

# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

2023





## FOREWORD BY DON FETZER, PRESIDENT

Since the publication of our inaugural Environmental, Social and Governance (ESG) report in 2022, we have seen an acceleration in societal and climate changes. These changes have reinforced our commitment to embed sustainability as a core principle of our business. During the last few years, we have also integrated our Social and Governance initiatives in our business objectives. Summarizing the progress in all these areas, we are pleased to share with you our latest ESG report.

This ESG report serves not only as a record of our progress and accomplishments, but more critically establishes metrics and targets to hold ourselves accountable to achieve the best business results in environmentally and socially responsible ways.

We, at BAC, as the global leader in evaporative cooling, the most sustainable cooling technology in the market, have an obligation to innovate so we can achieve our vision of reinventing cooling to sustain the world. Leading by example, not only are we driving our business and operations toward decarbonization, but also helping our customers achieve their sustainability objectives through product innovation and industry advancements.

Starting with our own operations, we targeted to reduce absolute Scope 1 and 2 emissions by 50% by 2030. Over the last two years, we have achieved more than a 10% year-over-year

emissions reduction, despite unprecedented sales growth, positioning us well to meet our 2030 pledge.

Since our products have sizable and direct impacts on our customers' carbon emissions, we continue to invest in technologies like AI, and launch products at a record pace that reduce electricity and water usage with each successive generation.

We will incorporate cradle-to-gate life cycle assessments as a tool to drive innovation in our product design by including the carbon impact of raw material supply, transport, and manufacturing methods in our performance criteria and thereby lower our customers' overall carbon impact to the environment.

Since we believe that water and sustainable cooling are essential for society, we are committed to increasing access to clean and safe water to communities worldwide. This is reflected in our partnership with the non-profit organization Just a Drop and our support for organizations like Alliance to Prevent Legionnaires' Disease.

The driving force behind our vision is our people – our employees and our global network of sales and service personnel who are committed to keep people comfortable, critical processes running, and the global food chain intact. We want to build upon the strength of

our people to reach the highest levels of performance and continue to position BAC as the market leader. Initiatives highlighted in this report, such as fostering diversity and inclusion, nurturing current and future talents, and the launch of our Employee Value Propositions, are testaments to this commitment.

We are proud to be leading this journey to Reinvent Cooling to Sustain the World. This vision is not just a statement; it is a purposeful journey marked by tangible actions and milestones. We share our progress not because we believe it is extraordinary or newsworthy, but because we hope it can help inspire new perspectives and underscore the importance of this topic.

As we continue to grow amidst the rapid evolution of our climate and society, we recognize the responsibility and importance of what we still must do.

And together, we will.

**Don Fetzer**

President  
Baltimore Aircoil Company, Inc.



## ABOUT THIS REPORT

BAC's second ESG report reflects our commitment to transparency and updates our stakeholders on progress to date against our ESG goals and objectives. Unless otherwise noted, this report covers initiatives and performance associated with our global operations. All years listed in the report refer to fiscal years, starting on October 1st and ending on September 30th.

We welcome your feedback on our ESG strategy and this report. To share questions or comments, please contact:

[sustainability@baltimoreaircoil.com](mailto:sustainability@baltimoreaircoil.com)



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01

A global leader in developing, manufacturing, and distributing evaporative and hybrid cooling and ice thermal storage products, BAC is committed to sustainability at every level and facet of our organization.

# ABOUT BAC





## OUR HISTORY



BAC is a global leader in developing and manufacturing a full range of evaporative, hybrid cooling, and ice thermal storage products. Our story begins in 1938 with a single cooling coil, handcrafted in our founder's garage. Within just a few decades, BAC's products and solutions could be found around the world, helping societies grow and thrive. Today, with the help of thousands of customers and partners, our passionate team of employee-owners and innovators are collaborating across continents to solve the world's greatest cooling challenges.



Baltimore Aircoil Company was founded by inventor John Engalitcheff Jr., a Russian immigrant who came to Baltimore in the 1920s as a child. He sold his wife's wedding ring to start the company and went on to develop 47 patents—23 in the field of evaporative cooling. In 1996, Engalitcheff was inducted into

the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Hall of Fame. Engalitcheff's pioneering spirit lives on through BAC's product innovation, commitment to excellence, and leadership in the development of truly sustainable cooling solutions.



## OUR MARKETS

Creating technologies and products to save every kilowatt of energy and every drop of water possible is how BAC furthers the reinvention of the cooling industry to promote and balance planetary and human health—now and for the future. From the products and relationships we build, to the goals and standards we set, BAC pushes the boundaries of what sustainable cooling can be.



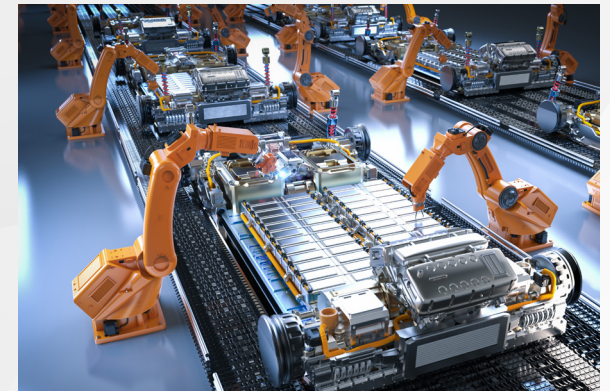
### HVAC

To live, work, learn, and play comfortably in every climate, a temperature-controlled environment is essential. BAC engineers design unique HVAC solutions for offices, schools, healthcare facilities, and hotels. We keep hyperscale, enterprise, and telecom data centers cool sustainably by reducing stress on the power grid and water infrastructure.



### REFRIGERATION

Refrigeration is essential to health and safety, sustainability, and the success of many businesses. Cold storage and distribution facilities, food and beverage production and processing plants, supermarkets, wholesale clubs, and even ice rinks look to BAC for the most reliable and cost-effective refrigeration solutions.



### INDUSTRIAL

Ensuring smooth and uninterrupted workflows is paramount to sustaining business. BAC cooling solutions help manufacturing facilities in the automotive, appliances, pharmaceutical, plastics, power generation, primary metals, chemical, pulp and paper, oil and gas, mining, and industrial gas industries maintain the highest levels of uptime with the lowest operating costs.



## OUR PRESENCE

Solving the greatest cooling challenges demands the broadest reach and deepest experience. BAC delivers like no other company can. We operate manufacturing facilities across five continents, so customers are never far from a BAC solution. Our global reach and local expertise allow us to work side-by-side with our customers on projects of all sizes and degrees of complexity.



1	Madera, California	Factory
2	Dayton, Tennessee	Factory
3	Jessup, Maryland	Global/Americas HQ   Test Lab
4	Milford, Delaware	Factory



5	Monterrey	Factory
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6	Heist-op-den-Berg	EMEIA HQ   Factory
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7	Chiuro	Factory
8	Bovolone	Factory



9	Cape Town	Factory
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10	Shanghai	Asia Pacific HQ
11	Dalian	Factory   Test Lab



12	Somersby	Factory
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02

Reinventing  
cooling to  
sustain  
the world.

# VISION, MISSION, AND VALUES







## VISION

### REINVENTING COOLING TO SUSTAIN THE WORLD

#### BAC is committed to continually advancing its vision by:

- Protecting the environment
- Supporting economic growth
- Strengthening our industry role
- Enhancing quality of life
- Elevating our employees
- Reaching more people

BAC invented modern evaporative cooling in 1938. Since then, we've been reinventing cooling through the products and technologies we create.

At BAC, we have always been driven to improve lives. Through comfort cooling, production process cooling, and food refrigeration, we enable people all over the world to live and work in a safe and healthier environment.

We recognize that human progress comes at a cost to our planet. Year after year and product after product, we are reducing that cost, while increasing our positive impact on the environment.



## MISSION

Everything we do at BAC, from the smallest improvements to the greatest leaps in innovation, serves this core purpose: To continually advance truly sustainable cooling – inspired by nature, powered by our people – for a world that depends on it to grow, succeed, and thrive.

BAC fosters an environment of openness, transparency, honesty and integrity that promotes collaboration and teamwork. This builds the foundation for the organization to reach the highest levels of performance and continues to position BAC as the market leader in our industry.

## 02 VISION, MISSION, AND VALUES

### VALUES

**As a team of passionate, professional individuals, we put our values into practice every day:**

#### SHOW COURAGE

We are determined to overcome obstacles in order to succeed. This means that we welcome challenges, work through difficulties, take calculated risks, and give direct, actionable feedback.

#### DRIVE INNOVATION

We continually lead the industry in delivering newer, better solutions by challenging the status quo and actively seeking insights. We collaborate to create, and we learn from our mistakes.

#### EMBRACE RESPONSIBILITY

We care for our world and the people in it. The safety and wellbeing is the highest priority, and we deliver solutions that are truly sustainable by using resources wisely. Importantly, we hold ourselves to high standards which means we hold accountability for our actions.

#### EARN TRUST

We instill confidence in customers and colleagues through our words and actions by being honest, genuine, professional, and ethical in our conduct. We do what we say we will do, and we do what is right, not what is easy.



03

Inspired by nature.  
Powered by our  
people. Driven to  
serve our customers'  
unique needs.

# SUSTAINABILITY





## THE CRITICAL NEED

Sustainability is at the foundation of BAC's strategy and vision:

**REINVENTING COOLING TO SUSTAIN THE WORLD**



### THE CRITICAL NEED FOR SUSTAINABLE COOLING

The process of cooling is essential to keeping people comfortable, ensuring productivity, and guaranteeing the right storage and handling conditions for lifesaving products and commodities, such as vaccines and medicines, along with essentials, such as food. Any limitations placed on access to cooling would create productivity losses and adverse impacts on the provision of quality health care, nourishment, education, and more.

Mega-trends like increasing urbanization, global population growth with an expanding middle class, digitalization, and increasing average global temperatures due to climate change have led to an accelerated demand for cooling. As the global leader in evaporative cooling and thermal storage solutions, BAC is equipped to take up this challenge. We are making sure it is as efficient as possible to cool humanity while minimizing the contribution to global climate change.



## MATERIALITY

We recognize that our operations and products impact many economic, environmental, and social areas. In order to ensure that our sustainability efforts focus on the topics that are most relevant to our company and our stakeholders, we conducted our first materiality assessment in 2021.

**Based on this exercise, we developed the following list of topics that make up the focus of this report:**

### ENVIRONMENTAL

Products & Services

Energy Consumption

GHG Emissions

Water Consumption

### SOCIAL

Employee Health & Safety

Diversity & Inclusion

Training & Education

Innovation

Community Engagement

### GOVERNANCE

Ethics & Integrity

Sustainable Procurement

### A new double materiality assessment

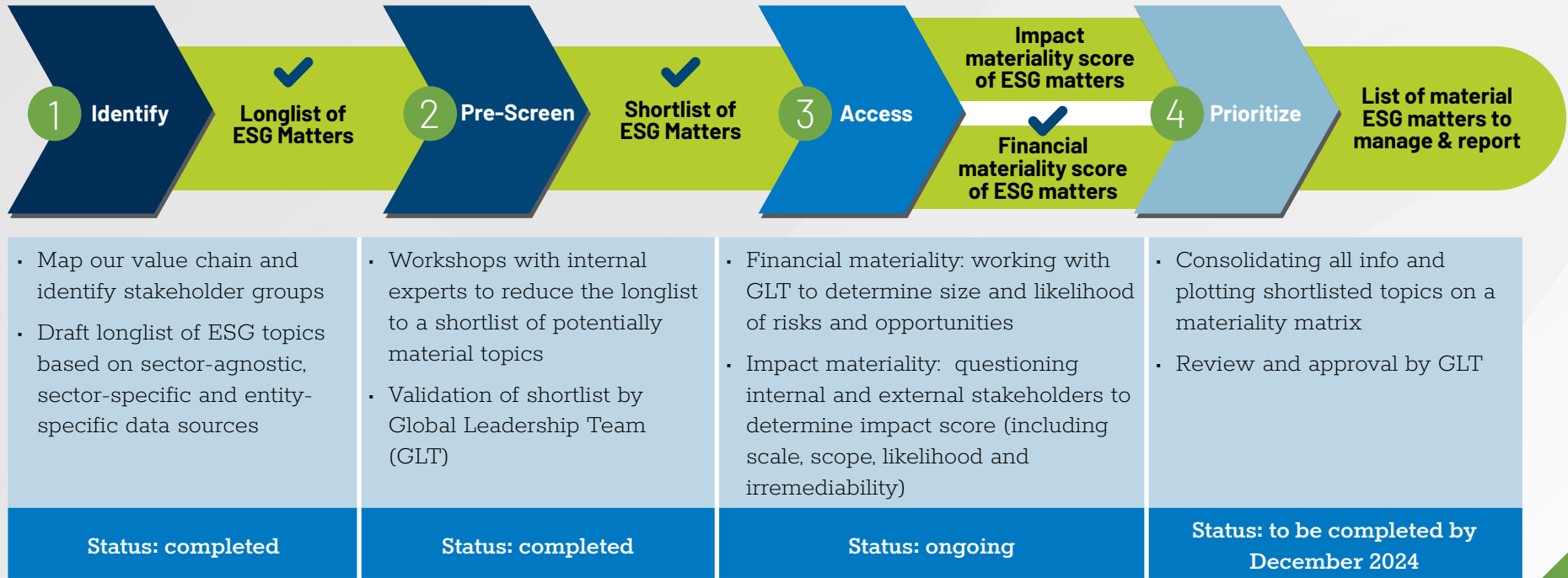
A materiality assessment is to be repeated regularly to make sure it remains up-to-date and reflects the latest developments in our business, market, and external environment.

In 2023, BAC started a double materiality assessment as a first step towards future compliance with the European Corporate Sustainability Reporting Directive (CSRD). This exercise helps us to identify, assess and prioritize the sustainability risks and opportunities for the company as well as the most significant impacts BAC and its value chain partners have on the environment and society.



**MATERIALITY** (CONTINUED)

We are following a structured 4-phase process for this assessment:



The outcome and the identified material topics will form the basis of our future sustainability reporting and will help us to further fine-tune our sustainability strategy and targets.



04

BAC continuously invests  
in the future of the  
company as well as the  
future of the planet.

# ENVIRONMENTAL IMPACT





# Our Products

In 1938, BAC invented one of the most natural, energy-efficient cooling systems on Earth and that was just the beginning. We have been innovating ever since.





## PRODUCTS THAT SUSTAIN THE WORLD

For more than 85 years, our strong history of innovation and focus on changing trends has established BAC as a leader in sustainable cooling across HVAC, Industrial, and Refrigeration markets globally.

### Measuring our progress

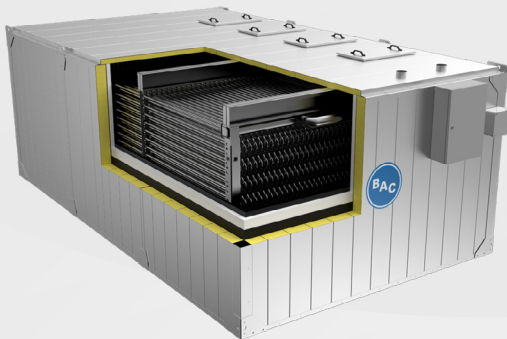
More than 90% of the carbon footprint of BAC's products is generated during operation. Therefore, we can make our biggest impact by focusing on developing products and solutions that are more energy and water efficient than their predecessors and applying those solutions to maximize system efficiency.

We use the Product Vitality Index (PVI) to measure success in product innovation. The PVI represents sales of products launched in the past five years as a percentage of total sales. Given that our newest products are also the most energy and water efficient, a higher PVI indicates that we are successful in driving the adoption of the most efficient cooling solutions in the market, lowering the carbon footprint of our customers.

BAC is dedicated to improving our products through integrating new sustainable metrics. Over the last 3 years, we have added sustainability experts to apply sustainability practices and metrics into our product lifecycle. Starting from our customer needs, we created a new set of sustainability metrics for our products to guide design, material choices, and energy/water consumption. We will begin including these sustainability metrics in our new product development cycles to accelerate innovation.



**Our target: 26% PVI by 2027**





## PRODUCTS THAT SUSTAIN THE WORLD (CONTINUED)

In the 2021 ESG report, we shared our focus on improving energy efficiency, expanding water saving options, and increasing the power of intelligent controls. Additionally, we set a target to have Life Cycle Assessments (LCA) available for product lines that cumulatively represent at least 75% of our annual revenue by 2030.

We have made significant progress during the last 3 years.

### Designing with a lifecycle perspective

**Our target: Provide Life Cycle Assessments (LCAs) for product lines that cumulatively represent at least 75% of our annual revenue by 2030**

Our first three cradle to gate LCAs for our largest product lines are underway. In parallel, we are conducting a series of internal training courses to educate the organization on the importance of LCA to our customers and to our sustainability efforts. This allows us to minimize our impact by reconsidering product design, sourcing, manufacturing, transportation, usage, and disposal phases. Developing LCAs supports our customers' needs and leads to more innovative and sustainable products.

### Expanding water saving options

**Our target: Continuously increase the share of water-saving products as a percentage of annual revenue**

To support our customers water management goals, we have developed improvements such as Baltibond® and TriArmor® coatings to reduce water and chemical usage by up to 30%, due to the equipment's ability to run with higher cycles of concentration. BAC has pioneered the development of water saving technologies that utilize an optimal combination of dry and wet operation tailored to local conditions.

We have doubled the share of water saving products since the 2021 ESG report and continue to invest in new products to meet the needs of our water sensitive customers. This includes expansion of our portfolio of hybrid, adiabatic, and dry products.

### Harnessing the power of intelligent controls

**Our target: Continuously increase the energy efficiency of our products with successive product developments**

We lead the HVAC, industrial, and refrigeration markets with smart controls that optimize our customers' cooling system operation to reduce energy, water, and chemical usage, as well as maintenance.

BAC was the first to offer the Polairis™ condenser with smart enabled fans and DiamondClear® technology launched in 2017 and today we are on our third generation of product. This product reduces customer operating and installation costs compared to more traditional condensers.





## REDUCING OUR CUSTOMER'S CARBON FOOTPRINT

### Direct Drive Systems

BAC offers the most products with direct-drive systems in the evaporative cooling market, such as the Nexus® hybrid modular cooler, Series 3000 with the ENDURADRIVE® fan system, Polaris™ condenser and the Vertex® condenser. Direct-drive systems guarantee optimal energy efficiency due to minimal drive losses. The absence of wear and tear parts increases reliability while eliminating 95% of drive maintenance costs. In addition, field wiring costs and risks are avoided. Compared to traditional belt or gear drive systems, the direct-drive systems have saved BAC customers more than **48 GWh\*** of energy since 2015, avoiding **34** thousand metric tons\*\* of carbon dioxide emissions.

### Extreme Efficiency (XE) Models

BAC XE models are the industry's most energy efficient products. They are at least twice as efficient as the requirements set in ASHRAE 90.1. They greatly contribute to Energy and Atmosphere LEED® Credits (EAcl), allowing our customers to minimize their energy and operating costs significantly. The average payback period is less than two years, making them a smart business decision for those who look for environmentally sustainable solutions. BAC XE models have reduced the energy use of evaporative equipment by **260 GWh\*** since 2015, avoiding more than **182** thousand metric tons\*\* of carbon dioxide emissions.

### TrilliumSeries® Adiabatic Condenser

BAC's TrilliumSeries adiabatic condenser continues to make significant impacts on the supermarket industry's environmental footprint. The TrilliumSeries condenser reduces peak energy usage by up to 44% on typical systems, while also reducing overall energy consumption by 18% on systems using climate friendly CO<sub>2</sub>-essentially enabling an energy neutral switch to this low Global Warming Potential (GWP) refrigerant for the industry. Since 2015, users of this product have saved **8.1 GWh** on system energy compared to dry cooler alternatives.



### Cooling Partner

We work closely with our customers on sustainability. We can help our customers acquire sustainability certification, such as earning LEED points and Life Cycle Assessment (LCA).



\*Note: Assumed Equivalent Full Load Hours per year: 2000 for HVAC, 5242 for Industry, 6989 for Refrigeration. \*\* Note: Based on EPA Greenhouse Gas equivalency calculator. 1 MWh or electricity avoided = 0.699 metric tons of CO<sub>2</sub> equivalents.

# Our Operations

BAC is committed to designing and operating its facilities to minimize their environmental impact





## NEW FACILITIES HIGHLIGHT

### INVESTMENTS IN NEW STATE-OF-THE-ART FACILITIES AND SUSTAINABLE FACILITY REPURPOSING

BAC is currently constructing two new state-of-the-art facilities in Monterrey, Mexico and Bovolone, Italy. Both the office buildings and manufacturing plants will meet LEED Gold Certification requirements. BAC is also overhauling and upgrading our existing facility in Dayton, Tennessee.

Our Monterrey facility will be BAC's largest manufacturing facility globally. Sustainability highlights for the two new facilities include:

#### Skylights

In both Monterrey and Bovolone, optimally placed skylights will cover over 10% of the roof area and minimize the need for artificial lighting in the manufacturing area.

#### Greenspace

Green areas of 1,000 m<sup>2</sup> in Italy and 1,500 m<sup>2</sup> in Mexico will surround the facilities and be planted with carefully selected varieties of local, biodiverse plants.

#### Solar panels

At the Bovolone facility, 1,174 solar panels will generate 690 MWh of electricity per year—roughly 50% of the facility's annual electricity consumption. The Monterrey facility will initially generate 856 MWh of electricity, which is more than 20% of the facility's anticipated demand.

#### Efficient technologies

The Monterrey facility will use hydro-sanitary equipment to reduce indoor water consumption by 50%, equivalent to about 2.3 million liters per year. The Bovolone plant will make use of an efficient heat pump to save 50 MWh of energy annually.

#### Rainwater tanks

Both new facilities will make use of rainwater capture, with the ability to store and save a combined 1,672 m<sup>3</sup> of water for on-site use.





## MEASURING OUR OPERATIONAL FOOTPRINT

BAC is committed to designing and operating its facilities to minimize their environmental impact with a primary focus on GHG emissions, energy consumption, and potable water use.

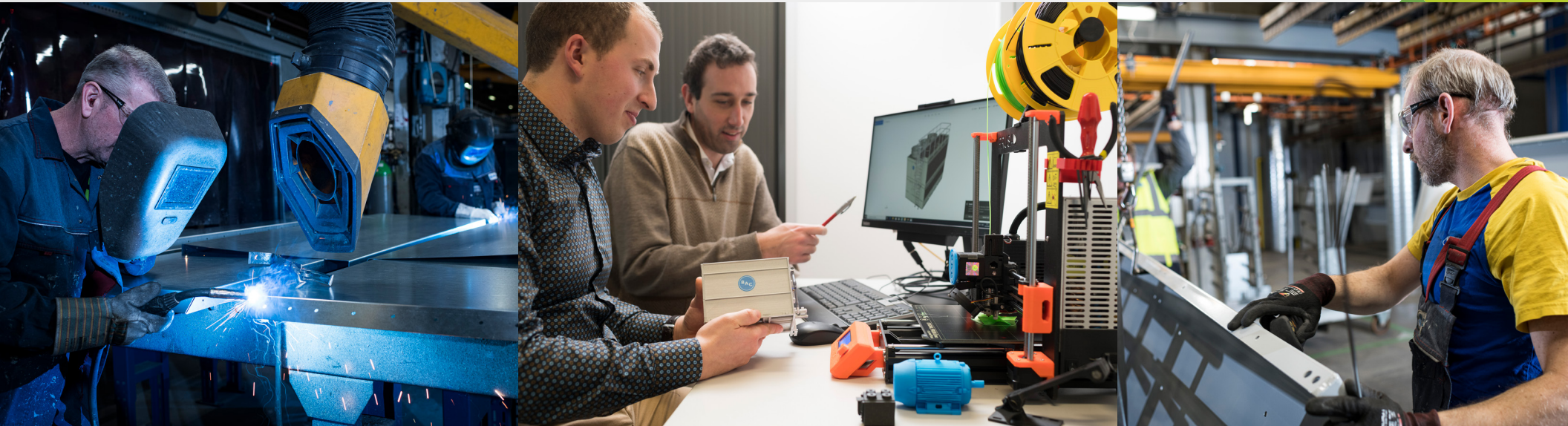
BAC's parent company Amsted Industries is a leader in managing environmental risks through historical impact assessments, and the development of a geological and chemical-based environmental risk factor sustainability model. Many BAC sustainability initiatives started decades ago

and in 2015, we began collecting monthly data.

Our current reporting includes all major BAC facilities, which consists of nine manufacturing sites and our global headquarters with research and development facilities.

In comparison to the previous edition of this report, we included our acquisitions (Coil Design LLC and Eurocoil) back to the 2019 baseline year to allow for a fair year-to-year comparison.

BAC continuously works toward increasing the depth and quality of its reporting.



## 04 ENVIRONMENTAL IMPACT - OUR OPERATIONS



### ENERGY

To minimize the energy consumption of our operations, we closely monitor energy usage at our facilities and identify opportunities to improve energy efficiency.

Examples of projects executed in the last two years include:

- Replacement of fluorescent lamps with LEDs in the entire production hall at our Heist-op-den-Berg facility
- Optimization of air compressor controls in our Dalian plant
- Installation of a much more efficient diesel-powered electricity generator in our Cape Town facility
- Process improvements to drastically reduce required testing times in our Jessup R&D lab
- Installation of additional submetering in several locations to better understand our energy consumption



#### Our target: Continuously improve the energy intensity (relative to consolidated revenue) of our facilities versus the 2019 baseline

In our previous report, we mentioned that BAC aimed to improve the energy intensity relative to the number of hours worked. However, with our continued investments in process automation and efficiency improvements, we concluded that this is not a representative metric.

We have therefore decided to modify the metric and use consolidated revenue as a denominator, as this is in-line with common industry practice.

	2019	2020	2021	2022	2023
<b>Energy Intensity (MWh/\$M) % vs 2019 baseline</b>	100%	104%	116%	95%	83%

**In 2023 the energy intensity of our operations decreased for the second consecutive year, resulting in a 17% reduction against the 2019 baseline.**

Consolidated revenue normalized for exchange rate differences. Energy consumption and revenue for acquisitions Coil Design LLC and Eurocoil included as of the first full year after the acquisition took place.

Year-over-year differences in the absolute energy consumption of our operations are directly linked to production volume, product mix, and the amount of R&D lab testing required for product development purposes or for specific customer orders.

	Energy Consumption (MWh)				
	2019	2020	2021	2022	2023
Natural Gas	19,536	21,096	25,380	27,776	23,390
Electricity	18,112	17,531	19,242	21,122	20,164
Other	4,283	4,298	4,332	3,664	3,786
<b>Total</b>	<b>41,931</b>	<b>42,925</b>	<b>48,954</b>	<b>52,562</b>	<b>47,340</b>

As a growing company, it is impossible to continue to offset the increase in our absolute energy consumption by energy efficiency improvements. Between our 2019 baseline and 2023, absolute energy consumption increased by almost 13%. However, in the same period, the increase in consolidated revenue significantly outpaced energy consumption.

Data covers all BAC manufacturing sites plus global HQ with R&D lab. Compared to the 2021 report, the Coil Design LLC and Eurocoil facilities were added.





## GHG EMISSIONS



The previously mentioned energy optimization initiatives at BAC sites support our Scope 1 and Scope 2 emissions reduction strategy. In addition, BAC is decarbonizing its electricity supply by expanding on-site solar panel installations in combination with purchasing renewable electricity from our local electricity providers.

In the two years since the publication of our previous report, a new solar panel installation has been added to BAC's Cape Town facility and the existing installation at the Dalian plant has tripled in size. Investment efforts will continue in 2024 with the addition of solar panels to the Bovolone and Monterrey facilities.

The combination of producing more electricity on site and purchasing more renewable electricity from our local electricity providers has led to a significant increase in the percentage of renewable electricity used by BAC's global operations:

	2019	2020	2021	2022	2023
% Renewable electricity	14%	14%	20%	47%	55%

The percentage of renewable electricity almost quadrupled to 55% between 2023 and 2019. We are convinced we will be able to continue this trend over the coming years.

The shift towards renewable electricity goes hand-in-hand with our other decarbonization efforts such as replacing gas boilers with electrical heaters or heat pumps, switching to electric forklifts, and moving towards electric company cars.

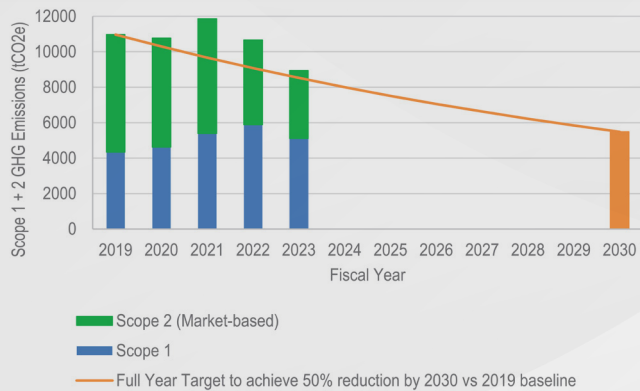
## 04 ENVIRONMENTAL IMPACT - OUR OPERATIONS



### GHG EMISSIONS (CONTINUED)

**Our target: Reduce BAC's absolute Scope 1 and Scope 2 emissions by 50% by 2030 versus the 2019 baseline**

The combination of these initiatives has enabled BAC to reduce its absolute Scope 1 and Scope 2 emissions by 18% between the 2019 baseline and 2023. Over the last two years, we have succeeded in achieving emission reductions that exceeded 10% year-on-year, which brings our actual emission for 2023 very close to target.

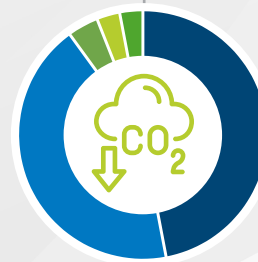


	2019	2020	2021	2022	2023
Scope 1 GHG emissions (tCO2e)	4,345	4,621	5,399	5,890	5,118
Scope 2 (Market-based) GHG emissions (tCO2e)	6,621	6,146	6,454	4,772	3,821
Total Scope 1 and 2 GHG emissions (tCO2e)	10,966	10,767	11,853	10,662	8,939
<b>% vs Baseline</b>	<b>100%</b>	<b>98%</b>	<b>108%</b>	<b>97%</b>	<b>82%</b>



#### Plants Using 100% Renewable Electricity (generated and/or purchased)

- Heist-op-den-Berg (BEL) (since Jan 2016)
- Chiuro (ITA) (since Jan 2021)
- Milford (USA) (since Oct 2021)
- Somersby (AUS) (since Jan 2022)
- Bovolone (ITA) (since May 2022)
- Jessup (USA) (since Oct 2023)



#### BAC Scope 1 + 2 Emissions

2023

- 47%** Natural gas: 4,250 tCO2e
- 43%** Electricity: 3,821 tCO2e
- 4%** Propane: 327 tCO2e
- 3%** Diesel: 307 tCO2e
- 3%** Gasoline: 234 tCO2e

Scope 1 (direct) and Scope 2 (indirect, market based) emissions calculated using the GHG Protocol methodology. Data covers all BAC production facilities plus global HQ with R&D lab. Compared to the 2021 report, the Coil Design LLC and Eurocoil facilities were added. Emission factors from internationally recognized sources US EPA – GHG Emission factors hub and eGRID, DEFRA, AU National Greenhouse accounts factors and IEA.

## 04 ENVIRONMENTAL IMPACT - OUR OPERATIONS



### WATER

Recognizing that water is a critical resource, BAC seeks to reduce water usage in its facilities and to increase the reuse and recirculation of water where possible.

Although BAC operations are not water-intensive, we have been tracking our potable water consumption monthly since 2015. Over the last two years, we have taken several initiatives to reduce water consumption including:

- Installing additional filtration systems on coil and basin test stands to maximize water reuse and minimize fresh water required while keeping water quality under control
- Upgrading restrooms with water-saving toilets, urinals, and faucets
- Harvesting and reusing rainwater for cleaning, toilet flushing, and gardening

**Our target: Continuously improve the water intensity (relative to consolidated revenue) of our facilities versus the 2019 baseline**

As with energy intensity, BAC has decided to align this metric to common industry practice and use consolidated revenue as a denominator going forward.

	2019	2020	2021	2022	2023
<b>Water Intensity (m<sup>3</sup>/\$M) % vs 2019 baseline)</b>	100%	84%	92%	88%	76%

Consolidated revenue normalized for exchange rate differences. Water consumption and revenue for Coil Design LLC and Eurocoil facilities included as of the first full year after the acquisition took place. Water consumption from municipal water distribution network and on-site well, excluding collected and reused rainwater

**In 2023, the water intensity of BAC operations decreased for the second consecutive year, resulting in a 24% reduction against the 2019 baseline.**

Year-over-year variations in absolute water consumption figures are heavily influenced by production levels, the amount of R&D lab testing, and one-time events such as leaks or the start-up of new fire systems and test tanks.

BAC's absolute water consumption increased by 15% in 2022 but dropped again by 10% in 2023 to a level just below the 2019 baseline.

	2019	2020	2021	2022	2023
<b>Water consumption (m<sup>3</sup>)</b>	51,103	43,965	48,834	56,291	50,457

Data covers all BAC manufacturing sites plus global HQ with R&D lab. Compared to the 2021 report, the Coil Design LLC and Eurocoil facilities were added. Water consumption from municipal water distribution network and on-site well, excluding collected and reused rainwater



05

At BAC, we want to ensure that our work has a positive impact on people and society.



# SOCIAL RESPONSIBILITY





# Our Employees

We believe that our employees are the foundation of our company. Their well-being and safety are of utmost importance.





## HEALTH AND SAFETY

BAC embeds health and safety into business planning, decision-making, and daily activities. Through management leadership and employee participation, BAC operates facilities in a manner that protects the health and safety of employees, contractors, visitors, and the environment.

### WE PRIORITISE THE SAFETY AND WELL-BEING OF ALL

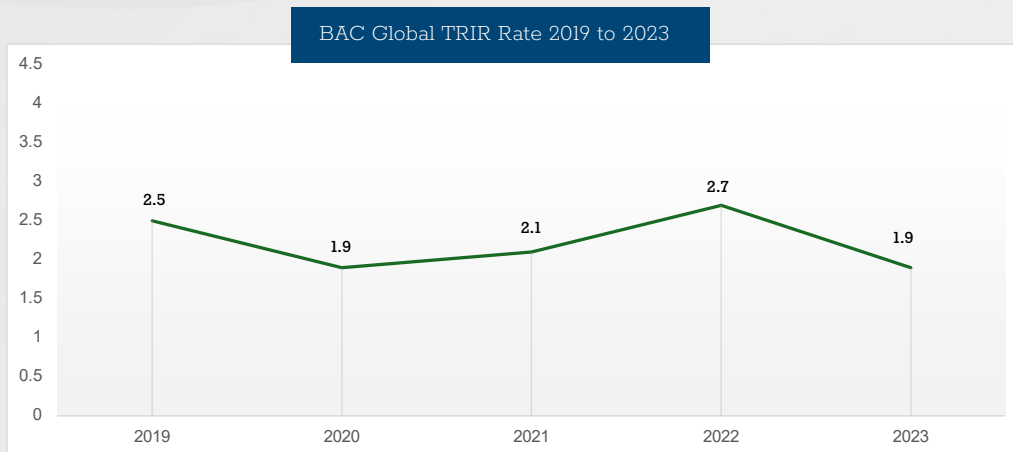
Since the launch of our behavior-based safety (BBS) program in 2018, line leaders and shop floor associates conduct routine safety observations that engage coworkers in conversations about:

- Establishing good safety practices
- Identifying unsafe behaviors and conditions
- Communicating steps that could be taken to address concerns

BAC is determined to improve safety performance by reducing risks from equipment, materials, processes, and behaviors. We regularly assess

the health and safety compliance and condition of each manufacturing facility, and comply with all applicable laws, regulations, and our own stringent safety standards.

BAC measures safety performance by its global Total Recordable Injury Rate (TRIR) and Days Away, Restricted, or Transferred Rate (DART). Total recordable injuries are workplace injuries that require treatment beyond first aid. DART injuries are workplace injuries that require days away from work, restricted duty, or a job transfer.



**Our target: Achieve < 2.0 TRIR on an annual basis globally with year-over-year continuous improvement**



## HEALTH & SAFETY (CONTINUED)

BAC employees manufacture products using materials, machines, tools, and equipment in a work environment with risks typical of any industrial manufacturing setting. As such, employees' ability to effectively identify and manage risk is critical to preventing injuries and achieving safety excellence.



Other important EHS initiatives include the safe construction and startup of the new Monterrey plant with emphasis on the execution of Management of Change and Pre-Startup Safety Reviews

### In 2022, BAC began to update and implement a new global Environment, Health, and Safety (EHS) system focused on 12 standards including:

- Leadership and employee engagement
- Risk management
- Incident management
- Resources, competencies, and awareness
- Monitoring, measurement, audits, and management review
- EHS and procurement
- EHS and management of change

Over time, the implementation of these global standards will increase workplace safety and EHS compliance by ensuring BAC effectively manages risk at its manufacturing plants while continuing to respond to customer needs. We have also harmonized existing

global standards for several work factors with elevated risks including machine safeguarding, hazardous energy control, crane safety, work at height, confined space, and electrical safety.

RISK MANAGEMENT is a key focus area at BAC manufacturing sites to increase the ability for the shop floor to see and manage risk through initiatives including hazard awareness training, standard work, and job safety analysis. Widespread access to information through communication platforms has enhanced BAC's understanding of risk management.

INCIDENT MANAGEMENT continues to be a key initiative for BAC manufacturing to ensure timely reporting and completion of team-based investigations. It aims to identify contributing factors, corrective actions, and best practices for sharing across the organization.



## EMPLOYEE WELL BEING

At BAC, we believe in creating the best employee experience through a positive work environment that results in healthy and motivated employees. By investing in wellness programs, mental health support, and work-life balance, we demonstrate our commitment not only to our employees but also to sustainable business practices.

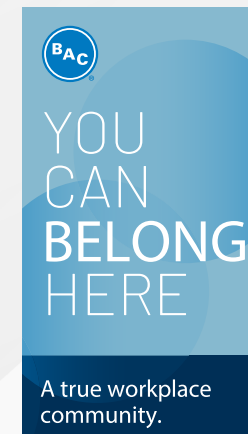
### Employee Value Propositions

Recently we launched the Employee Value Proposition (EVP) to articulate the unique offerings and experiences that employees can expect from BAC. This fosters an environment characterized by innovation, diversity, agility, and empowerment. When aligned with strategic growth goals, a compelling EVP ensures that talent is engaged, motivated, and fully committed to driving organizational success. As we aspire to strengthen our company's identity in these core areas, our EVP will reinforce our commitment to creating a workplace where employees thrive and contribute to sustained growth.

Employee wellness programs are designed at both global and regional levels. All programs

focus on fundamental aspects such as physical fitness, mental health, and personal growth. Regional programs are tailored to address the specific needs and cultural context of individual regions or localities.

- // GROW
- // MAKE AN IMPACT
- // FEEL VALUED
- // BELONG

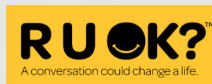






## EMPLOYEE WELL BEING (CONTINUED)

Employee wellness programs are designed at both global and regional levels. All programs focus on fundamental aspects such as physical fitness, mental health, and personal growth. Regional programs are tailored to address the specific needs and cultural context of individual regions or localities.



R U OK™ encourages people to stay connected and have conversations that can help others through difficult times in their lives. It helps contribute to suicide prevention efforts by encouraging people to invest more time in their personal relationships

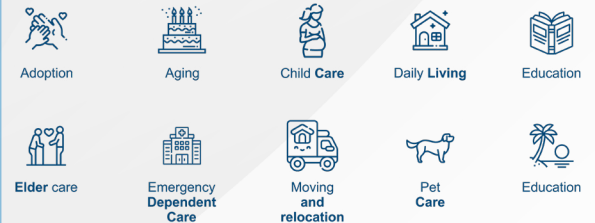


The Lift Project enhances the mental well-being of individuals through engaging, evidence-based mental well-being education involving physical, mental, and community engagement activities

BeWell Program a free, confidential service that provides help for personal and work-related issues through a team of licensed mental health professionals and work/life specialists, available 24/7

### Work/Life service referrals

Work/Life services include referrals and resources on common issues



- Assisted online searches for child care, elder care
- Unlimited 24-hour telephonic consultation and referral support
- Work-life specialist has expertise in area of need
- Interactive self-search locators
- Comprehensive content library
- Minimum of three qualified referrals



## LIFE-LONG LEARNING

At BAC, we believe that a life-long learning process can be a tremendous competitive advantage for our employees and our company. We apply the 70/20/10 Model for Learning and Development in the workplace. Through this Model, 70% of gained knowledge derives from job-related experiences, 20% from interactions with those around us, and 10% from educational events. By facilitating the learning process and offering professional development opportunities, BAC is focused on developing teams that can deliver high-quality results.

To accelerate our initiatives for employee learning, BAC established a new role in 2024, Global Director of Learning Acceleration and Talent Development. This role also aligns our training and development programs with our strategy, by developing comprehensive programs focused on our frontline employees to our global leadership team.

### BAC Academy

To unify BAC regions in how we train employees with consistent global messages about our values, BAC Academy offers online courses about products, services, sales, technical training, and more. The e-learning platform tracks employee educational progress via quizzes at the end of each course module and advancement through the belt system of expertise: white (starter), green (competent), black (experienced), blue (expert). This helps to identify employees' strengths and areas for education throughout their time at BAC. Almost 1,000 of our employees from every region are currently registered as BAC Academy users and they can select from over 100 courses offered in various languages.

### Language Training

BAC continues to grow in different regions around the world, such as the opening of our new factory in Mexico and the expansion of our factory in Italy. In order to facilitate communications and work effectively as high performing teams, BAC offers language training to employees who work across these regions. For example, several managers in the US are learning Spanish while some in Europe are learning Italian.





## LEADERSHIP DEVELOPMENT

BAC's ability to develop future leaders is key to our ongoing success. Leadership can happen at any level of the organization so BAC has developed several leadership programs based on specific needs of businesses around the world. There is an additional focus to include personnel from our new Monterrey facility, and newly acquired businesses, Eurocoil and Coil Design LLC.

### Leadership Programs

In all our regions, we offer various leadership programs to frontline supervisors and managers throughout all levels of the organization. The training period lasts anywhere from 6 to 18 months, and in addition to formal training, there are also individual coaching sessions. All programs cover topics that are critical to developing the next generation of leaders, including:

- Giving critical feedback
- Leading, inspiring and motivating a team
- Coaching
- Delegating
- Communicating effectively
- Change management
- Conflict management

**Since inception, over 100 managers have completed these programs**

### Succession Planning

BAC along with our parent company Amsted Industries have a strong focus on developing and finding the next generation of leaders from our existing employees. Several times a year, managers at all levels meet to review the development plans for all employees and review succession planning. On an annual basis, BAC performs the same review with Amsted Industries and looks for opportunities to develop BAC employees in other Amsted Industries businesses. As a result, more than half of our current Global Leadership Team were promoted into their roles from within BAC.



### Clarity Conference

Amsted Industries brought together 100 of the top leaders from all its businesses for a summit to explore opportunities and risks shaping tomorrow's world. This event brought together distinguished leaders, influential industry speakers, and innovative thinkers for three days of insightful discussions, networking, and strategic planning.

### Swiderski Mentoring

Amsted Industries established the Swiderski Mentoring program in late 2022 to provide future business leaders an opportunity to learn from the counsel of more experienced leaders. Named in honor of the late Mike Swiderski, who, throughout his 30 plus years at Amsted Industries was an effective mentor to many of our current leaders, the program fosters growth, knowledge transfer, and professional development through mentor-mentee relationships. Mentors are typically selected from the VP level and the first session included 19 mentors and 19 mentees who participated in an 18-month program. The mentor-mentee pair met at least once per month to discuss topics relevant to the personal and professional growth of the mentee.



## ADDITIONAL TRAINING

### Cultural Intelligence (CQ) Training

As part of our effort to attract and retain talent and prepare our workforce for changes in our social and professional environments, BAC believes CQ is essential for developing high-performing teams. This is especially important as BAC continues to expand into new geographies and welcomes a younger generation of talent to our company. By enhancing the understanding and appreciation of various cultural contexts and perspectives--generational, ethnic, gender-based, and many others--CQ promotes effective teamwork. BAC's HR leadership has already been certified in CQ and we will be rolling out training and certification throughout the organization in the next 12 to 18 months.

### BAC Excellence

BAC Excellence is our continuous improvement program that includes training activities that develop skills and mindsets that are both metric driven and process focused. The BAC Excellence mindset ensures leaders and teams maintain consistent focus on driving improvement and eliminating waste. This training also teaches teams to leverage metrics to both identify opportunities for improvement and measure the effectiveness of improvement activities. The goal is to ensure that these processes and mindsets become embedded throughout the organization and increase all employees' contribution to achieving excellence.





## DEVELOPING FUTURE BAC TALENT

To attract diverse candidates, remain competitive, and build a strong talent pipeline, BAC is proud to offer apprenticeship and internship programs around the world through recruitment partnerships with educational institutions.

### Apprenticeship & Recruitment Programs

In China, BAC works with two skilled trade schools to find students for one-year apprenticeships in areas such as assembly, sheet metal and quality. Upon graduation, many students, now equipped with on-the-job experience, are immediately able to join BAC with full-time employment. BAC's Madera, CA plant has a formal recruiting process with the welding programs at the Clovis Institute of Technology in Clovis, CA, and at the University of Tennessee in Knoxville, TN.



### Internship & Recruitment Programs

Typically spanning 12 weeks, our internships provide opportunities for aspiring professionals to work on real-world technical or business problems. Interns at BAC are mentored and taught by multiple leaders across several functions. Interns also have opportunities to participate in community and social activities. Many BAC employees got their start as interns, so we look forward to the opportunity to continue working with some of them as future BAC employees.



**In Australia, BAC was selected as the New South Wales winner for Employer of the Year for CCGT apprenticeship programs. CCGT is a not-for-profit organization that employs apprentices, provides training, and then places them with host employers.**



## DEVELOPING FUTURE BAC TALENT

(CONTINUED)

### Full-Time Position Recruitment Programs

BAC has significantly expanded our recruitment network and partnerships to ensure that we reach the widest talent pool possible. We also partnered with our parent company, Amsted Industries, to leverage recruitment activities from other Amsted Industries divisions for added synergy. This resulted in newly formed relationships with the following organizations and educational institutions:

- University of Maryland – Baltimore County (UMBC)
- University of Maryland – College Park (UMD)
- National Society of Professional Engineers (NSPE)
- National Society of Hispanic Engineers (SHPE)
- Society of Women Engineers (SWE)
- Massachusetts Institute of Technology (MIT)
- University of Delaware (UD)
- University of Leuven in Belgium
- Tongji University in China

### The John Engalitcheff, Jr. Scholarship

In honor of BAC's founder who studied engineering at Johns Hopkins University, BAC and associates of Mr. Engalitcheff established the John Engalitcheff, Jr. Scholarship in 1989. Annually the scholarship awards approximately \$25,000 to a student of the Whiting School of Engineering who is studying mechanical engineering and maintains a minimum 3.0 GPA.





## DIVERSITY, EQUITY, & INCLUSION

We believe that diverse and unique perspectives, experiences, and ideas are the cornerstone of our success. Therefore, BAC is on a journey to build a more diverse, equitable, and inclusive company to attract and retain the best talent in the market to support our future growth. We want to provide our employees with the best opportunities for professional growth, especially in helping to eliminate barriers so that they can realize their full potential.

**Our target: Integrate strong diversity, equity, and inclusion advocacy and behavior throughout the organization**

**Our target: Increase female representation within professional and leadership roles**

Our efforts to achieve these targets are focused in the following areas:

### 1. Awareness

Education and awareness are key to understanding the multi-step process of building a more diverse, equitable, and inclusive company. As discussed in a previous section, CQ training will be one of our key initiatives to achieve this objective. Additionally, BAC Talk and BAC Listen provide opportunities for employees to share information about a wide range of topics and for employee voices to be heard and valued, bringing us closer to reaching our DE&I goals. These platforms align with our talent strategy and Employer Value Propositions. They are designed to provide a safe space for BAC employees to engage with one another and express their perspectives on a myriad of topics that impact our company culture. BAC Talk is a platform in which leaders share information on our products, markets, and

business strategy. BAC Listen gives employees the opportunity to provide direct feedback to the senior management team. BAC Listen continues to enhance global discussion on topics such as women in leadership, evolving technology and its impact on employees lives, and community social responsibility.

BAC has also decided to launch different Employee Resource Groups (ERGs) to provide opportunities for employees to create communities based on shared characteristics or life experiences. They generally focus on providing support, enhancing career development, and contributing to personal growth in the work environment to benefit employees worldwide. With the launch of DRIVE, our first ERG focused on Women. We will expand and launch other groups soon.





## DIVERSITY, EQUITY, & INCLUSION (CONTINUED)

### 2. Talent Integration

BAC has significantly increased our talent acquisition process to focus on and recruit from more diverse sources, such as the Thurgood Marshall College Fund, Society of Women Engineers (SWE), Society of Hispanic Professional Engineers (SHPE), historically Black colleges and universities, Tongji University, among others. The efforts have resulted in 20% increase in the hiring of females into professional roles from 2022 to 2024.

Further, we have and will continue to engage in regular reviews and implement best practices for equitable compensation as it is a high priority in our DE&I journey.

### 3. Operations and Market Integration

BAC will be including diversity representation targets in sustainability initiatives. Sustainable business and production practices will allow us to build more bridges and reach broader audiences and communities while engaging people from different backgrounds and professional groups. This will help to underscore support for diversity within our organization and partners.

### 4. Compliance

In an effort to follow through on our DE&I goals, BAC will increase the tracking of diversity metrics to better understand specific areas for improvement. We are motivated to invest time, energy, and resources into an improved structure and the right training for employees and leaders to make sure we continue to evolve as a diverse company. These metrics are now part of our quarterly business review as we continue to refine both the methodology and targets.







## ESOP – EMPLOYEE OWNERSHIP

U.S. employees of BAC participate in an Employee Stock Ownership Plan (ESOP) through Amsted Industries. An ESOP is a qualified defined contribution retirement plan that transfers company stock ownership to eligible employees. ESOP participation allows employees to engage with their company as part-owners and inspires them to take great pride in their work and performance within the company. It can also improve employee retention because of the added incentive that employee-owners know they are contributing to the longevity and success of their company.

The value of ESOP participation is linked directly to company performance. The impact of an ESOP can be significant over time, especially when combined with 401(k) and health savings accounts. Beyond a strong sense of ownership in the company, employees have yet another way to plan for retirement.

Amsted Industries stock is awarded as part of an employee's annual compensation package without any out-of-pocket contributions from the employee. Because this is in addition to the 401(k), employees are equipped with more than one method of investing in their retirement. With this benefit, employees can "cash out" when they retire and roll the funds into a retirement account.

As is typical with ESOPs, there are risks and rewards as the company's stock may rise and fall. Since the establishment of the Amsted Industries ESOP, it has proven to generate wealth for employees over the long term as the company's value has increased over time.



**The ESOP structure allows employees to engage with their company as part-owners and inspires them to take great pride in their work and performance within the company.**

## 05 SOCIAL RESPONSIBILITY - OUR EMPLOYEES



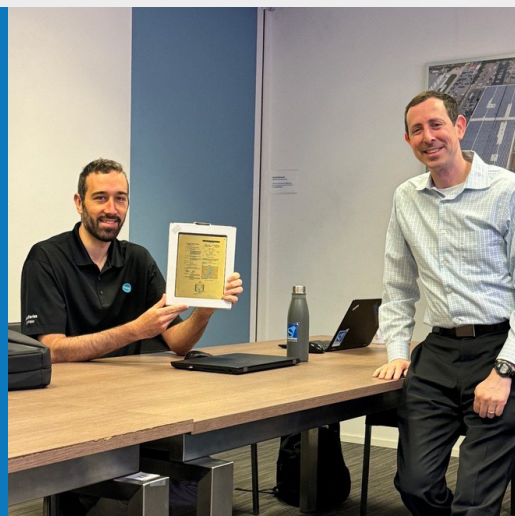
### RECOGNITION & AWARDS

At BAC, our employees are our most valuable asset. We recognize employees who demonstrate BAC's values and routinely celebrate their accomplishments. This connects our employees deeper with BAC's mission, vision, and values, and reinforces our culture of collaboration and teamwork. Further, when recognized and appreciated, employees are more satisfied with their work environment.

In all locations around the world, BAC recognizes employees' work anniversaries with ceremonies or reward programs or both. Every year, dozens of employees celebrate their 30-year anniversaries, a testament to BAC's focus on employee well-being and growth, along with a stable work environment provided by the same ownership group for over 40 years. In addition, employee accomplishments are regularly highlighted in newsletters, videos, and company-wide or departmental meetings.



Employee achievements are often highlighted and recognized in departmental meetings and at our quarterly all-employee meetings. For example, HR quarterly meetings calls out special employee accomplishments with "You're So Cool" recognitions. The Global Engineering monthly meetings celebrate major triumphs such as patent awards and new product development milestones.



In the United States, BAC utilizes a program called BRAVO to recognize employees who demonstrate the company's values or other outstanding accomplishments. Various BAC regions have similar programs, and BAC is working to launch universal, company-wide recognition. The Global Recognition Program includes members of each region to provide recognition that is inclusive to all BAC locations.





## INNOVATION AT OUR CORE



### INNOVATION IN ACTION

Patented Loop™ platform keeps customers connected, providing real-time system automation that predicts and optimizes performance, maximizing performance and reducing unnecessary energy and water consumption.

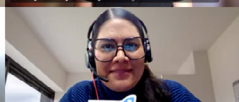
Innovation is at the core of BAC's culture and has driven the success of our products since our founding in 1938.

To build on our legacy of product innovation success, BAC launched Innovation 2.0 in 2018, deploying a structured innovation process for non-product processes and building a company-wide innovation culture and mindset. This process consists of five distinct phases of creative problem solving, innovation that focuses on meeting stakeholder needs, casting wider nets for solutions,

and pushing employees to develop exceptionally creative solutions. These solutions are more sustainable, reducing our operational and product carbon footprint. This process also considers new ways of solving existing and new challenges and opportunities. Innovation 2.0 has enabled all employees to use the innovation mindset and process to accelerate our sustainability efforts, and

our product and operational performance.

We enable this innovative thinking mindset at BAC through a team of trained facilitators called iMentors. These iMentors are not only trained in the methodology, but also skilled in facilitating innovation sessions throughout the organization.



Leveraging virtual tools including augmented reality to allowed plant reconfigurations, inspections and tours resulting in less travel and with a more flexible training schedule. Developed new manufacturing processes that reduced product weight and material content by approximately 15%.

# Community Engagement

We recognize the value of employee and corporate volunteering in making a difference to the planet and its communities.





## GLOBAL ENGAGEMENT

At BAC, we understand that water and sustainable cooling are essential for continued development. Hence, we are committed to contributing to the availability of clean, safe water and sanitation to communities worldwide. The most notable benefits include the reduction of diseases caused by contaminated water and an increase in safety among vulnerable populations, including women and children, who would otherwise need to travel great distances to their nearest water source.

### PARTNERING WITH



BAC's partnership with Just a Drop began in 2018. The approach of Just a Drop is rooted in community-led development. Local communities are involved in the planning, execution, and maintenance of each project, as local ownership is essential to have a lasting, positive impact.

In addition to providing water via a technical solution, such as drilling wells, establishing pipelines, buildings, and dams, or creating rainwater harvesting systems, Just a Drop includes sanitation and hygiene training, to keep water sources and solutions clean and uncontaminated. The

successful partnership between BAC and Just a Drop thrives on the enthusiasm and support of BAC employees globally. In each facility, a BAC Water Ambassador coordinates the fundraising efforts with BAC doubling all employee donations.

### TRANSFORMING LIVES

Over the last 2 years, our projects have transformed the lives of approximately 2,000 people by supporting projects in Cambodia, Zambia, and Nicaragua:

- Lieb village, Cambodia: the 671 people in the village, including the village school with 113 children and 4 teachers, now have access to safe water through bio sand filters. Sanitation has improved hugely through the provision of 82 latrines
- Tara and Nantale primary schools, Zambia: latrines, handwashing facilities and hygiene education were provided to benefit 494 children at the Tara Primary school and the 540 children who attend Nantale Primary school.
- Tempisque, Nicaragua: the community used to rely on just one tap in the village for water, which produced an irregular supply of contaminated water. Using an underground spring, pipes were built to take the water to eight public tap stands, and now 151 people in the village have access to safe water.
- La Jicara, Nicaragua: 101 people from the community did not have a safe water supply. Now, water is taken from a freshwater spring and brought to a water storage tank. From there, piping is installed and connected to water taps at individual households.



## GLOBAL ENGAGEMENT (CONTINUED)

During a project visit in Cambodia, BAC colleagues have been able to witness the transformative impact of these projects with their own eyes.



*I visited a school and community where BAC funds provided villagers with much needed latrines, bio-sand filters to access clean water, and trash disposal rings to burn waste. I will always remember how close the local guys were to the villagers, like they were engaging with their own relatives. Something else that will stick with me is how JAD and its local partner Water For Cambodia focus on sustainable solutions reinforced through training and follow-ups with the communities.*



(Fong Carson – former BAC Water Ambassador, who visited Lieb village in February 2023)

Since 2018, we have impacted 27,000+ people in 6 countries:



**Our target:**  
Positively impact the lives of at least 50,000 people by 2030, by actively supporting water-related charities

## 05 SOCIAL RESPONSIBILITY - COMMUNITY ENGAGEMENT



### LOCAL ENGAGEMENT

Embracing responsibility is one of our core values. To that end, we are committed to raising employee awareness of and engagement with environmental and social challenges, globally and in the communities where we operate.

#### BAC ACTIVITIES

For several years, we have been focusing on the organization of local activities primarily around thematic days such as **International Women's Day** (March 8), **World Water Day** (March 22), **World Environment Day** (June 5), and **World Food Day** (October 16).

#### Examples of activities over the last 12 months include:

- Spending time with children with autism at Morningstar Yulin Rehabilitation Care Centre in Dalian (China) and fund-raising for the Centre
- E-waste collection drive in Australia that recycles e-waste and avoids them going to landfill. Money raised from employees dropping of their e-waste was donated to a charity supporting generating the land for farmers affected by flood, drought and bushfire
- Litter clean-up around BAC facilities in Somersby (Australia), Madera (US), Dalian (China), and Heist-op-den-Berg (Belgium)
- Food donations to local food banks and social grocery stores in all regions for immediate impact on people in need in local communities
- Sponsor 5k Run in Madera (US) hosted by American Association of University Women with proceeds going to women pursuing STEM education in Madera
- Hiring workers from a local NGO in South Africa that runs a skills development program for the unemployed





## LOCAL ENGAGEMENT (CONTINUED)

**In South Africa, BAC celebrates the legacy of Nelson Mandela on his birthday, the 18th of July.**

**“We can change the world and make it a better place. It is in your hands to make a difference”**

**- NELSON MANDELA**



In 2023, our employees donated groceries for Se'skhona Village to use in their community soup kitchen. Se'skhona Village is an informal settlement close to the boundary of our premises in Philippi. We are so pleased that these groceries were put to good use by the community in their soup kitchen.

### Community Events from BAC China





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Integrity  
is the foundation  
for all of our  
relationships.

# GOVERNANCE





## SUSTAINABILITY GOVERNANCE

Sustainability is at the foundation of our strategy and has a central position in our Vision, Mission and Values. To drive our efforts further, we have strengthened our sustainability-dedicated resources and created stronger accountability at the senior leadership level by expanding the scope of Bill McQuade to VP of Government Affairs & Global Sustainability.

Global Sustainability Leader Tim Vrints reports to Mr. McQuade and is responsible for providing global coordination related to BAC's sustainability efforts. Working with BAC global and regional teams, Mr. Vrints develops and leads the implementation of the company's sustainability strategy.

The Global Sustainability Leader meets with the entire Global Leadership Team at least two times per year to share the progress of our initiatives, discuss ESG risks and opportunities, and talk about short-term objectives and mid-term targets. Targets are approved by the Global Leadership Team and incorporated in the BAC Strategic Plan approved by Amsted Industries.

Over the next years, we will further develop our sustainability governance structure to ensure that sustainability is fully embedded in our operations, our supply chain, and in our product development activities.

**Our target: Include sustainability in the yearly performance objectives of all key managers, globally, by 2030**



Bill McQuade



Tim Vrints



## STRIVE FOR INDEPENDENT CERTIFICATION

Certification of BAC’s quality, environment, and health and safety management systems according to the ISO 9001, 14001, and 45001 standards establishes credibility and trust among BAC’s customers and other business partners. The certifications validate our organization’s adherence to recognized global standards.

**Our target: Have all our major facilities triple-certified according to ISO 9001 / 14001 / 45001 by 2030**

Most of BAC’s existing sites are already certified according to ISO 9001. We are in the process of achieving ISO 9001 certification at BAC’s new manufacturing facilities at Dayton, Tennessee and Monterrey, Mexico.

BAC’s roadmap towards triple certification includes development and implementation of environment, health, safety, and quality management systems. BAC has issued twelve global EHS standards that provide

key requirements for site EHS management systems. We will pursue certification once the site EHS management systems are implemented and stabilized and have already achieved triple certification at our Dalian plant.

### Percentage of major facilities that are certified





## CODE OF CONDUCT: INTEGRITY GUIDES OUR BUSINESS OPERATIONS

At BAC and at our parent company Amsted Industries, we believe that integrity is the foundation for our relationships with customers, suppliers, other companies in our industries, and the communities in which we work.

We require that every employee act honestly, ethically, and with integrity at all times in the performance of their duties. BAC employees receive annual Code of Conduct training and certification. Our Code of Conduct establishes guidelines regarding business conduct and ethical practices, including:

- Compliance with All Applicable Laws and Regulations
- Avoid and Declare Any Conflicts of Interest
- Respect and Non-Discrimination at the Workplace
- Fair Competition for All
- Protection of Company Assets
- Prohibition of Bribery, Gifts, and Entertainment
- Maintaining Privacy and Confidentiality
- Protection of the Environment
- Assuring Accuracy and Completeness of Amsted Industries' Financial Reports



 PUBLIC POLICY



The United Nations Environment Programme (UNEP) estimates that, globally, the built environment and the construction sectors account for nearly 40% of the energy consumed and emits 37% of greenhouse gas emissions. At BAC, we believe that our global leadership position in the industry comes with a responsibility to promote the most energy efficient cooling systems, to facilitate the decarbonization of buildings and industrial facilities, and to promote the conservation and safety of our water sources.

In our advocacy efforts, we emphasize a balanced approach to cooling, where energy use, carbon emissions, and water use are considered equally, to determine the most sustainable solutions for our customers and the environment.

### Energy Efficiency

Water-cooled systems can save up to 50% of the energy that alternate air-cooled technologies require. As the world strives for electrification, we advocate for a holistic life-cycle approach that considers all cooling options on an equal and fair level. As a member of CTI and Eurovent, BAC promotes independent certification for cooling towers and other heat rejection equipment and challenges the performance claims of non-conforming products when warranted. We provide technical expertise to government agencies with regard to energy efficiency regulations. BAC also participates in the development of equipment performance standards through working groups in organizations like CCTI, Eurovent, AHRI, AIRAH, and IIR, and for building performance standards, in organizations like ASHRAE and the International Organization of Standards (ISO).





## PUBLIC POLICY (CONTINUED)

CO<sub>2</sub>

### Decarbonization

At BAC, we believe that the total environmental impact of a cooling system must include both embodied and operational carbon emissions, including the deposition of the equipment at the end of life. We are taking an active role in the development of industry standardized product category rules for calculating environmental product declarations for our products. Also, we promote practical methods for obtaining embodied carbon content from manufacturing processes and supply chain networks and ensuring that comparisons of like products and of other competing technologies are done on a level playing field.

### Water Safety and Conservation

Water is not only the working fluid for many of the most efficient products, but also our passion. We continue to develop new innovative products that use less water and still deliver high levels of heat transfer performance. In water restricted areas, we advocate for regulations that recognize the differences in water use for various evaporative cooling products and govern their use with an understanding of the impacts to total energy consumption.

More importantly, BAC believes that everyone deserves access to safe, clean water through reliable infrastructure. That is why we support organizations like the Alliance to Prevent Legionnaires' Disease, which educates policy makers, health officials, and end users on the root cause of 96% of the disease cases: contaminated source water delivered by utilities. For the remaining 4% of cases that result from poor water management in buildings, we have worked with CTI and ASHRAE for over 10 years to develop a comprehensive portfolio of standards and guidelines that are used to protect building occupants from the growth of biofilm in piping systems and that mitigates the risk of infection from faucets, shower heads, water fountains, and other building mechanical equipment.



## SUSTAINABLE PROCUREMENT



BAC has strong relationships with our suppliers to ensure that they work to the same high standards as we do and are aligned with BAC’s sustainability goals. We have an international supplier base and purchased materials representing a significant part of the product cost. As such, collaboration and transparency are key to establishing a supply chain that balances economic, social, and environmental aspects.

**Our target: Allocate sustainability the same weight as other key metrics in supplier selection and performance evaluations by 2030**

In 2024, BAC will establish a Global Supply Chain Steering Committee (SCSC) to establish and oversee key strategic elements and metrics of the company’s supply chain. A key responsibility of this group will be to drive an increased sustainability focus to track the progress of compliance, and to ensure that sustainability is given the same weight as other key metrics in supplier selection and performance evaluations.

Currently, BAC uses two methods to assess the sustainability performance of suppliers: a Code of Conduct for Suppliers and Subcontractors and a Supplier Sustainability Survey.

**Our target: Ensure that all significant suppliers globally comply with the BAC Code of Conduct for Suppliers and Subcontractors by 2030**

BAC’s Code of Conduct for Suppliers and Subcontractors outlines the principles and standards to which we expect all our suppliers and subcontractors to adhere. It covers responsibility for both the society and environment associated with the production of materials and provision of services. By 2030, we aim to ensure that all key global suppliers comply with this code. At the end of 2023, 70% of our key suppliers globally has confirmed their compliance.

The Supplier Sustainability Survey contains questions about external reporting and participation in voluntary sustainability initiatives, environmental issues, labor and human rights, ethics, sustainable procurement, and product sustainability. It is used to get a better view of our suppliers’ sustainability programs and to have a quantitative measure that can be integrated into vendor scorecards. The survey has already been completed by 80% of key suppliers and we have started a dialogue with these suppliers to discuss the results of the survey and see where improvements can be made. We started sharing best practices across suppliers, and this sharing will continue to increase over time.



This report contains forward-looking statements. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "momentum," "seeks," "estimates," "continues," "endeavors," "strives," "may," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to (1) our goals, commitments and programs; (2) our business plans, initiatives and objectives; (3) our assumptions and expectations; (4) the scope and impact of our corporate responsibility risks and opportunities; and (5) standards and expectations of third parties, are only predictions and are inherently subject to risks, uncertainties, and assumptions that are difficult to predict. From time to time, we also include written or oral forward-looking statements in other publicly disclosed materials. Such statements may relate to our intent, belief, forecasts of, or current expectations about our strategic direction, prospects, future results, or future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any forward-looking statements because such statements speak only as of the date when made and the future, by its very nature, cannot be predicted with certainty. Forward-looking statements specific to our sustainability report may include, but are not limited to, statements regarding our emissions, energy consumption, water consumption, and other environmental targets, external ESG commitments and operational strategies. Many risks, contingencies and uncertainties could cause actual results to differ materially from these forward-looking statements. These goals are aspirational and not guarantees or promises that all goals will be met. Statistics and metrics relating to ESG matters are estimates and may be based on assumptions or developing standards. All forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.