

2024

Sustainability Report



Table of Contents

Letter from our CEO and President	3	People and Community Well-Being	19
About Watsco	4	Talent Attraction, Development, and Retention	20
Our Business		Equal Opportunity	22
Our Commitment to Sustainability	5	Community Engagement	23
Our Value Chain	6	Workforce Health and Safety	24
	6	Emergency Response and Preparedness	28
		Product Safety and Quality	29
Our Approach to Sustainability	7	Ethical Leadership	30
Materiality Assessment	7	Corporate Governance	30
Material Topics	8	Enterprise Risk Management	31
Timeline of Sustainability Milestones	9	Regulatory Compliance	31
Sustainability Governance	10	Business Ethics and Integrity	32
2024 Sustainability Highlights	11	Cybersecurity and Data Privacy	33
Planet Stewardship	12	SASB Index	35
Greenhouse Gas Emissions Reduction	13	TCFD Index	37
Energy Management Initiatives	14		
Promoting the Sales of Sustainable Solutions	15		
Supporting Technology	16		
Refrigerant Reclaiming	18		

Watsco's inaugural Sustainability Report is for the reporting period covering January 1, 2024, to December 31, 2024, unless noted otherwise. This report summarizes our performance and metrics on material sustainability topics based on our most recent materiality assessment. The data in this report covers the operations of our business units as well as Watsco's corporate-level activities.

The disclosures in this report were created in alignment with the Sustainability Accounting Standards Board (SASB) Multiline and Specialty Retailers & Distributors Standards, along with select Global Reporting Initiative (GRI) metrics and Task Force for Climate-Related Financial Disclosures (TCFD) metrics.

Letter from our CEO and President

To our Stakeholders,

As North America's largest distributor of HVAC/R products, Watsco is leading the transition to more energy-efficient and environmentally safe products. Our 2024 Sustainability Report highlights our progress in integrating sustainability into our business model to drive profitable growth.

During the last ten years, we have made significant strides in modernizing and digitizing our operations, streamlining internal processes, and enhancing our customers' experience at every stage of their HVAC/R journey. Our comprehensive technology investments have transformed how we serve our customers and support our industry partners. In 2024, we generated sales of \$2.6 billion across our e-commerce platforms to provide contractors with seamless access to products and technical information around the clock. Our customer-facing mobile applications deliver real-time support, inventory updates, and technical resources directly to job sites, improving efficiency, and reducing truck rolls. Our consumer-facing platforms further enhance our impact by improving the HVAC sales experience, helping contractors better serve their customers while promoting the adoption of energy-efficient technologies. In 2024, we sold more than 800,000 heat pumps, trained 31,000 technicians, and reclaimed more than 320,000 pounds of refrigerant from our network.

Our commitment to sustainability extends beyond environmental performance. We are dedicated to fostering a culture of ownership, innovation, and inclusion where our employees can thrive. This entrepreneurial philosophy has shaped Watsco's growth and continues to drive our success today. A tangible example of that vision was our entry into the prestigious Fortune 500®, an important and gratifying milestone for our Company. We ranked 486 on the list in 2025.

We extend a heartfelt thanks to our customers, employees, and partners for their continued support. Your trust and collaboration strengthen our commitment to sustainable growth and advancing energy efficiency in the HVAC/R industry.

Sincerely,

Albert H. Nahmad
CEO Watsco, Inc.

Aaron (A.J.) Nahmad
President Watsco, Inc.



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About Watsco

Watsco, Inc. (NYSE: WSO) is the largest distributor of HVAC/R products in North America. With 36 years of experience in the HVAC/R distribution industry, Watsco has built a reputation as an industry leader, offering a wide range of products from some of the world's most trusted brands. Our network of 690 locations and approximately 7,300 team members across the U.S., Canada, and Mexico enables us to serve a wide range of customers as we can continue to transform the estimated \$74 billion North American marketplace.

Our Business

Watsco plays a critical role in the HVAC/R market, distributing essential products to contractors and dealers who install, maintain, and repair aging and less-efficient systems for thousands of customers. In 1989, we moved away from our manufacturing roots toward a distribution strategy defined by a “buy and build” philosophy, resulting in substantial long-term growth.



The “buy” component focuses on acquiring or investing in market leaders to expand into new regions and increase our available product offerings. The “build” component promotes growth in acquired companies by investing in scalable technologies and sharing ideas across leadership teams. Newly acquired businesses benefit from Watsco’s technology, capital resources and diverse vendor relationships, while customers benefit from having access to a wider array of products on favorable terms. Additionally, our stock-based equity plans allow leaders and employees to own shares, fostering a long-term, performance-driven outlook that aligns our workforce’s interests with Watsco.

Our philosophy is best observed in our continued relationship with the more than 130,000 active contractors and dealers whom we serve directly and count on to service a growing installed base of systems. We strive to ensure that our customers have access to the latest technologies, technical support and products that consistently meet evolving environmental and energy efficiency standards, providing sustainable HVAC/R solutions when and where they are needed. As a leading innovator in the industry, Watsco is constantly exploring new ways to improve energy efficiency and reduce environmental impact by working with our OEMs and through technology investments, customer education, and long-term planning.

Our Commitment to Sustainability

Watsco's commitment to sustainability extends far beyond distributing energy-efficient products. We recognize the pivotal role we play in helping our customers navigate regulatory changes, streamline their operations, and access technical training on emerging products and technologies.

We believe that sustainability, profitability, and innovation go hand in hand. Our vision is to lead the HVAC/R industry toward a cleaner and more energy-efficient future while continuing to provide the highest level of service and quality that our customers expect. As we look to the future, Watsco remains committed to growth, operational excellence and advancing solutions that help protect the environment and support the well-being of both our people and the communities we serve.

This report highlights the steps we have taken, are taking and will take to continue to grow profitably while reducing our environmental footprint, fostering a safe and inclusive workplace, and supporting our partners. As we continue to grow and expand, this inaugural report serves as an important milestone in our journey toward a more sustainable and responsible future.

Our Value Chain

Watsco's value chain is a seamless connection, beginning with our strong partnerships with leading HVAC/R manufacturers, extending to customers who rely on us to distribute high-quality HVAC/R products and ultimately extending into the homes and businesses that use these products. We continuously improve our value chain by adopting the latest product innovations, optimizing supply chain efficiencies, and investing in technologies that streamline ordering and inventory management. This integration of physical distribution and digital innovation allows us to efficiently meet customer demands while maintaining a focus on sustainability and operational excellence.



Our Approach to Sustainability

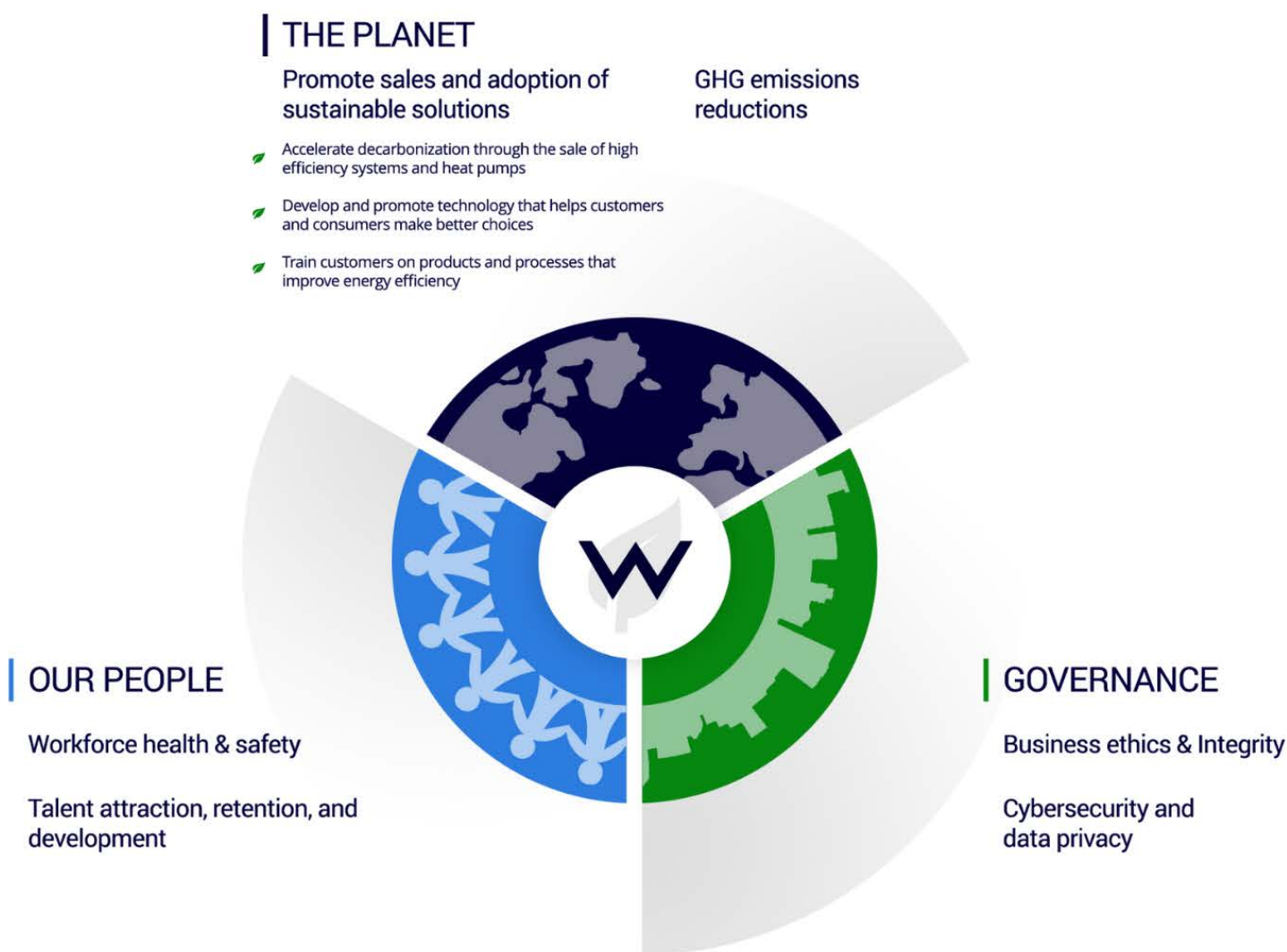
Materiality Assessment

In 2024, Watsco undertook a comprehensive materiality assessment to identify sustainability issues with the greatest potential to impact our business outcomes. This process began with a broad review of sustainability topics, informed by industry reporting frameworks such as GRI and SASB. Next, we engaged key internal and external stakeholders through interviews and surveys to gather valuable perspectives from employees, customers, investors, and partners. Finally, we developed our draft materiality matrix and held a workshop with the Sustainability Steering Committee, which validated the results and prioritized the topics that matter most to our long-term strategy.



Material Topics

The outcome of this process is a list of material topics that highlights the sustainability areas most critical to our stakeholders and business operations. While sustainability encompasses a wide range of topics, Watsco is concentrating efforts on a refined set of priorities under the following pillars: The Planet, Our People, and Governance. These focus areas reflect our commitment to reducing greenhouse gas (GHG) emissions, promoting sustainable solutions, supporting the health, safety, and development of our workforce, and maintaining the highest standards of business ethics, integrity, and cybersecurity. By focusing on what matters most, we are well-positioned to drive meaningful impact and create long-term value for all stakeholders.



Timeline of Sustainability Milestones





Sustainability Governance

Watsco's Sustainability Steering Committee is essential for guiding the Company's sustainability efforts across our business units. Meeting bi-monthly, this committee includes our CEO, President and executive leadership from finance, procurement, technology and M&A, promoting diverse expertise. The Committee's responsibilities range from monitoring sustainability performance, such as emissions and product sales mix impact, to coordinating training for consistent practices across our business units.

In turn, each business unit has selected a Sustainability Leader who is responsible for executing the Company's sustainability strategy and driving employee engagement and training. This decentralized governance structure, where each business unit has autonomy but aligns with Watsco's broader objectives, ensures that sustainability initiatives are integrated into both strategic decisions and day-to-day operations at a local level.

2024 Sustainability Highlights

We conducted our **inaugural materiality assessment** and identified six key priority areas to focus our sustainability strategy in the near future.



We completed the **implementation of Telematics** across all our trucking fleet to monitor idle times, increase route efficiency, and improve driving safety.



We reclaimed **over 320,000 pounds of refrigerant** from over 316 branches in our network.



Alert Labs, Watsco's water and A/C intelligence division, reached

10.6 billion gallons of water saved through its over 115,000 AI-powered water management solutions deployed across 12,000 buildings.

Baker Distributing, our largest business unit in terms of locations, deployed

375 smart thermostats across more than 200 branches connecting them to a centralized platform to optimize energy consumption across facilities.



We sold **\$1.7 billion** in **Energy Star** and **Water Saving** products.



We added **67 electric forklifts** to our fleet, reaching a 52% forklift electrification rate.

We transitioned **three business units** to a **new utility management platform**.

We completed our **first climate-related risk and opportunity assessment**.

Planet Stewardship

We believe that our business plays a vital role in the global effort to reduce GHG emissions. The U.S. Department of Energy reports that heating and cooling account for roughly half of household energy use in the U.S., making the replacement of outdated and less efficient HVAC systems a critical measure for homeowners to decrease both their electricity expenses and carbon footprints. One of the most impactful ways individuals can contribute to decarbonization efforts is through the adoption of high-efficiency systems and heat pumps. Given that a significant portion of household energy use is dedicated to heating and cooling, upgrading to these advanced systems will dramatically reduce energy consumption, making it a key step toward decarbonizing home energy use.

Many of the new HVAC systems we sell replace older models that likely no longer meet current efficiency standards and may use refrigerants being phased out due to their environmental impact. We have long prioritized the sale of high-efficiency systems and have invested in technology and tools to enhance our product offerings. In 2024, our efforts in selling higher-efficiency residential HVAC/R systems helped prevent an estimated 3.6 million metric tons of CO₂e emissions, according to independently validated estimates.



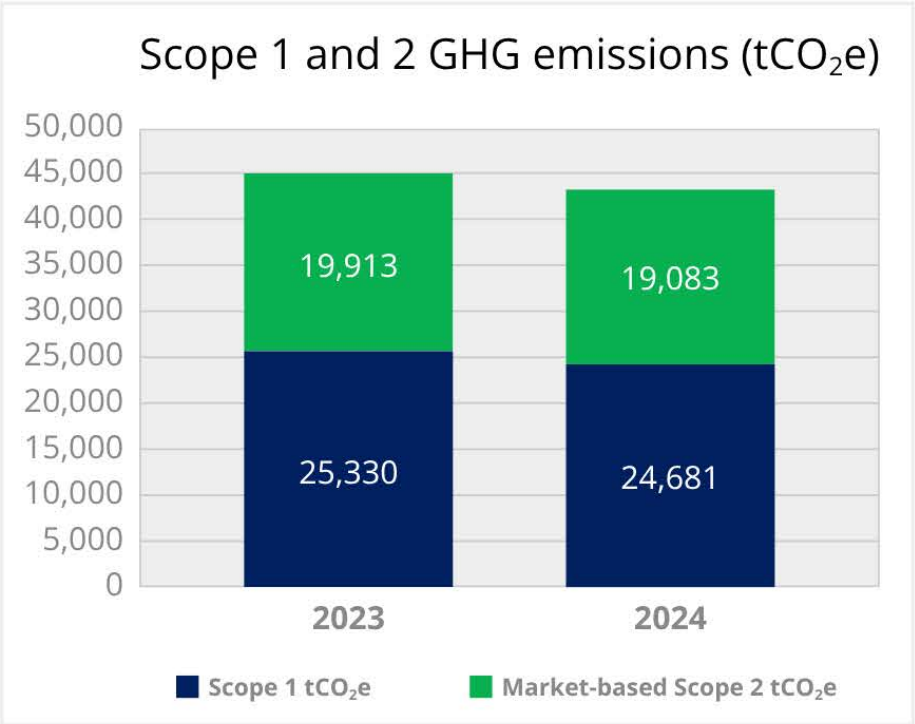
Greenhouse Gas Emissions Reduction

At Watsco, we recognize the significant environmental impact of HVAC systems, particularly concerning GHG emissions. Our commitment to emissions reduction is to minimize our internal carbon footprint by promoting high-efficiency HVAC products that help consumers reduce emissions and save energy. Watsco plans to establish GHG reduction targets and is currently developing an abatement strategy.

GHG Emissions Measurement and Management

Watsco’s commitment to environmental sustainability focuses on reducing our operational emissions and working with our partners to reduce emissions across our supply chain. We do this through:

- Measurement:** Watsco has worked over the last three years creating the processes needed to accurately measure GHG emissions across our operations. This included the standardization of utility data gathering and management across all our business units which will be completed in 2025. Moreover, we implemented a carbon accounting platform in 2023 that aligns with the GHG Protocol Corporate Accounting and Reporting Standard allowing us to not only measure emissions across all scopes but also analyze impacts of different initiatives, and forecast emissions reduction pathways.
- Management:** we share insights from our measurements with cross-functional leaders across our business units to come up with solutions to reduce emissions in our operations.
- Reporting:** we share results from sustainability initiatives deployed across our business units, engage with stakeholders and ensure regulatory compliance.



The footprint covers all the operating business units

Total Energy Consumption	2023	2024
Total energy consumption (GJ)	600,796	583,767
Percentage grid electricity	33%	33%

Energy Management Initiatives

Through Watsco's robust carbon accounting system, we can monitor and manage emissions across our extensive network of 690 locations and more than 780 ground transport vehicles composed of delivery and pick-up trucks, vans, and tractors. This system helps identify opportunities to improve energy efficiency, such as optimizing our transportation fleet by reducing idle time and transitioning to electric-powered equipment. Over the last two years we introduced two electric vans and 135 electric forklifts to our fleet. These efforts are crucial in lowering our overall fuel consumption and emissions while reducing operational costs.

Additionally, Watsco is focused on enhancing energy efficiency within our facilities by conducting energy audits, upgrading lighting systems to LEDs, and exploring the installation of renewable energy. Watsco's headquarters in Miami received a Silver LEED certification in 2019, highlighting our commitment to building efficiency. We have also centralized utility accounts and fuel sources to streamline the measurement of internal emissions. By closely tracking utility usage and addressing high-energy consumption areas during regular meetings with business unit leaders, we can identify outliers and implement targeted adjustments to reduce energy consumption across our facilities. This proactive energy management approach not only reduces costs but also contributes to our broader environmental goals.

Watsco's business unit, Carrier Enterprise, turns to VRF Systems

Two years ago, Carrier Enterprise's 79,000 sq. ft. headquarters located in Charlotte, NC underwent a major renovation to improve the facility's energy use. The facility's old HVAC rooftop units were replaced with cutting edge Variable Refrigerant Flow (VRF) systems that significantly improve energy efficiency by modulating refrigerant flow to each designated area of the building according to its needs, and integrating a state-of-the-art heat recovery system. Since the installation was completed, the facility has seen a drop of more than 30% in electricity use.

Carrier Enterprise is focused on leading the HVAC industry with high-efficiency product sales. Using VRF technology for our renovation was one way to demonstrate our commitment while exposing our customers directly to the project by leaving our ceiling open to view the VRF installation. This has led to many conversations with customers, as well as our other high-efficiency HVAC options."



Eric Benishek

VP of Operations and Supply Chain
Carrier Enterprise



Promoting the Sales of Sustainable Solutions

As we've highlighted, we acknowledge that the biggest impact we can have in building a sustainable future is through the products we sell. Sustainability is a core value that guides our product development and sales strategies. This is reflected in the wide range of energy-efficient products we offer, including heat pumps, high-efficiency heating and cooling systems, indoor air quality products, smart thermostats, and IoT devices that monitor AC health and water use. In 2024, Watsco companies sold more than 800,000 heat pumps which typically replace other emissions intensive types of heating. These products are designed to help our customers reduce their carbon footprint while improving indoor air quality.



>925K

High efficiency ductless units sold in 2024



>800K

Heat pumps sold in 2024

To promote the sale of sustainable products, we have implemented a multi-faceted approach that includes customer education, strategic partnerships, and innovative technology.



Customer Education

Our stores serve approximately 375,000 contractors, technicians, and installers annually who not only purchase everything they need to complete an HVAC job, but also depend on us to help them navigate product and regulatory changes.

It is through ongoing training and support that we engage contractors on the benefits of sustainable solutions and provide them with tools that help them sell, finance, install, and service high-efficiency systems and eco-friendly accessories. In 2024, Watsco businesses trained over 31,000 technicians through more than 1,000 courses.

"There have been many fantastic improvements in the HVAC industry over the years in terms of energy efficiency, refrigerants, materials, and recycling. OEMs, governments, and large customers have fully embraced sustainability. Those improvements, however, only translate into reality if people in the field take advantage of them. Our focus at TEC has centered on educating technicians on how to properly install equipment so it saves energy. Our training also covers the importance of refrigerant management and reclamation, equipment recycling, testing systems performance, and end-customer education. We need intelligent and sustainability focused field people to make sure the actual operation of the equipment matches its original design. We accomplish this through rich training programs and strong post-sale technical support."

Ryan Hoger

Director of Training
TEC

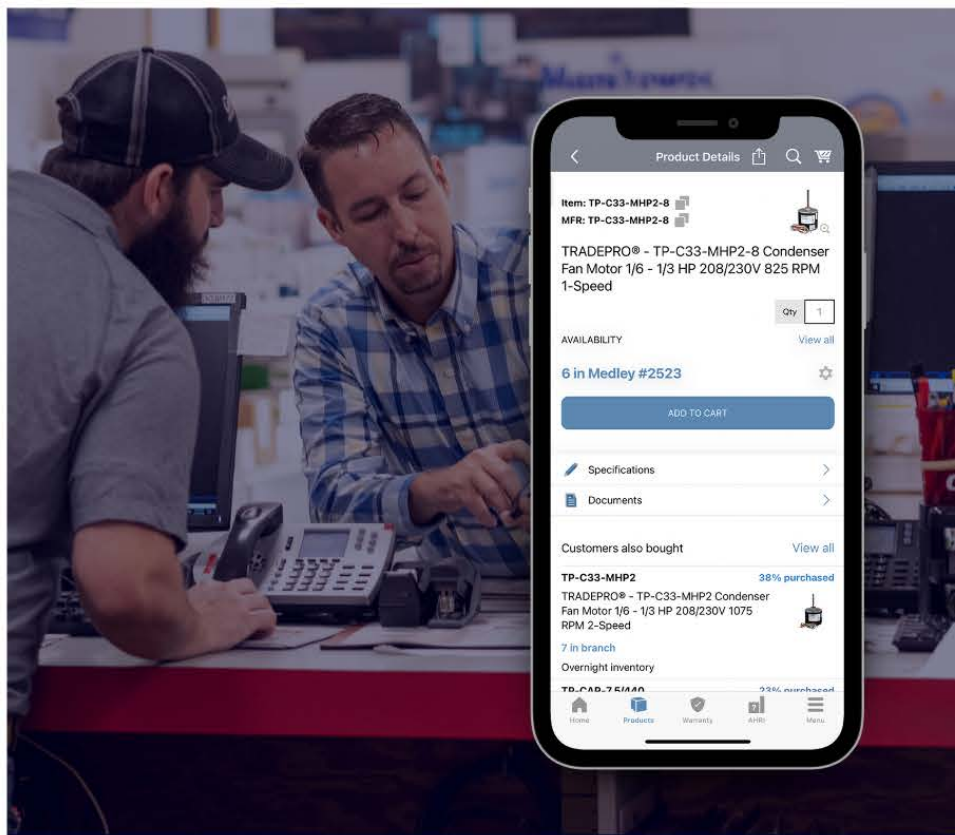


Supporting Technology

Watsco has invested over \$235 million in technology over the last five years, and our team of approximately 300 technologists work tirelessly to help support our customers at every step of their journey, from ordering products through our e-commerce sites to selling HVAC systems to consumers and accessing technical support when they need it.

Our HVAC Pro+ Mobile Apps provide contractors access to the tools they need to successfully complete an HVAC job in the field. This includes:

- Accessing real-time pricing and product availability at one of our nearby stores.
- Warranty search and claim processing.
- Access to wiring diagrams, parts lists, and installation instructions.
- Ability to verify if HVAC indoor and outdoor units are matched to ensure systems are certified by the Air-Conditioning, Heating and Refrigeration Institute (AHRI) to work together efficiently and reliably.
- Access to live technical support via text and video for technicians so they can resolve questions and issues directly at the job site.



Watsco Ventures

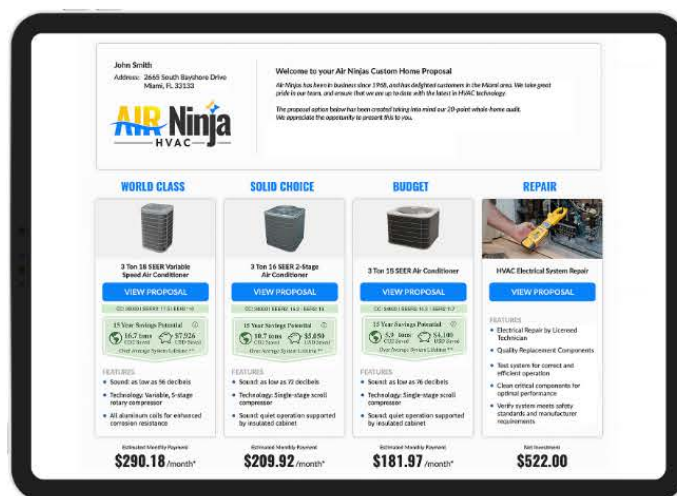
Watsco Ventures, our Innovation business unit, incubates, partners and makes strategic investments in technology products that help HVAC/R contractors grow their businesses. These products help contractors sell sustainable solutions at a higher rate and run their businesses more efficiently.

In 2016, Watsco Ventures created OnCall Air®, a digital sales platform that modernizes the HVAC selling experience. Since then, the platform's reach has expanded significantly. In 2024, the gross merchandise value of products sold through the platform increased 25% to approximately \$1.5 billion with contractors quoting HVAC solutions to approximately 313,000 households. OnCall Air®'s unique features help contractors highlight the benefits of high-efficiency products and heat pumps through detailed product information that includes potential energy savings and environmental product benefits. Additionally, it integrates financing options and incentives which make purchasing sustainable products more affordable. In fact, over 40% of quotes in OnCall Air® offer financing options.

As a result, 75% of systems sold through the platform in 2024 exceeded minimum efficiency standards.

We've also partnered and integrated solutions into OnCall Air® that help contractors:

- **Offer and get paid for instant rebates for energy efficient heat pumps at the point of sale.** This eliminates the need for contractors to submit rebate forms, significantly shortens long payment periods, and eliminates contractor cash flow issues which discourage the use of these clean energy incentives.
- **Design heat pump solutions faster and size systems accurately.** This technology allows contractors to scan consumers' spaces in seconds, creating 3D models of the room with accurate measurements and corresponding load calculations ensuring systems are sized properly. Right-sizing equipment is key to optimizing energy use of HVAC systems throughout their useful life.



"This platform has been a game-changer for us with the Mass Save rebate process. The ability to offer customers an instant rebate on heat pumps saves them the headache of waiting weeks for their money or trying to navigate the process themselves online. The portal is simple to use, the funds are in hand the very next day, and it has absolutely helped us close more jobs. This solution makes the whole experience smoother for both contractors and homeowners."

Rachel Sylvain
AGS HVAC Services

Alert Labs

Alert Labs, Watsco's water and A/C intelligence solutions business unit, manufactures and sells IoT sensors that help building owners manage their water consumption and detect leaks. Alert Labs solutions incorporate a water intelligence platform, AlertAQ™, which uses AI-powered algorithms to learn each building's unique water use patterns and automatically identifies leaks. Alert Labs solutions not only save this valuable resource, but the associated carbon emissions from extracting, treating, distributing, and heating that water.



Alert Labs received the B-Corp Certification in 2023 and won the Clean Technology Award from Deloitte's Technology Fast 50 program during the same year.

In 2024, Alert Labs achieved a major milestone as customers across North America collectively saved 10.6 billion gallons of water and prevented 110,000 metric tons of CO₂e emissions from entering the atmosphere. This achievement represents the cumulative impact of over 115,000 AI-powered water management solutions deployed across more than 12,000 buildings throughout the U.S. and Canada.

"We are extremely proud of our customers who are using the water insights from AlertAQ™ to drive down water costs as well as minimize water waste and its associated carbon emissions. This is a major accomplishment that aligns with Alert Labs environmental goals of doing good for the greater global community."

Bob Wasserman

CEO of Alert Labs



Case Study: Alert Labs Leak Detection Saves Water in Affordable Housing

The real-world impact of Alert Labs technology is exemplified by a multi-family affordable housing property in Chicago, where AI-powered leak detection prevented significant water damage while conserving resources. In 2024, the AlertAQ™ platform detected a leak and immediately sent email, phone, and text alerts to the property management team.

The leak was traced to a continuously running hose in a laundry room that had been left on. Property management estimates that without early detection, the leak could have caused \$25,000 in water damage repairs and equipment replacement. The Chicago property has saved over 326,000 gallons of water since implementing Alert Labs solutions, with a six-month payback period.

Refrigerant Reclaiming

As part of our broader sustainability efforts, Watsco is committed to responsible refrigerant management, which not only helps contractors service their clients' older units, but also reduces the environmental impact of HVAC systems. Many older systems use refrigerants that are being phased out due to their high Global Warming Potential (GWP). To address this, we have implemented refrigerant reclaiming at 316 of our branches to facilitate the process for contractors. We also offer incentives to encourage responsible refrigerant management. By reclaiming and reducing refrigerants from outdated systems, we reduce the burden on new production, minimize emissions and support the transition to low GWP alternatives while also ensuring our customers can service units with phased out refrigerants.

People and Community Well-Being

At Watsco, the well-being of our employees, customers, and communities is always top of mind. We are dedicated to fostering a safe, inclusive, and supportive environment for all our stakeholders.

We believe that Watsco's success is driven by our talent and our employees' commitment and passion are vital to our ongoing success. Our culture is built on entrepreneurial values. We believe that by giving our teams the autonomy to make decisions and drive results, they are able to innovate, adapt, and respond quickly to changing market conditions. This culture of entrepreneurship, combined with a focus on continuous improvement, engagement, and feedback, enables us to enhance customer experiences, develop and retain high potential employees, and promote sustainable growth.

"Talent development isn't just a value here; it's a strategy that works. I've seen it firsthand in my own 24-year journey from AP clerk to Corporate Controller, and now I have the privilege of mentoring a strong team as we grow together."

Rudy Bolton

Corporate Controller
Watsco, Inc.



Talent Attraction, Development, and Retention

Watsco's success hinges on our ability to attract, develop, and retain top talent. We foster a culture of ownership through stock-based equity plans, aligning employee interests with those of our own future.

Watsco's compensation and benefits programs are competitive and tailored to each job's responsibilities and location. These include salaries, commission programs, cash incentives, stock-based equity plans, a 401(k) retirement plan with company match, and an employee stock purchase plan, from which most of our employees may purchase our stock at a discount. Our broad-based equity programs have resulted in approximately 4,200 active employees being Watsco shareholders. Between 2015 and 2024, employees participating in our stock option program earned approximately \$103 million in compensation, underscoring our commitment to long-term performance and retention.



4,200 active employees
were Watsco shareholders in
2024



\$103 million
compensation earned by
employees from stock options
exercised between 2015 and 2024

Moreover, we offer comprehensive health care and insurance benefits, health savings accounts, paid time off, mental health services, flexible work arrangements, fitness reimbursements, and wellness services. We place a strong focus on employee engagement by offering leadership development and mentorship programs to enhance skills and promote connections.

Our HR leaders also come together monthly to share best practices, discuss challenges, and review results of various projects which ensures they have access to shared knowledge, expertise, and resources to innovate while executing in their own unique ways.



Professional Development

In 2024, Watsco employees completed over 30,000 hours of training, enhancing technical, professional, and personal skills. Regular performance appraisals and succession planning ensure Watsco offers high-performers opportunities to grow not only in their current roles but also within our business units. This is evident by how long our employees stay with our Company with 26% of our workforce having been with Watsco for more than 10 years.

We encourage employees to enroll in professional development courses such as those offered by Carrier Enterprise (CE), which include Six Sigma Training and Sandler Sales Training, and Baker Distributing's Leadership School of Excellence.

"Forty-two plus years with one company is more than a career- it's proof that when people are supported, valued, and given room to grow, they choose to stay and thrive."

Debbie Matlock
Branch Manager
East Coast Metal Distributors



Additionally, our companies have invested over \$900,000 in tuition reimbursement for undergraduate and graduate programs between 2021 and 2024, demonstrating our commitment to supporting employees' educational and career growth at all levels.

"The tuition reimbursement program at Baker has been instrumental in helping me obtain my Master's in Industrial & Organizational Psychology. This experience has deepened my understanding of workplace dynamics and provided me with the tools to implement initiatives that drive employee engagement, people development, and overall organizational success. With this degree, I am eager to contribute more effectively to Baker's success by fostering a positive and productive work environment."

Katie Filio
Director of Human Resources
Baker Distributing



In 2024, CE created CE's Women's Network which supports women in the workplace providing an open forum for fostering an inclusive environment by celebrating diversity and leveraging the talents of employees with shared experiences and communities.

Equal Opportunity

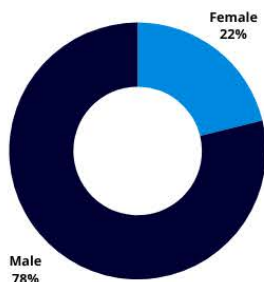
Watsco values and fosters diversity of thought in the workplace, offering equal access to employment and advancement opportunities without regard to race, color, religion, national origin, age, disability, veteran or military status, pregnancy status, sex, gender identity, sexual orientation, or marital status. We believe our diverse teams drive innovation, make better decisions, and outperform less diverse teams. Furthermore, we believe that feeling valued, understood, and inspired is key to employee success and company growth.

Our workforce is ethnically, generationally, and gender diverse, with:

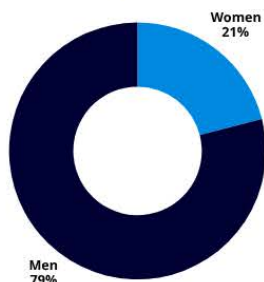
- Women making up 22% of our workforce, 21% of leadership positions, and 40% of Directors and Officers.
- 12% of our workforce identifying as Black or African American.
- 20% of our workforce and 15% of our leadership identifying as Hispanic or Latino.



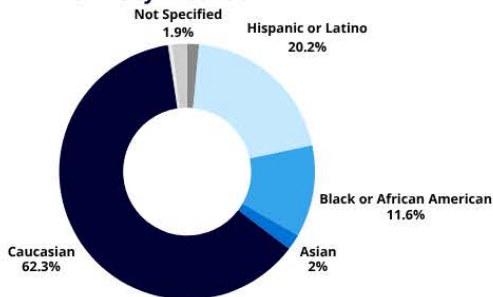
Gender Breakdown



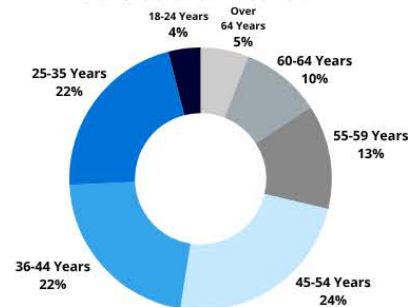
Leadership Breakdown



Ethnicity Breakdown



Generational Breakdown



We also prioritize a workplace free from harassment and discrimination. All employees participate in annual anti-harassment training, covering our policies, reporting mechanisms, and consequences of harassment. This training reinforces our commitment to a respectful and inclusive workplace culture.



Community Engagement

At Watsco, we recognize that strong communities are the foundation for sustainable growth, and we are committed to making a positive impact through active community engagement and meaningful support for local initiatives. In this regard, as with other initiatives, Watsco's business units have autonomy on what community engagement initiatives they support.

In 2024, these included:

- CE became an official partner of SkillsUSA, a program equipping middle school to college students with the skills for a trade and technical career. CE employees also contributed 1,000 volunteer time-off hours to support food drives and other regional community events.
- Baker Distributing joined Hunger Fight through their Feed Backpacks program which provides weekend nutrition for elementary-aged children on the Federal Free and Reduced Meal plan where Baker employees participated in a food packing event that generated 30,000 packed meals. Baker also donated four high-efficiency HVAC units for Hunger Fights new warehouse and distribution center in Jacksonville, FL.
- East Coast Metal Distributors supported communities in Western North Carolina impacted by Hurricane Helene by contributing supplies including infant formula, over-the-counter medications, sleeping bags, blankets, batteries, portable showers and first aid kits, and having their fleet of trucks deliver these items directly to affected areas.
- Gemaire's leadership team built and donated bikes to the Harmony House Domestic Abuse Shelter, a local organization that provides temporary housing and supports women and children who are victims of domestic violence.
- N&S Supply employees participated in a plane pull at Stewart Air Force Base to raise funds for the American Cancer Society for Breast Cancer.

Watsco's corporate employees have long supported local charities, including a teen foster program and a women's shelter. Additionally, we have partnered with the University of Miami to sponsor the 7,972 seat Watsco Center arena and established the Watsco Kids program, which provides underserved children with free access to performance arts, sports and other events at the university.

Workforce Health and Safety

With a focus on People First, Watsco prioritizes the health and safety of our employees, their families, and our customers, recognizing that a safe and healthy work environment is essential to our success. By tying our values to tangible results and incorporating key safety metrics into the incentive structures of our key operational leaders, we've achieved significant improvements in safety and wellness performance over the past several years.

Health & Wellness

Our comprehensive Wellness Program is designed to encourage employees to lead healthier lifestyles and thrive in their personal and professional lives. The following benefits we provide reflect this commitment:

- A medical plan that pays 100% of the cost of preventive care.
- Basic Life and AD&D insurance at no cost to employees.
- Short and Long-term Disability insurance.
- Dental and Vision insurance.
- A wellness cash incentive for completing a free annual physical with an additional cash contribution if their spouse also completes an annual physical.
- Unlimited access to a Personal Health Advocate to assist employees in navigating the healthcare system including accessing confidential mental health services for employees and their families.
- Teladoc, a digital solution providing 24/7/365 access to U.S. board-certified doctors.
- Employer-paid resources and support for the Tobacco Cessation Program through the American Cancer Society.

To ensure consistency in our health and wellness programs across our business units, Watsco launched a Human Capital Management (HCM) platform in 2019 that integrates payroll, benefits, and performance management to support our employees' needs and career development.



In 2023, Watsco partnered with the American Cancer Society and the National Association of Basketball Coaches to “Set the Screen” by raising awareness of the importance of screening for breast, prostate, cervical, and lung cancer through a week-long digital campaign across multiple channels.

Workplace Safety

At Watsco, we aim for an injury-free workplace through consistent safety training, monitoring, and investment in wellness. By prioritizing health and safety, we're reducing risks, minimizing costs, and maximizing productivity, ultimately driving business growth and profitability.

Last year, we created a new Safety Director role at the Watsco level to support our Safety teams across our business units and ensure Health and Safety practices are standardized.

"I joined Baker Distributing in 2020 to lead the company's Safety and Loss Prevention programs. Shortly after, an unprecedented pandemic started, and we quickly had to create new processes to keep our employees safe while providing life-sustaining services to the public. This was an opportunity to strengthen our mission to make safety a centerpiece of everything we do.

Joining Watsco as Director of Safety and building a culture where all our business units operate under the same safety practices, is our main goal. I am honored to take on this responsibility and ensure we all feel responsible for keeping ourselves, our co-workers, our customers, and the public safe at all times. Everyone at Watsco is a Safety Professional."

Jeff Whitaker
Director of Safety
Watsco, Inc.



Health and Safety Training

Watsco believes that continuous training and knowledge sharing are the basis of a safe workplace. That's why we offer safety training courses for all new employees as they start their career at Watsco, followed by supplemental annual training for active employees and remedial training when incidents occur.

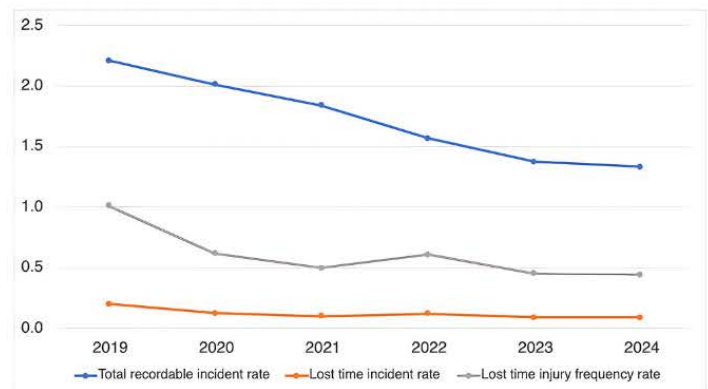
In 2024, employees completed approximately 17,000 hours of health and safety training contributing to a 40% reduction in injury rates across the U.S. and Canada between 2019 and 2024. Our total recordable incident rate (TRIR) of 1.3 and lost time injury frequency rate (LTIFR) of 0.4, are lower than the respective industry averages of 2.2 and 0.7.



40% reduction
in injury rates in the
U.S. and Canada
since 2019



>17,000 hours
of Health & Safety
Training completed
in 2024



Our business units are empowered to develop and implement their own safety programs, guided by our overall health and safety framework, which emphasizes the following principles:

- Provide the safest workplace environment possible and look for ways to continuously improve upon the safety of our locations.
- Actively engage and demonstrate commitment to an injury-free workplace.
- Empower employees to become accountable for their own actions.
- Take steps to prevent injuries through investigations, training for safe work practices, and information sharing throughout our network.

Proactive Safety Management

We prioritize safety through a proactive and data-driven approach. Our comprehensive strategy includes:

✓ Regular safety meetings

Cross-functional safety committees and ongoing monthly company-wide meetings that include executive and senior leadership, ensure we are thinking about safety before, during, and after our workday. Leaders review trends, discuss processes, and share best practices. The engagement from all levels of leadership emphasizes not only Watsco's commitment to continuous improvement, but also the spirit of collaboration between business units.

✓ Audits and inspections

These are performed regularly by our business units to ensure our teams are following safety principles. They include:

- **Bi-annual safety audits** performed by Operations and Regional Managers.
- **Ongoing safety audits** by managers during branch visits using mobile audit tools, allowing them to identify and address potential safety issues frequently. These visits provide real-time feedback to Safety, Fleet, and Training Management personnel for timely resolution.

✓ Incident management

Through investigations, corrective actions, and follow-up reviews, our teams aim to prevent future incidents.

✓ Safety management platform (SMP)

A cutting-edge SMP has been implemented across several of our business units with the rest expected to be deployed by the end of 2025. The SMP is intended to:

- Enhance safety and compliance through ownership and accountability.
- Improve employee behavior through performance-based recognition.

- Increase efficiency through reduced manual processes and app-based functionality.
- Encourage problem solving, engagement and collaboration through real-time feedback and solutions.



Fleet Safety

At Watsco, we operate a large fleet of more than 780 ground transportation vehicles, making safe driving practices a top priority. Our comprehensive approach to fleet safety includes:

✓ Driver evaluation and training

We have rigorous evaluation and training programs to ensure our drivers operate vehicles safely and defensively.

✓ Regular vehicle maintenance

We perform ongoing inspections and maintenance to prevent accidents and ensure efficient fuel utilization.

✓ Telematics technology

We've implemented telematics software across all business units over the last two years, enabling us to track and improve driving behavior, reduce incidents, and enhance record-keeping.

✓ Safety compliance and risk mitigation

We have partnered with a third-party provider to conduct driver qualification processes, ensure we follow Department of Transportation guidelines extensively, and track Compliance, Safety and Accountability performance.

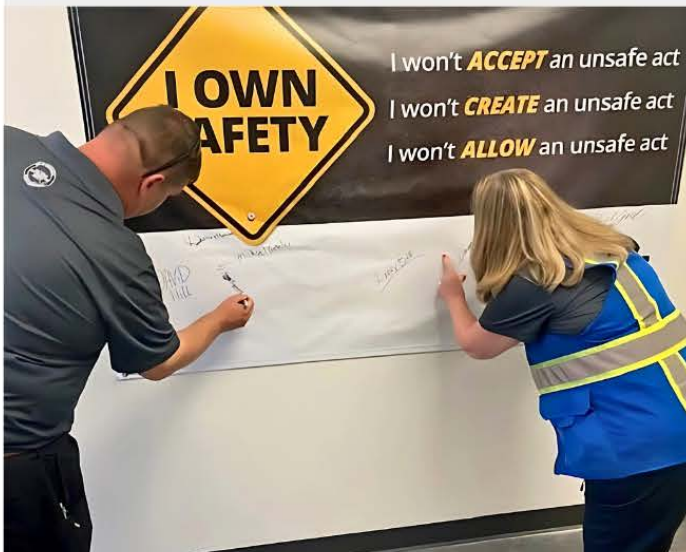
✓ Fuel efficiency initiatives

We're working to decrease idle times, fuel usage, and heavy acceleration to improve fuel efficiency and reduce environmental impact.

Employee Engagement

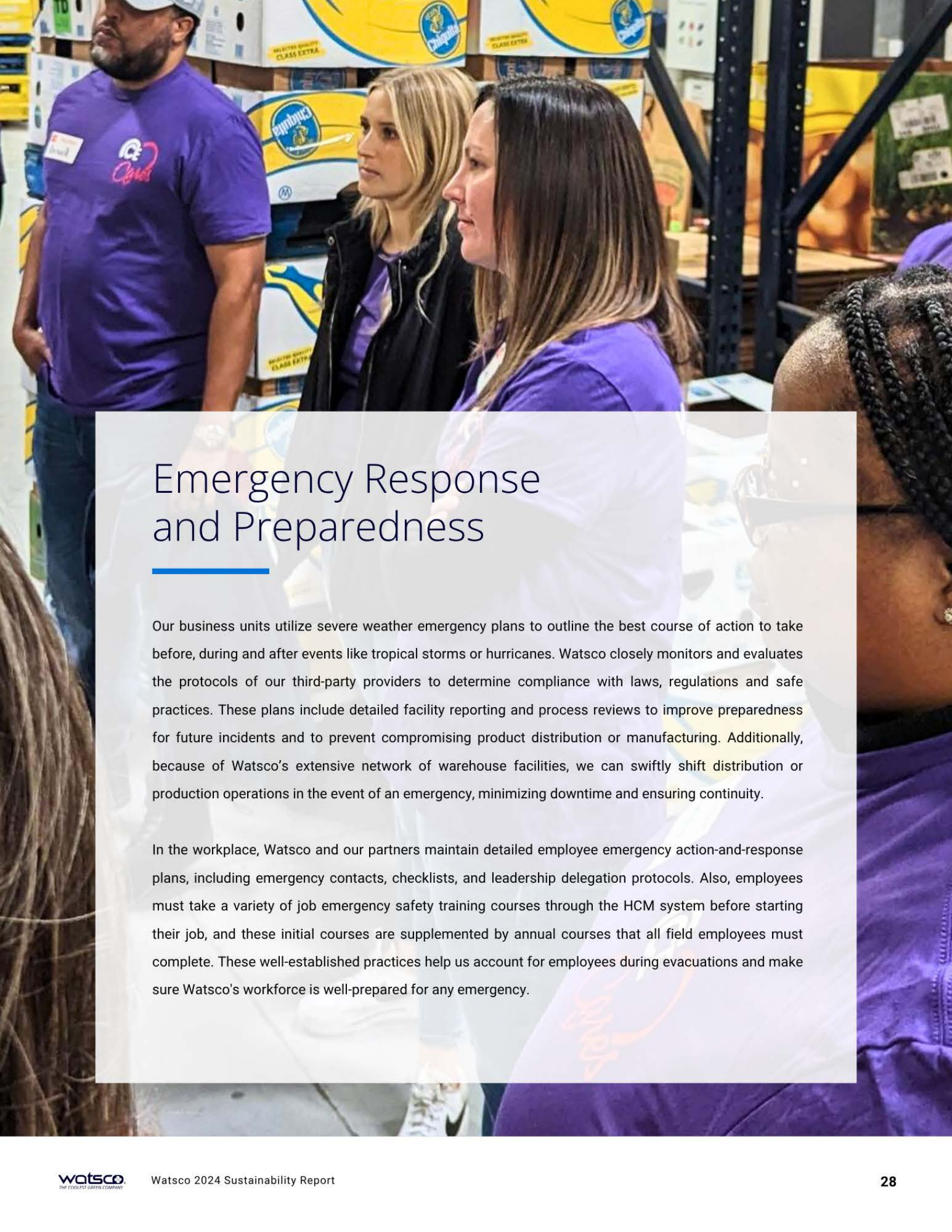
We engage employees on workforce health and safety initiatives through various channels, including:

- Quarterly town halls that emphasize the importance of a safe and healthy work environment.
- Performance-based recognition programs that reward employees for safe work practices.
- Real-time feedback and solutions through our performance platforms.
- Regular safety training courses and meetings.



Case Study: CE Kinetic Devices

In 2022, CE, our largest business unit, experienced an increasing trend of back strain injuries, a high percentage of which were OSHA recordable incidents. To address this, the company introduced the Kinetic Reflex Device Initiative, a wearable technology that alerts users through vibrations when they are in a High-Risk Posture, encouraging them to correct their form. This system also tracks data through a management-accessible website, enabling follow-up and risk mitigation strategies. The initiative began as a pilot in three South-Central region locations in May 2022, and by April 2023, it was adopted across all CE hub locations and is now being used by 500 associates. The program's impact has been significant, resulting in an 85% reduction of ergonomic-related back injuries since its inception.



Emergency Response and Preparedness

Our business units utilize severe weather emergency plans to outline the best course of action to take before, during and after events like tropical storms or hurricanes. Watsco closely monitors and evaluates the protocols of our third-party providers to determine compliance with laws, regulations and safe practices. These plans include detailed facility reporting and process reviews to improve preparedness for future incidents and to prevent compromising product distribution or manufacturing. Additionally, because of Watsco's extensive network of warehouse facilities, we can swiftly shift distribution or production operations in the event of an emergency, minimizing downtime and ensuring continuity.

In the workplace, Watsco and our partners maintain detailed employee emergency action-and-response plans, including emergency contacts, checklists, and leadership delegation protocols. Also, employees must take a variety of job emergency safety training courses through the HCM system before starting their job, and these initial courses are supplemented by annual courses that all field employees must complete. These well-established practices help us account for employees during evacuations and make sure Watsco's workforce is well-prepared for any emergency.



Product Safety and Quality

Watsco upholds stringent safety and quality standards for all our products to comply with industry and environmental regulations. We serve more than 130,000 active contractors and dealers, offering products where and when they are needed, along with qualified technical support and service. Our mobile app simplifies the warranty process, allowing contractors and dealers to register equipment, process claims, and check claim statuses with ease. This platform also provides quick access to technical resources, real-time pricing, and expert support, ensuring seamless service and efficiency for our customers. Our role is crucial in supplying these high-quality products to contractors and dealers, who, in turn, meet the growing demand for efficient replacements in the market.

Ethical Leadership

Corporate Governance

At Watsco, we believe it is our responsibility to conduct business with the highest level of ethics and integrity and to communicate openly with all stakeholders. The Company has established corporate governance guidelines to promote the effective functioning of the Board of Directors and its committees, to promote the interests of shareholders, and to ensure a common set of expectations for how the Company is managed at all levels.

Watsco's nine-member Board oversees our sustainability progress and receives regular updates from our Director of Sustainability, who is responsible for Watsco's overall sustainability program.

The Board has four committees: audit, compensation, nominating and governance, and strategy. In 2019, the Board formed an Advisory Board to provide thoughts, advice, and non-binding recommendations to directors. Advisory Board members may include potential future Board members, former Board members and other individuals whom the CEO determines may be able to provide valuable insight. The Advisory Board currently has eight members.





Enterprise Risk Management

The Board is responsible for risk oversight, with specific areas reviewed by the relevant Board committees. The Company encounters a variety of risks, including governance, legal, financial, operational, international, strategic, and reputational risks. Within these broad categories, specific social risks include human capital management, which includes talent acquisition, development and retention, health and wellness, safety, and succession. Other specific risks include cybersecurity threats, the competitive landscape in which we operate, and the impact of disruptive events, such as environmental issues, natural disasters, and pandemics.

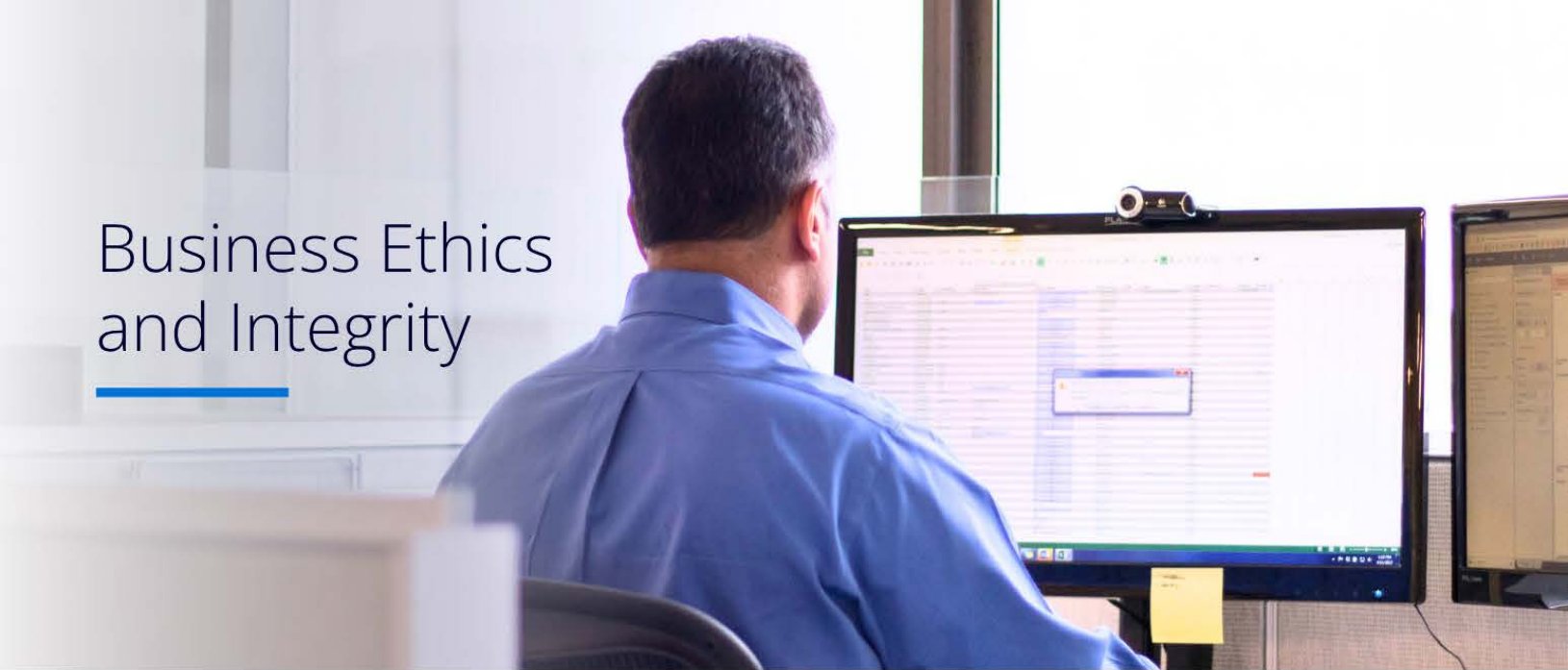
To manage these and other risks, the Company has implemented an annual Enterprise Risk Assessment (ERA) process to identify, assess, manage, report and monitor risks that may affect Watsco's ability to achieve our objectives and strategy, for which the Audit Committee has oversight responsibility.

We also completed our first Climate Risk and Opportunity Assessment in 2024, which will be incorporated into our annual ERA process going forward.

Regulatory Compliance

Watsco remains committed to maintaining full compliance with evolving industry regulations. We closely monitor updates to environmental standards, including the 2023 increase in the minimum SEER and the regulatory changes related to refrigerants scheduled for 2025. Our internal compliance team is actively implementing necessary changes to our inventory, phasing out older, less-efficient systems, and transitioning to refrigerants with a lower GWP. This proactive approach not only ensures regulatory compliance but also supports our goals to reduce the carbon footprint of our operations and products.

Beyond environmental compliance, we have strengthened our corporate governance to stay ahead of social and governance-related regulations, including those concerning workplace safety, labor practices and responsible sourcing. By integrating advanced safety monitoring systems like Kinetics and implementing staff training programs through our HCM platform, we ensure compliance with Occupational Safety and Health Administration standards and work to minimize workplace hazards. These efforts highlight our commitment to responsible growth and the sustainable, long-term value we provide to both our customers and employees.



Business Ethics and Integrity

Fundamental to our approach to responsible operations are Watsco's codes of conduct for executives, employees and suppliers. The Code of Conduct for Executives applies to Board and Advisory Board members, executive officers, senior operating, financial and technology personnel, and other positions identified by the Audit Committee. The policy states that covered executives must conduct business in accordance with all applicable laws, rules and regulations of the appropriate jurisdiction and to do so with the highest moral and ethical standards. The Code of Conduct for Executives covers topics such as bribes, political contributions, insider trading, conflicts of interest and anti-trust laws. Executives are required annually to acknowledge that they have read or re-read the code, understand it and agree to report any violations or apparent violations should they arise.

Watsco's Employee Code of Business Ethics and Conduct is designed to influence how employees conduct themselves in the workplace and to identify areas where additional guidance, if needed, can be found. The code is administered by a three-person Corporate Assurance Committee, which is charged with monitoring performance under the code and resolving concerns.

The employee code covers many of the same issues as the executive code, as well as human rights, environmental protection, and community involvement.

Watsco encourages employees to report possible violations of the code to their supervisor, Human Resources, the Legal Department or a Corporate Assurance Committee member without fear of retaliation. Any claim of a possible violation may be made anonymously if the person desires. Watsco takes these claims seriously and will investigate them in an appropriate manner.

Watsco also has a Supplier Code of Conduct, which outlines expectations for each of our product and service suppliers and aligns with the high standards we maintain for our own directors, officers and employees.

All three codes—executive, employee and supplier—are available on Watsco's website. Also accessible on the website are the Company's executive claw back, health and safety, and human rights policies and securities trading guidelines.

Cybersecurity and Data Privacy

Safeguarding data and our information technology (IT) systems and equipment is a critical business and governance issue at Watsco – a responsibility that includes Data Security, Risk Management, Legal, Internal Audit, Finance and other areas of our enterprise. Watsco has established a robust Information Security Governance framework, overseen by our Chief Technology Officer (CTO) and Director of Data Security (DDS). This framework includes policies and procedures that are regularly updated to address emerging threats and regulatory requirements. We conduct risk assessments and ensure compliance with relevant regulations and standards, such as the General Data Protection Regulation (GDPR), California Consumer Privacy Act (CCPA), and Payment Card Industry (PCI).



We have established security practices and safeguards designed to help identify and protect against intentional and unintentional misappropriation or corruption of our IT systems, data and operational continuity. To safeguard our information assets, we employ a multi-layered cybersecurity strategy. This includes advanced network and endpoint security measures, data encryption, and strict access controls. Our approach ensures the confidentiality, integrity and availability of our data, protecting it from unauthorized access and cyber threats. Watsco had no material cybersecurity incidents in 2024.

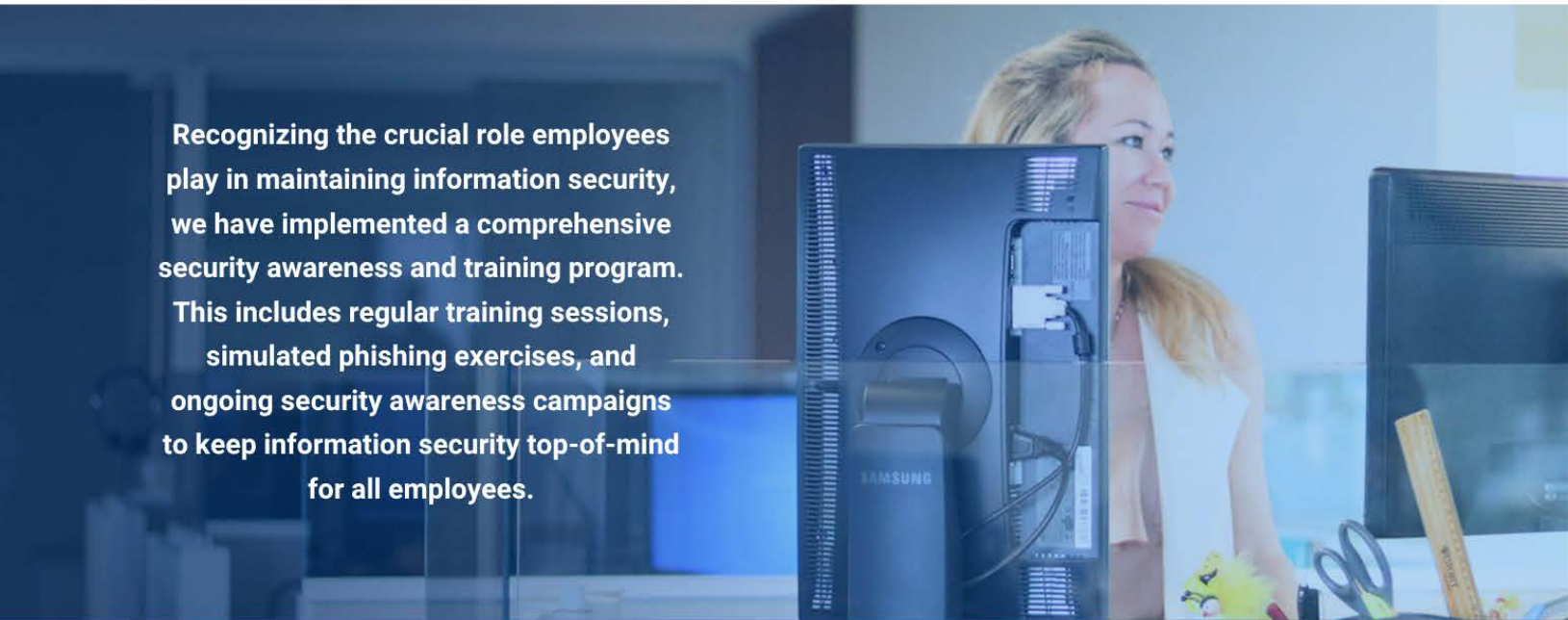
As part of our overall cybersecurity program, we have partnered with a third-party provider to operate a 24/7 Security Operations Center (SOC) and Managed Detection and Response (MDR) services. The SOC continuously monitors our IT environment for potential threats, ensuring rapid detection and response to any security incidents. The MDR services provide advanced threat detection, incident analysis and response capabilities, leveraging innovative technology and expertise to protect our organization from sophisticated cyber threats. We have a robust Incident Response Plan (IRP) in place to ensure a swift and effective response to any cybersecurity incidents. Our dedicated incident response team is trained to handle various types of incidents, and we have comprehensive business continuity and disaster recovery plans to minimize downtime and ensure rapid recovery of critical systems and data.

We also manage cybersecurity risks associated with third-party vendors and partners through security assessments, contractual requirements, and continuous monitoring. This ensures that our vendors adhere to our high security standards and practices.

Watsco has a Cybersecurity Committee that meets monthly to review the effectiveness of our cybersecurity measures, discuss emerging threats, and coordinate our response to potential incidents. This committee, chaired by our DDS, includes representatives from various departments, including IT, legal, compliance, and risk management.

The CTO and DDS provide formal briefings to the Board's Audit Committee on various cybersecurity matters, including risk assessments, mitigation strategies, areas of emerging risks, and other topics of importance at least once a year. Additionally, the Audit Committee, full Board and senior management regularly discuss these and other enterprise risks.

In addition to internal audits, we engage independent external auditors to review our cybersecurity practices and controls. These external audits provide an objective assessment of our security posture and ensure that we meet industry standards and regulatory requirements. The results of these audits are shared with our Audit Committee and used to drive continuous improvement.

A woman with blonde hair is sitting at a desk in an office, looking at a computer monitor. The monitor is a Samsung model. There are various office supplies on the desk, including a ruler and some papers. The background is slightly blurred, showing other office equipment and a window.

Recognizing the crucial role employees play in maintaining information security, we have implemented a comprehensive security awareness and training program. This includes regular training sessions, simulated phishing exercises, and ongoing security awareness campaigns to keep information security top-of-mind for all employees.

To further mitigate the financial impact of potential cyber incidents, we have obtained comprehensive cyber insurance coverage. This insurance policy provides financial protection against various cyber risks, including data breaches, cyber extortion, and business interruption. Our cyber insurance complements our existing cybersecurity measures, ensuring that we are well-prepared to handle and recover from any cyber incidents.

SASB Index

SASB Multiline and Specialty Retailers & Distributors Disclosure

Table 1. Sustainability Disclosure Topics & Metrics

Topic	Metric	Category	Unit of Measure	Code	Location in the Report
Energy Management in Retail & Distribution	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	CN0403-01	Pg No 14 - GHG Emissions Reduction Planet Stewardship
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	CN0403-02	Pg No 34 - Cybersecurity and Data Privacy Ethical Leadership
Data Security	(1) Number of data breaches (2) percentage that (a) involve customers' confidential business information and (b) are personal data breaches, (3) number of (a) customers and (b) individuals affected 1	Quantitative	Number, Percentage (%)	CN0403-03	(1) Pg No 34 - Cybersecurity and Data Privacy Ethical Leadership (2) - (3) -
Workforce Diversity & Inclusion	Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, and (c) all other employees	Quantitative	Percentage (%)	CN0403-04	(1) Page No 23 - Equal Opportunity People and Community Well-Being (2) Page No 23 - Equal Opportunity People and Community Well-Being
	Amount of legal and regulatory fines and settlements associated with employment discrimination	Quantitative	U.S. Dollars (\$)	CN0403-05	
Fair Labor Practices	Average hourly wage and percentage of in-store employees earning minimum wage, by region	Quantitative	U.S. Dollars (\$), Percentage (%)	CN0403-06	
	(1) Voluntary and (2) involuntary employee turnover rate for in-store employees	Quantitative	Rate	CN0403-07	Page No 6 - Employee Population and Turnover, Form 10-K
	Amount of legal and regulatory fines and settlements associated with labor law violations	Quantitative	U.S. Dollars (\$)	CN0403-08	0 in 2024
Product Sourcing, Packaging, and Marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	Quantitative	U.S. Dollars (\$)	CN0403-09	Page No 12 - Energy Star Sales, 2024 Sustainability Highlights Our Approach to Sustainability
	Description of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	n/a	CN0403-10	Page No 19 - Refrigerant Reclaiming Planet Stewardship
	Description of strategies to reduce the environmental impact of packaging	Discussion and Analysis	n/a	CN0403-11	

Table 2. Activity Metrics

Activity Metric	Category	Unit of Measure	Code	Location in the Report
Number of (1) retail locations and (2) distribution centers	Quantitative	Number	CN0403-A	Page No 20 - Warehousing and Distribution Facilities, Form 10-K
Total area of (1) retail space and (2) distribution centers	Quantitative	Square meters (m2)	CN0403-B	Page No 20 - Warehousing and Distribution Facilities, Form 10-K

Task Force on Climate-related Financial Disclosures

Governance

a. Describe the board's oversight of climate-related risks and opportunities.

Watsco's board oversees climate-related risks and opportunities with active engagement by the Audit committee, which evaluates climate risks and opportunities frequently, and oversees risk management which includes Environmental, Social and Governance (ESG) risks.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

Watsco's Sustainability Steering Committee (the Committee) is responsible for guiding the Company's Sustainability program, which includes the assessment and management of climate-related risks and opportunities.

The Committee includes Watsco's Chief Executive Officer (CEO), President, Executive Vice President - Planning and Strategy, Chief Financial Officer, Executive Vice President - Strategy, Senior Vice President & Chief Technology Officer, Managing Director Watsco Ventures, Vice President of External Financial Reporting, Vice President of Tax and, Sustainability Director, who reports directly to Watsco's President.

Climate-related risks and opportunities were assessed comprehensively for the first time in 2024 through a formal, structured process engaging business leaders across all Watsco's business units and the Committee to complete what will now become a biennial climate risk and opportunity assessment. This will be incorporated into our yearly Enterprise Risk Assessment (ERA) process going forward.

Although this more structured process will be completed every two years, more regular reviews will take place during the Committees' bi-monthly meetings where we discuss Watsco's overall sustainability strategy and objectives, progress on sustainability initiatives, product sales impact, climate-related risks and opportunities, employee engagement, and reporting.

Watsco's Sustainability Director is responsible for executing the Company's Sustainability Strategy, including GHG emissions measurement and reduction initiatives, management of climate-related risks, engagement with business unit leaders to implement sustainability programs, and sustainability reporting.

All Watsco's business units have a Sustainability leader who is responsible for implementing initiatives across their operations and driving related employee engagement and training. Watsco's decentralized structure ensures business units have flexibility over how they implement and manage day-to-day programs while aligning with the Company's overall objectives. These Sustainability leaders meet on a regular basis with Watsco's Sustainability Director and members of the Committee to discuss progress on Sustainability programs and the implementation of business unit-specific initiatives.

Strategy

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

Watsco completed a comprehensive climate-related risk and opportunity assessment in 2024 and, although we determined that none of the risks identified would have a material impact when evaluated using the Company's overall risk thresholds, some were identified as relevant. All climate-related risks and opportunities were qualitatively evaluated based on their likelihood of occurrence, their potential impact on our company and the time horizon which was defined in the following scale:

- Short-term: 0-3 years
- Medium-term: 3-7 years
- Long-term: 7+years

The following climate-related risks were identified and evaluated through scenario analysis:

Table 1. Climate-related risks

Risk	Description	Impact to Watsco	Current and Future Mitigating Activities	Time horizon
Increased cost of raw materials and finished goods	Climate change could increase the cost of raw materials incurred by our OEMs in the manufacturing of HVAC/R products due to more frequent or severe weather events, changes in precipitation patterns and increasing heat stress. This cost of raw materials could be impacted in several ways, including but not limited to: disrupting supply chains, creating shortages, changing policy initiatives or creating resources scarcity.	Regulatory changes that took effect from 2023 to 2025 have resulted in price increases well-beyond conventional inflation rates. Further cost increases could add incrementally to current pricing, which could affect affordability and impact product sales or the mix of products sold.	Watsco's strong relationships with OEM partners allows us to monitor our supply chain closely and proactively take action to minimize risks. The Company has diversified its portfolio and sources equipment from a variety of vendors providing sourcing flexibility. Watsco also closely monitors inventory levels and has the ability to adjust stocking levels quickly in response to market conditions and in the event of a supply chain disruption. Additionally, both OEMs and Watsco offer financing options that help consumers and contractors make products more affordable.	Short-term
Electricity availability and grid resilience	Climate change poses significant risks to electricity availability and grid resilience. On the demand side, rising temperatures increase the need for air conditioning which, during peak hours, strains the grid. On the supply side, extreme weather events such as wildfires and hurricanes can damage or destroy infrastructure, leading to power outages. Moreover, droughts and changing weather patterns can impact hydroelectric power generation, reducing the availability of this power source.	Electricity reliability could impact our operations, with Watsco's warehouses, distribution centers, and offices experiencing disruptions in the event of brownouts or blackouts. These events could disrupt our ability to service customers, heat our facilities and charge our electric vehicles and forklifts. It could also drive electricity costs up which can have impacts on operational costs. Electricity reliability could also impact consumer's ability to use HVAC/R systems and could increase their cost of operation.	Watsco has implemented a system that allows us to continuously track electricity usage at our locations. This data provides the basis of our energy management and GHG emissions reduction strategy, allowing us to gain insights into consumption patterns across business units and geographies, and optimize electricity use through energy efficiency investments. We currently have alternative energy options such as generators in key facilities that can provide backup energy in extreme cases. Watsco is also exploring renewable energy and battery storage implementation at selected facilities and is working closely with landlords on related investments that could provide backup power when needed.	Short-term

Extreme weather events	Climate change is impacting natural weather cycles and increasing extreme weather events. This includes extreme cold and hot weather events, hurricanes, tornadoes and wildfires. This increases the associated physical risks to our business assets and our ability to operate effectively.	Extreme weather events could impact our operations by damaging assets including buildings, our fleet and inventory, increasing insurance premiums, putting our employees' safety at risk, and disrupting our ability to service our customers effectively.	Our subsidiaries utilize severe weather emergency plans to outline the best course of action to take before, during and after extreme weather events like tropical storms or hurricanes. Watsco closely monitors and evaluates the protocols of our third-party providers to determine compliance with laws, regulations and safe practices. These plans include detailed facility reporting and review processes to improve preparedness for future incidents and proven methodologies to prevent compromising product distribution or manufacturing processes. Additionally, because of Watsco's extensive network of warehouse facilities, we can swiftly shift distribution operations in the event of an emergency, minimizing downtime and ensuring continuity. In the workplace, Watsco and our partners maintain detailed employee emergency action-and-response plans, including emergency contacts, checklists and leadership delegation protocols. Also, employees must take a variety of job emergency safety training courses through the HCM system before starting their job, and these initial courses are supplemented by annual courses that all field employees must complete. These well-established practices help us account for employees during evacuations and make sure Watsco's workforce is well-prepared for any emergency. Watsco also actively evaluates insurance needs at high-risk locations and carefully considers relocations based on third-party risk assessments.	Short-term

The following climate-related opportunities were identified and evaluated through scenario analysis:

Table 2. Climate-related opportunities

Opportunities	Description	Actions to address opportunity	Time horizon
Low emissions good and services	As OEMs develop new lower emissions products to meet regulatory needs, reduce their environmental footprint, and cater to more eco-conscious consumers, there's an opportunity for Watsco to improve its competitive position, capitalizing on shifting consumer preferences while reducing our own emissions.	Watsco's strong OEM relationships allow us to access consumer insights and changes in product design regularly to meet customers' demand for sustainable products such as heat pumps and lower GWP refrigerant equipment, which benefit our bottom line. The Company has begun to shift our inventory as demand and regulatory changes have shifted to high efficiency/low emissions products. Leveraging our scale, we continuously train customers on the benefits of new technologies and support their sales with our technology platforms that help them sell, finance, install and service these solutions.	Medium-term
Rise in mean temperatures	As temperatures rise, the need for cooling equipment increases. Certain areas that historically haven't had a need for air conditioning, will require cooling equipment. This new demand can be met by energy efficient ACs and heat pumps.	Watsco plays a significant role in climate adaptation as average temperatures rise. We have continued to expand our sales of cooling solutions including energy efficient ductless products and heat pumps in markets where we had traditionally sold heating solutions. Our vast footprint and strong contractor relationships, have allowed us to seize new opportunities in these markets with high-efficiency, low carbon equipment.	Long-term
Shift to more efficient buildings	Reducing energy and resource consumption in businesses' infrastructure, operations and buildings can lead to increased overall operating efficiency and costs savings, especially as electricity demand surges and electricity costs increase.	The shift to more efficient buildings presents an opportunity for our commercial business to offer solutions that can significantly reduce buildings' carbon footprint while delivering comfort and indoor air quality. In our own operations, we've been continuously reducing operating expenses by completing cost-effective energy efficiency upgrades including HVAC replacements and VRF systems, smart thermostats, motion sensors and LED lights installations. We've also added energy efficiency requirements into our standard lease guidelines for new leased facilities and/or lease extensions.	Medium-term

b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

In 2024, Watsco identified potential climate-related risks and opportunities for the first time in a structured, standalone process. Watsco's focus was on evaluating climate-related risk and opportunity impacts across short, medium and long-term time horizons with input from our business units and our cross-functional Committee, and communicating the results to the relevant teams across our business. The relevant climate-related risks and opportunities and their associated impact on the business are summarized in tables 1 and 2.

Watsco is in the early stages of integrating climate-related risks and opportunities into our financial planning. Importantly, no climate-related risks were identified as having a material impact on our financial condition. Nevertheless, we are planning to incorporate climate-related risk and opportunity assessments into our overall ERA process to continuously monitor changing market conditions that could impact materiality.

We've determined that although climate-related risks don't meet the materiality threshold identified in our regular ERA process, they can still impact our business in various ways, including by disrupting our operations and supply chain, increasing our operational costs and increasing the costs of the products we sell. As a result, we have identified relevant actions we need to take to fully mitigate the most relevant risks and further embrace climate-related opportunities.

c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Watsco's climate-related scenario analysis was completed using two distinct scenarios for our most relevant transitional and physical risks as a starting point. We plan to incorporate other scenarios into our process as it evolves. The following scenarios were considered:

For physical risks we considered:

- IPCC RCP 1.9 Scenario which assumes an "abrupt transition" to a low carbon economy, with ambitious energy transition activities resulting in global warming of less than 1.5 degrees Celsius by 2100.
- IPCC RCP 4.5 Scenario which assumes a "planned transition" to a low carbon economy, with major energy transition delayed 15-20 years from today and the resulting actions limiting warming to 2-3 degrees Celsius by 2100.

For transitional risks we considered:

- IEA Net Zero Scenario which provides policy assumptions needed to achieve a net-zero economy by 2050 and a pathway to limiting global warming to less than 1.5 degrees C by 2100.
- IEA Stated Policies Scenario which assumes that all policies currently on the books will remain, and few new commitments/policies will be ratified.

We took every climate-related risk and opportunity we had identified and qualitatively analyzed how these would change under the scenarios described above and if/how our mitigation strategies would need to shift. This process was beneficial in identifying the resilience of our strategy and did not reveal the need to change it materially at this time. As we continue to develop this process further, we will gather more insights that could inform us of the need to shift our approach.

Risk Management

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

Climate-related risks and opportunities were initially identified by the Sustainability team based on industry research, regulatory changes, and other sustainability trends. The following types of risks were considered:

Physical risks are those associated with environmental changes driven by climate change. These include:

- Acute risks, which are event driven such as hurricanes, floods and wildfires.
- Chronic physical risks which are related to long-term shifts in the environment due to the effects of climate change. These include sea level rise and rise in mean temperatures.

Transitional risks are associated with a broad societal transition to a low carbon economy. These include:

- Market risks which are climate-driven changes in supply and demand such as shifting consumer preferences.
- Policy and legal risks which are climate-driven changes in policy and regulation such as carbon pricing.
- Technology risks which refer to climate-driven advancements in technology such as advances in heat pump technology.
- Reputational risks which are climate-driven impacts to Watsco's reputation, such as greenwashing accusations.

This list of climate-related risks and opportunities was then shared with leadership teams across each of our business units and the Committee to rate their impact, likelihood and current and potential mitigating activities for risks, and actions to address opportunities.

The results from both sets of stakeholders were then compiled, tabulated and rated based on the feedback received, and shared in a workshop to determine which risks and opportunities were most relevant and what actions were most effective for mitigating risks and addressing opportunities. The final climate-risk and opportunity assessment was then shared with all relevant stakeholders across the Company.

b. Describe the organization's processes for managing climate-related risks.

The process for identifying, assessing, and managing climate-related risks falls under our management responsibilities. Although our Sustainability team leads the structured assessment process and works with business leaders to increase awareness of climate-related risks, these are managed in our day-to-day operations through cross-functional teams whose responsibilities include ensuring mitigation activities are taking place across the organization.

c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.

Watsco has now incorporated climate-related risks and opportunities into its annual ERA process as described above.

Metrics and Targets

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Even though Watsco determined that the identified climate-related risks and opportunities are not material at this time, we use the following metrics to assess these issues:

- GHG emissions tCO₂e
- Energy Use (GJ)

b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.

Scope	2023	2024
Scope 1 tCO ₂ e	25,330	24,681
Market-based Scope 2 tCO ₂ e	19,913	19,083
Total Scope 1 and 2 tCO ₂ e	45,243	43,764

c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Watsco is currently developing an abatement strategy and setting climate goals. Up to this point we have been assessing progress by analyzing energy use and Scope 1 and 2 emissions over time.