td>2022</td>
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<tr>
<td></td>
<td></td>
<td>2021</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14,158,275</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>14,384,400</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>10,928,300</td>
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<td>EMISSIONS</td>
<td>GRI 305-1 &amp; 2 Scope 1 &amp; 2 Emissions</td>
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<tr>
<td></td>
<td>The Emission calculations include: Tulsa OK, Parkville MO, Longview TX, and Redmond OR facilities.</td>
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<td></td>
<td>Scope 1 &amp; 2 Emissions</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>19,065 Mt</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,837.59 Mt</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>19,366 Mt</td>
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<td>WASTE</td>
<td>GRI 306-4 Waste diverted from disposal</td>
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<td>Recycle by Type</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Metals (tons)</td>
<td>14,928</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Waste to Energy (tons)</td>
<td>668</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>460</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>556</td>
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<td></td>
<td>Hazadorous Waste (tons)</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>68</td>
<td></td>
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<td></td>
<td></td>
<td>72</td>
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<tr>
<td>EMPLOYMENT</td>
<td>GRI 401-2 Benefits provided to full-time employees</td>
<td>Employee benefits p. 69</td>
<td></td>
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<td>OCCUPATIONAL HEALTH AND SAFETY</td>
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<tr>
<td>GRI 403-1</td>
<td>Occupational health and safety management system</td>
<td>Workplace Health and Safety p. 57</td>
<td>3 Good Health and Well-being</td>
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<tr>
<td>GRI 403-2</td>
<td>Hazard Identification, risk assessment and incident investigation</td>
<td>Workplace Health and Safety p. 57</td>
<td>3 Good Health and Well-being</td>
</tr>
<tr>
<td>GRI 403-3</td>
<td>Occupational health services</td>
<td>Workplace Health and Safety p. 57</td>
<td>3 Good Health and Well-being</td>
</tr>
<tr>
<td>GRI 406-4</td>
<td>Worker participation, consultation, and communication on occupational health and safety</td>
<td>Workplace Health and Safety p. 57</td>
<td>3 Good Health and Well-being</td>
</tr>
<tr>
<td>GRI 403-5</td>
<td>Worker training on occupational health and safety</td>
<td>12,478 hours</td>
<td>3 Good Health and Well-being</td>
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<tr>
<td>GRI 403-6</td>
<td>Promotion of worker health</td>
<td>Workplace Health and Safety p. 58</td>
<td>3 Good Health and Well-being</td>
</tr>
</tbody>
</table>

SASB RT-IG-320a.1

Work related injuries
These rates are inclusive to Tulsa, Parkville, and Longview. 2023 rates to include Tulsa, Parkville, Longview and Redmond.

- (1) Total Recordable Injury Rate 2022: 3.10, 2021: 2.53, 2020: 3.6
- (2) Fatality Rate 2022: 0, 2021: 0, 2020: 0
- (3) Near Miss Frequency Rate 2022: Not Disclosed

TRAINING AND EDUCATION

GRI 404-1

Average hours of training per employee
Quality, Safety, Maintenance and Professional Development: 61,805 hours 12 hours per employee.
<table>
<thead>
<tr>
<th>STANDARD</th>
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<th>2022 RESPONSE</th>
<th>RELATED SDG</th>
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<tr>
<td>GRI 404-2</td>
<td>Programs for upgrading employee skills</td>
<td>AAON Career Development p. 63</td>
<td>8</td>
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<td>GRI 405-1</td>
<td>Diversity of governance body and employees</td>
<td>Diversity and Inclusion p. 67 Governance p. 75</td>
<td>5</td>
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<tr>
<td>GRI 413-1</td>
<td>Operations with local community engagement, impact assessments and development programs</td>
<td>Corporate Social Responsibility p. 71</td>
<td>11</td>
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<tr>
<td></td>
<td>Reduce Scope 1 &amp; 2 Emissions by 10% by 2025</td>
<td>Environmental Responsibility p. 46</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Increase Hazardous Material Recycling Rate by 10% by 2025</td>
<td>Environmental Responsibility p. 46</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>80% of total equipment sales will be non-fossil fuel consuming products by 2030</td>
<td>Environmental Responsibility p. 46</td>
<td>13</td>
</tr>
</tbody>
</table>