

2026 Sustainability Report



Contents

Watsco's Sustainability Report is for the reporting period covering January 1, 2025 to December 31, 2025, 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.

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

Albert H. Nahmad
CEO Watsco, Inc.

Letter from our CEO and President

As we reflect on the year, we’re proud of the progress our teams have made in helping our customers and communities move toward a cleaner, more sustainable and energy-efficient future.

Watsco's culture has always been our most durable competitive advantage. We are a company of entrepreneurs — locally empowered leaders, managers, and team members who take ownership of their work and the communities they serve. That same ownership mindset is at the heart of how we strive to approach sustainability. We view our mission as empowering customers at every level to embrace it because it's the right thing to do — for our customers, for our communities, and for the planet.

In 2025, we made tangible strides across all three pillars of our sustainability program — Planet, People, and Governance. Our sales of higher-efficiency residential HVAC/R systems helped prevent an estimated 3.3 million metric tons of CO₂e emissions — a direct reflection of the role our company plays in reducing environmental impact across millions of households in North America. We sold \$1.8 billion in ENERGY STAR and water-saving products, and our business units reclaimed over 350,000 pounds of refrigerant from more than 380 branches across our network. We continued to electrify our fleet by adding 99 electric forklifts and three electric vans.

We deployed a Safety Management Platform across all our business units, which is a major step forward in standardizing safety programs and protecting our most important asset — our people. Since 2019, our dedication to safety has resulted in a 38% reduction in our injury rates across the U.S. and Canada. Approximately 4,200 active employees are Watsco shareholders, and 27% of our workforce has been with us for more than 10 years. A more aligned and engaged workforce will help advance our sustainability mission at Watsco and beyond.

The HVAC/R industry sits at the center of one of the most important transitions of our time. Buildings account for a significant share of global energy use and emissions, and the contractors we serve every day are on the front lines of making homes and businesses more efficient. We are committed to giving them the products, tools, training, and technology they need to succeed in the short and long term.

As we look ahead, we remain focused on what matters most: empowering our people, supporting our customers, strengthening our communities, and continuing to reduce the environmental impact of our operations. This report is our commitment to keeping that promise.

Thank you for your continued trust and partnership.

About Watsco

Watsco, Inc. (Watsco or the Company) (NYSE: WSO) is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies (HVAC/R) in North America. With 37 years of distribution experience, Watsco has become the industry leader, offering a broad portfolio of trusted brands and serving contractors who keep homes and businesses comfortable and efficient.

At December 31, 2025, Watsco operated through a network of 695 locations across 43 U.S. states, Canada, Mexico and Puerto Rico, supported by approximately 7,050 team members. This scale enabled our business units to serve more than 130,000 active contractors who install essential comfort products across an estimated \$74 billion North American HVAC/R marketplace.





Our Business

Watsco plays a critical role in the HVAC/R market, distributing essential products to contractors and dealers who install, service, and repair heating, cooling, and refrigeration systems. Since 1989, we transitioned from our manufacturing roots into a distribution focused strategy grounded in a “buy and build” approach. Watsco acquires or invests in market leaders and helps accelerate growth by implementing scalable technologies and promoting shared best practices across leadership teams.

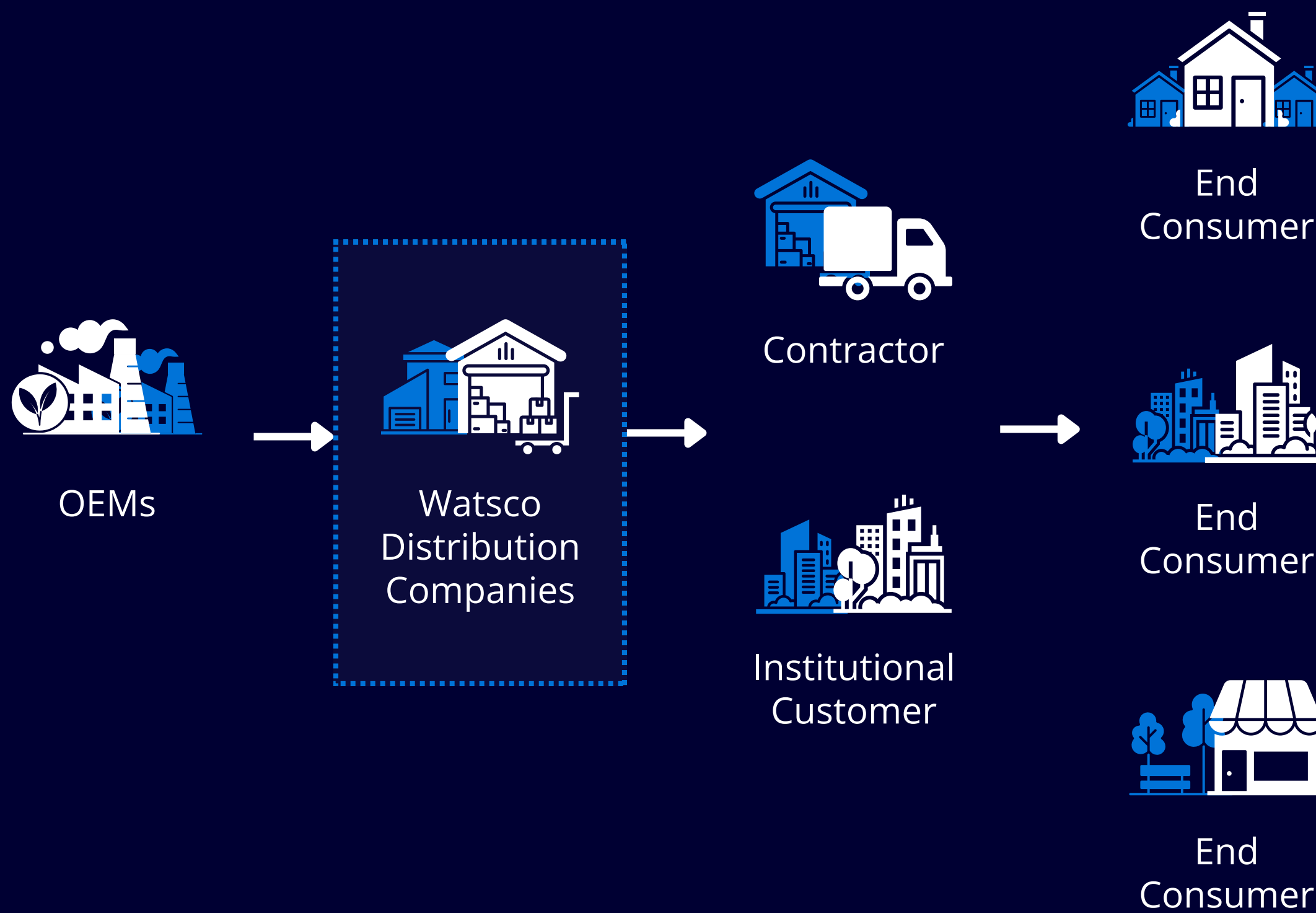
Watsco’s success is strongly tied to its entrepreneurial spirit and anchored by its equity culture. Newly acquired businesses typically continue operating with their existent leadership and culture, while benefiting from Watsco’s technology, capital resources, and diverse vendor relationships. In addition, stock-based equity plans support long-term ownership and align employee and leadership incentives to Watsco’s performance and growth objectives.

The most foundational aspect of our culture is putting entrepreneurs first, including the 130,000 contractors and dealers who we support every day. We work to ensure customers have access to the latest technologies, reliable technical support, and products that consistently meet or exceed evolving environmental and energy efficiency standards. By anticipating industry needs and supporting contractors with the right products at the right time, Watsco helps deliver sustainable HVAC solutions across diverse markets.

Our Value Chain

Watsco's progress is supported by strong partnerships across its value chain. Close relationships with leading HVAC/R manufacturers and contractors who depend on us to source high-quality products, help ensure homes and businesses have efficient, dependable solutions. To strengthen our value chain, Watsco continually looks for ways to adopt product innovations, optimize supply chain efficiency, and invest in technologies that streamline ordering, inventory management, and delivery.

By combining physical distribution with digital innovation, Watsco can meet customer demand efficiently while maintaining a commitment to sustainability and operational excellence.



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 access technical training on emerging products and technology, navigate evolving regulations, and streamline their operations so they can run their businesses more efficiently.

We also take sustainability seriously in our own operations – working to reduce our environmental footprint through smarter logistics, more efficient processes, responsible sourcing, and continuous improvements that lower waste and energy use across our network. Just as importantly, we focus on the sustainability impact of the products we sell and the outcomes our customers achieve: higher efficiency equipment, improved system performance, reduced energy consumption, and lower greenhouse gas (GHG) emissions over the equipment lifecycle.

We believe 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 deliver the highest level of service and reliability that customers expect. As we look ahead, Watsco remains committed to operational excellence, responsible growth, and advancing solutions that help protect the environment and support the well-being of both our people and the communities we serve.



Materiality Assessment

In 2024, Watsco conducted a comprehensive materiality assessment to identify the sustainability topics with the greatest potential to impact our business outcomes.

The process included benchmarking against leading reporting frameworks such as GRI, TCFD, and SASB, followed by engagement with key internal and external stakeholders-including employees, customers, suppliers, investors, and partners. Through interviews and surveys, we gathered perspectives to better understand the issues that matter most to those we serve and rely on.

We then incorporated stakeholder input into a materiality matrix and reviewed the findings with our Sustainability Steering Committee (the Committee). The Committee validated the results and prioritized the sustainability topics most relevant to Watsco's long-term strategy.

While sustainability spans a broad range of issues, we are focusing our efforts on a refined set of priorities under three pillars: The Planet, Our People, and Governance. By focusing on what matters most to our stakeholders, Watsco is positioned to deliver meaningful impact and create long-term value.





Sustainability Governance

Watsco's Committee is central to guiding the Company's sustainability efforts across all business units. It meets bi-monthly and is chaired by senior leadership with participation from our CEO, President, and Executive Leadership from key functions including Finance, Strategy, Procurement, Technology, and M&A. This structure brings together cross-functional expertise to support effective oversight and decision-making.

The Committee's responsibilities include monitoring sustainability performance, such as emissions progress and the impact of product sales mix on emissions, as well as coordinating training to ensure consistent approaches across the organization.

Each of our more than twelve business units has also designated a Sustainability Leader who is responsible for implementing Watsco's sustainability strategy at the local level. Sustainability Leaders drive employee engagement, reinforce accountability, and oversee ongoing training to embed sustainability into everyday work.

The decentralized governance model gives our business units the flexibility to act within local context while ensuring alignment with Watsco's broader growth and sustainability priorities. As a result, sustainability is integrated into both strategic decisions and day-to-day operations across the Company.

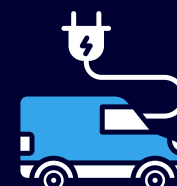
Timeline of Sustainability Milestones



2022



2023



2024



2025



- Created Sustainability Director Role at the Watsco level and Sustainability roles across our business units
- Created Sustainability Steering Committee
- Measured first Scope 1 and 2 Footprint
- Released first measurement of abated emissions from the sale of high-efficiency equipment

- Implemented carbon accounting platform
- Achieved over 50% forklift electrification across our facilities
- Launched waste diversion programs
- Alert Labs Inc., a Watsco business unit, earned B-Corp Certification
- Purchased first electric van

- Completed first Materiality Assessment
- Completed first Climate Risk and Opportunity Assessment
- Purchased second electric van
- Completed telematics deployment across all our business units

- Published Watsco's inaugural Sustainability Report
- Added three electric vans to our fleet
- Implemented Safety Management Platform across all our business units
- Achieved 55% forklift electrification across our facilities

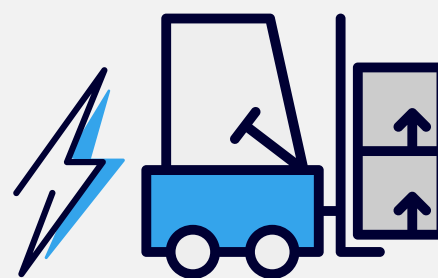
2025 Sustainability Highlights



Watsco sold
\$1.8 billion
in **Energy Star** and
Water Saving products.

We added

99

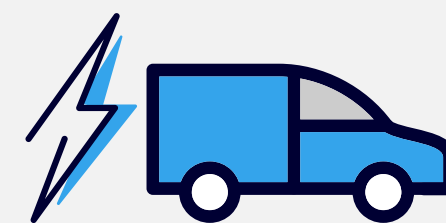


electric forklifts to our fleet,
reaching a 55% forklift
electrification rate.

We added

3 electric vans

to our fleet.



We completed
the transition of
business units
to a **new utility
management
platform**.



Our business units reclaimed

over **350,000**
pounds of refrigerant

from more than 380
branches in our network.



We implemented a **Safety Management
Platform (SMP)** across all our business units.

Planet Stewardship

GHG Emissions Measurement and Management

Watsco's commitment to environmental sustainability includes reducing GHG emissions in our own operations and working with partners to reduce emissions across our value chain. We advance these goals through three core activities:

- **Measurement:** Watsco gathers and analyzes data from multiple sources and measures GHG emissions impact using a robust carbon accounting platform that aligns with the GHG Protocol Corporate Accounting and Reporting Standard. This approach enables us to measure emissions across all relevant scopes, assess the impacts of specific initiatives, and forecast emissions reduction pathways.
- **Management:** we use our emissions data to inform decision-making and collaborate with cross-functional leaders across business units to identify and implement solutions with the highest impact potential.
- **Reporting:** we report progress and results from sustainability initiatives deployed across our business units, engage with stakeholders, and support ongoing regulatory compliance.

Scope 1 and 2 Emissions

Watsco’s operations included at the end of 2025:



~**16.8M**
square feet
total footprint



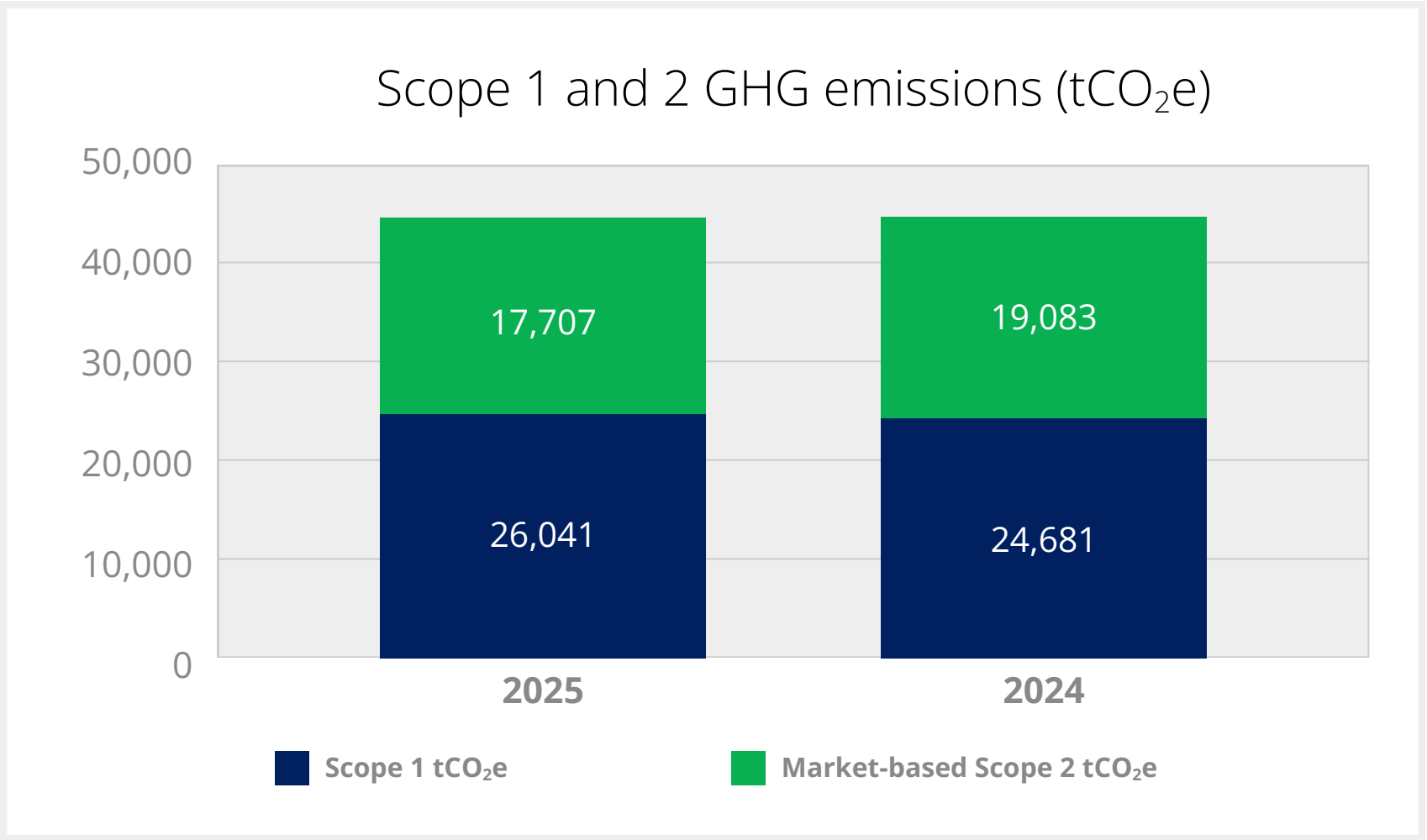
695 locations



873 fleet
vehicles

Scope 1 and 2 emissions stayed largely flat from 2024 despite three acquisitions in 2025, which added 10 facilities to our real estate portfolio. On a same store basis, our building emissions grew 1.5% since 2024.

We’ve started building the data collection processes needed to measure emissions across our supply chain, where most of our emissions occur, and started working with key partners to reduce emissions we share on our value chain.

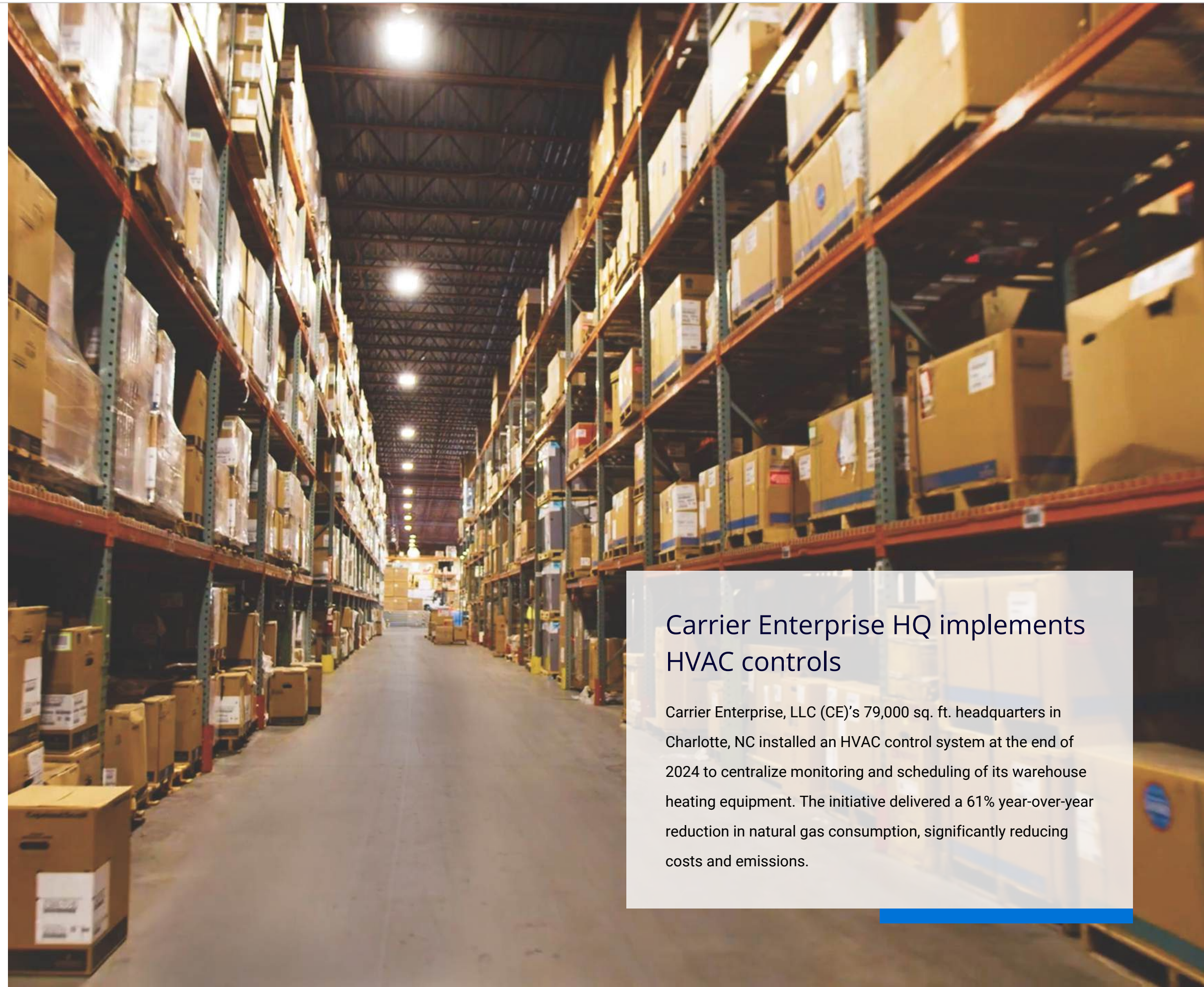


Total Energy Consumption	2025	2024
Total energy consumption (GJ)	613,338	583,767
Percentage grid electricity	31%	33%

Our Buildings

Watsco serves customers across 695 locations, and effectively managing energy consumption is essential to meeting our sustainability goals. To improve speed and accuracy, we completed the transition of Watsco's business units to a new utility management platform, which standardizes the collection of energy consumption and cost data. This enables us to identify energy-efficiency opportunities and prioritize upgrades through a data-driven approach.

Our Sustainability team partners with business unit leaders to review energy and emissions performance regularly, identify emissions hotspots, and implement targeted interventions to reduce energy use. We also enhance efficiency at our facilities through energy audits, LED lighting upgrades, HVAC improvements, and by implementing energy controls. We're exploring new opportunities to reduce emissions through clean energy procurement in the future.



Carrier Enterprise HQ implements HVAC controls

Carrier Enterprise, LLC (CE)'s 79,000 sq. ft. headquarters in Charlotte, NC installed an HVAC control system at the end of 2024 to centralize monitoring and scheduling of its warehouse heating equipment. The initiative delivered a 61% year-over-year reduction in natural gas consumption, significantly reducing costs and emissions.



Our Fleet

At December 31, 2025, Watsco operated a fleet of 873 vehicles, including delivery and pick-up trucks, vans, and tractors. To manage the fleet effectively, our teams focus on the following:

- **Right-sizing fleets** to ensure the right vehicles are available to service local customer needs.
- **Optimizing delivery routes and vehicle placement**, positioning vehicles at the most strategic locations to expand service coverage and reduce fuel consumption.
- **Training drivers to reduce idle time and hard acceleration**, improving both safety and vehicle performance.
- **Proactive vehicle maintenance** emphasizing regular inspections and timely repairs to maximize uptime, safety, and overall efficiency.

Gemaire optimizes fleet and adds electric vans

Gemaire Distributors LLC (Gemaire), one of Watsco’s largest business units, evaluated fleet usage and efficiency to optimize operations in 2025. Using facility proximity and vehicle utilization, Gemaire reduced its truck count by 8%. It also replaced three gasoline vehicles with electric vans in California, aligning with Watsco’s broader goal of reducing operational emissions.

We are continuously looking for opportunities to use our fleet efficiently. A key part of this is making sure our fleet is the right size for our business needs.



Ismael Valle, Director of Logistics, Gemaire

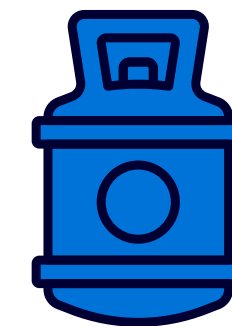
In 2025, we continued electrifying our forklift fleet by adding 99 electric forklifts, resulting in a 22% year-over-year reduction in propane emissions. These efforts help lower overall fuel consumption and emissions while also reducing operational costs.



Promoting the Sale of Sustainable Solutions

We believe Watsco plays an important and significant role in the drive to reduce GHG emissions. According to the U.S. Department of Energy, heating and cooling accounts for roughly half of household energy use in the U.S. Replacing outdated, inefficient HVAC systems- many of which no longer meet current energy efficiency standards and may use refrigerants that are being phased out because of their environmental impact- is therefore one of the most meaningful steps homeowners can take to lower energy costs and reduce carbon emissions. Put simply, the faster we facilitate the upgrading of new HVAC systems, the more directly we can influence the emissions output of over 100 million homes and businesses in the U.S.

Our product portfolio includes high-efficiency heating and cooling systems, heat pumps – which typically replace more emissions-intensive heating options, indoor air quality products, smart thermostats, insulation materials, and IoT sensors that help monitor water use. In 2025, we transitioned inventory of high-global warming potential (GWP) refrigerant equipment to new-lower-GWP HVAC systems (A2L systems) which impacted approximately 55% of products sold across our U.S. facilities.



~55%

of products sold in the US were new-lower-GWP HVAC systems

We have long prioritized the sale of high-efficiency solutions and heat pumps, investing in the technology and tools needed to support these efforts. In 2025, our sales of higher-efficiency residential HVAC/R systems helped prevent an estimated 3.3 million metric tons of CO2e emissions, based on independently validated estimates.

Watsco uses a multifaceted approach to support the sales of sustainable solutions that include customer education, strategic partnerships, and innovative technologies.



Customer Education

Our stores serve more than 375,000 contractors, technicians, and installers each year—customers who rely on us not only to supply the products they need to complete HVAC jobs, but also for guidance on product innovation and evolving regulatory requirements.

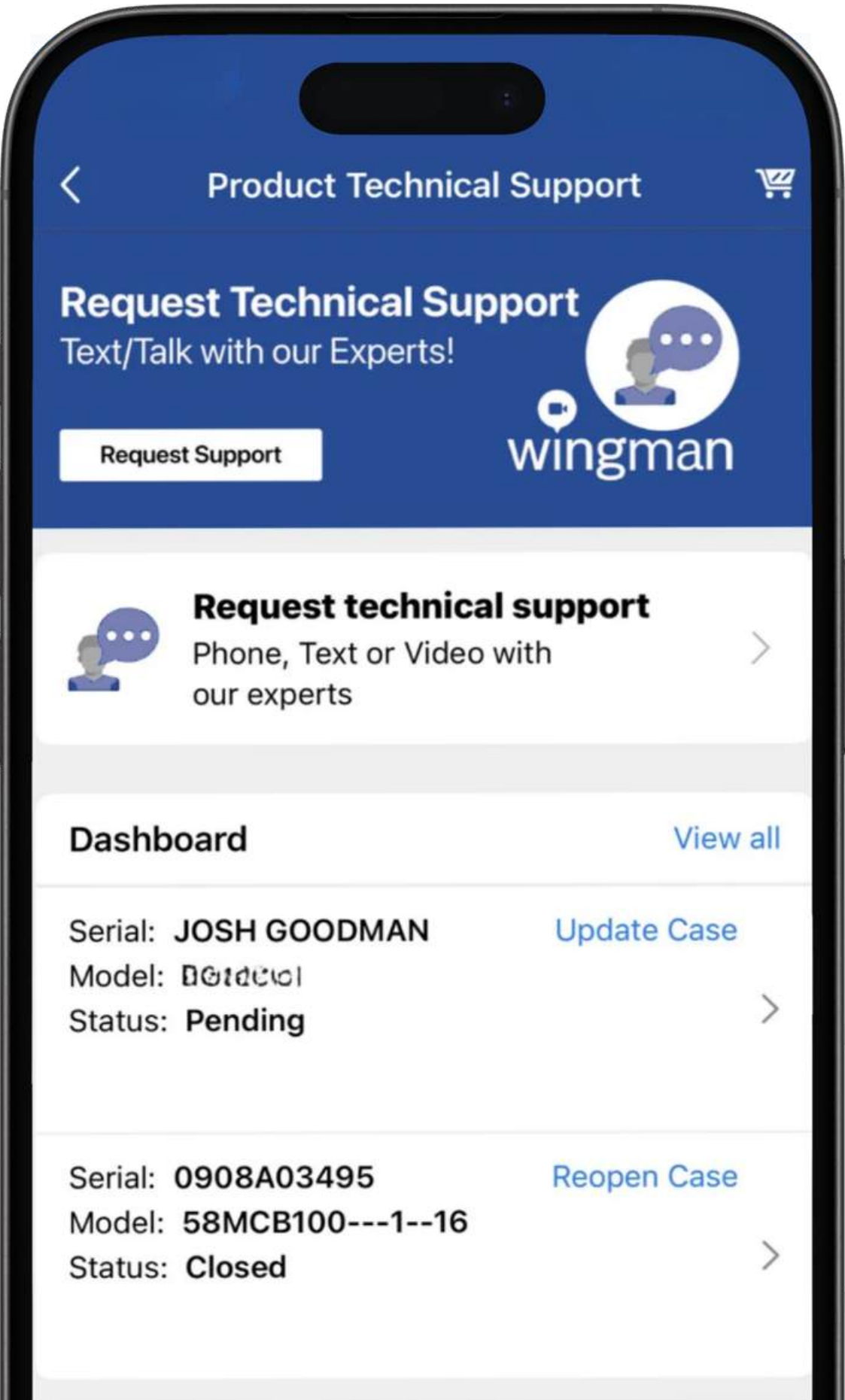


>375,000

contractors, technicians and installers choose to shop with us

Our teams provide ongoing training and hands-on support through multiple channels, including more than 1,000 in-person and digital training, phone support, and in-app live texting and video for technicians in the field who need real-time assistance.

The content of this training helps contractors understand the benefits of sustainable solutions and equips them with the tools they need to sell, finance, install, and service high-efficiency systems and eco-friendly accessories.



Supporting Technology

Watsco has pioneered a comprehensive digital ecosystem to better support customers. Over the last five years, we’ve invested more than \$250 million in technology, supported by approximately 300 technologists who help customers at every stage—from product ordering through our e-commerce platforms, to selling HVAC systems to consumers at the kitchen table.

Our HVAC Pro+ Mobile App gives contractors the tools they need to successfully complete an HVAC job in the field including:

- **Real-time pricing and product availability**, helping ensure solutions offered to consumers are available when and where they are needed.
- **Warranty search and claim processing.**
- **Wiring diagrams, parts lists, and installation instructions**, supporting efficient installs and reducing call-backs.
- **Air-Conditioning, Heating and Refrigeration Institute (AHRI) matching** verification to confirm indoor and outdoor units are properly matched for efficient, reliable system performance.

- **Live technical support via text and video**, enabling technicians to resolve questions and issues directly on-site.

At the end of 2025, there were approximately 73,000 HVAC Pro+ Mobile App users, a 15% increase over 2024. These customers also show higher growth rates, reflecting increased replacement of residential systems, and lower cost to serve, resulting in fewer deliveries and reduced emissions. Together, these factors help advance our sustainability goals.



~73,000

HVAC Pro+ Mobile App users at the end of 2025

Watsco Ventures LLC

Watsco Ventures LLC (Watsco Ventures) incubates, partners, and makes strategic investments in technology products that help HVAC/R contractors grow and operate more efficiently. These solutions enable contractors to sell sustainable solutions at a higher rate and streamline their day-to-day operations.

In 2016, Watsco Ventures launched OnCallAir®, a digital sales platform that modernizes the HVAC selling experience. Since then, the platform has expanded significantly. In 2025, gross merchandise value of products sold through OnCallAir® grew 20% to approximately \$1.8 billion, with contractors quoting HVAC solutions for approximately 329,000 households.

OnCallAir® helps contractors communicate the value of high-efficiency products and heat pumps through detailed product information, including potential energy savings and environmental benefits. It also integrates financing options and incentives to make sustainable upgrades more accessible—with over 50 finance lenders used on the platform. As a result, OnCall Air has a higher mix of high efficiency systems sales than Watsco sees otherwise.

Watsco Ventures also offers contractors other technologies to help them:

- **Capture instant rebates for energy efficient heat pumps at the point of sale.** Contractors can offer and receive rebates immediately, eliminating the need to submit rebate forms. This shortens payment timelines, improves cash flow, and makes clean energy incentives more practical for adoption.
- **Design and size heat pump systems faster and more accurately.** Contractors can quickly scan a customer's space, generate 3D room models with precise measurements, and calculate loads automatically. Right-sizing equipment helps optimize energy use and performance over the system's useful life.

The HVAC/R contractor is one of the most important actors in the energy transition. Our mission is to help them grow stronger businesses while enabling customers to choose more efficient, lower-impact solutions.



Ivan Rapin-Smith, Managing Director, Watsco Ventures



Alert Labs Inc.

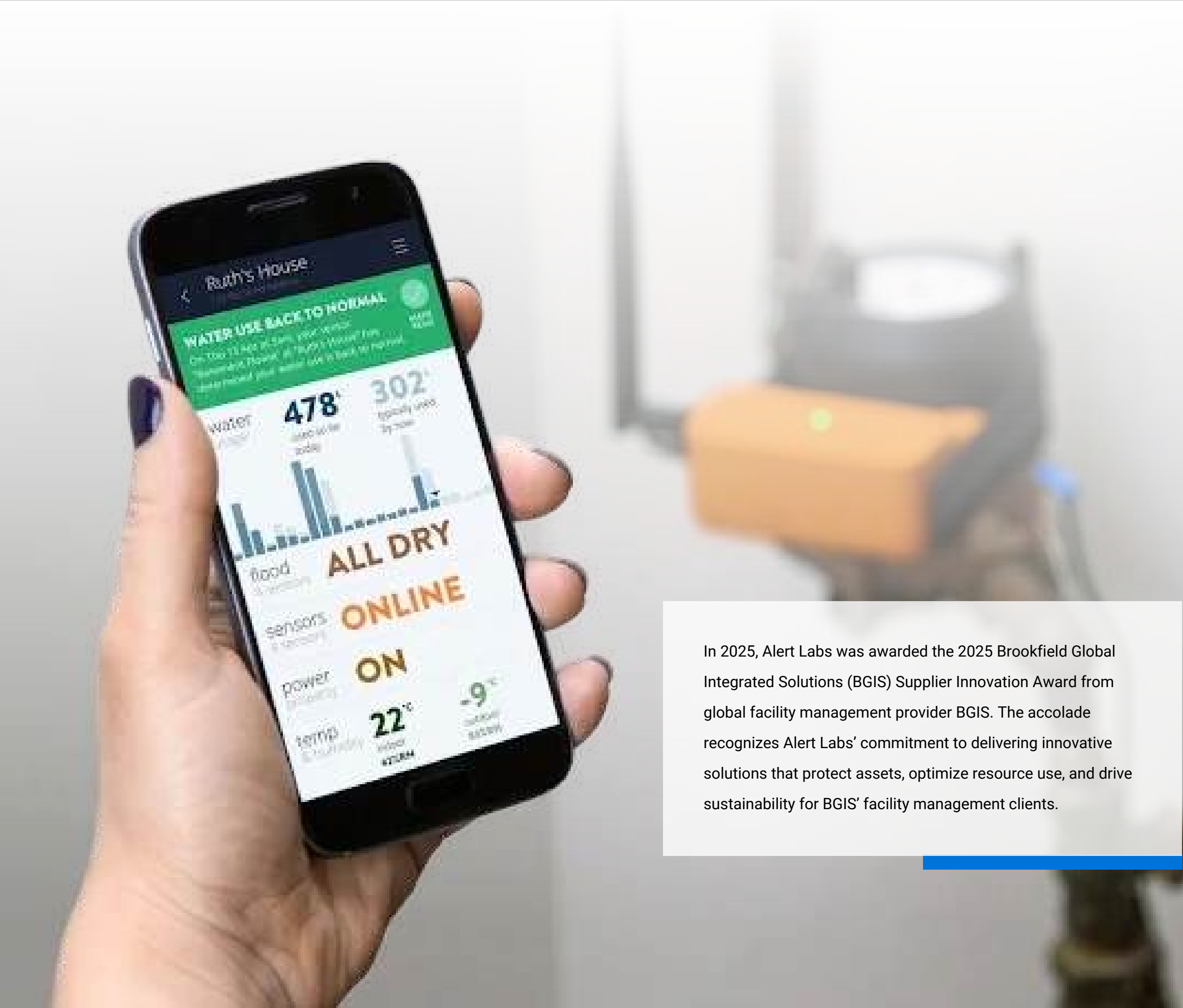
Alert Labs Inc. (Alert Labs) Watsco’s water intelligence solutions business unit, manufactures and sells IoT sensors that help building owners monitor water use and detect leaks early. Its solutions are powered by AlertAQ™, a water intelligence platform that uses AI-driven algorithms to learn each building’s unique water-use patterns and automatically identify anomalies consistent with leaks. By reducing water waste, Alert Labs also helps avoid the carbon emissions associated with extracting, treating, distributing, and heating water. In 2025, Alert Labs earned B-Corp re-certification which was initially attained in 2023.



>150,000

AI-powered water sensors
deployed across 14,000 buildings

By the end of 2025, customers across North America collectively saved 14.9 billion gallons of water and prevented 162,000 metric tons of CO₂e emissions from entering the atmosphere. This result reflects the cumulative impact of more than 150,000 AI-powered water management solutions deployed across over 14,000 buildings in the U.S. and Canada.

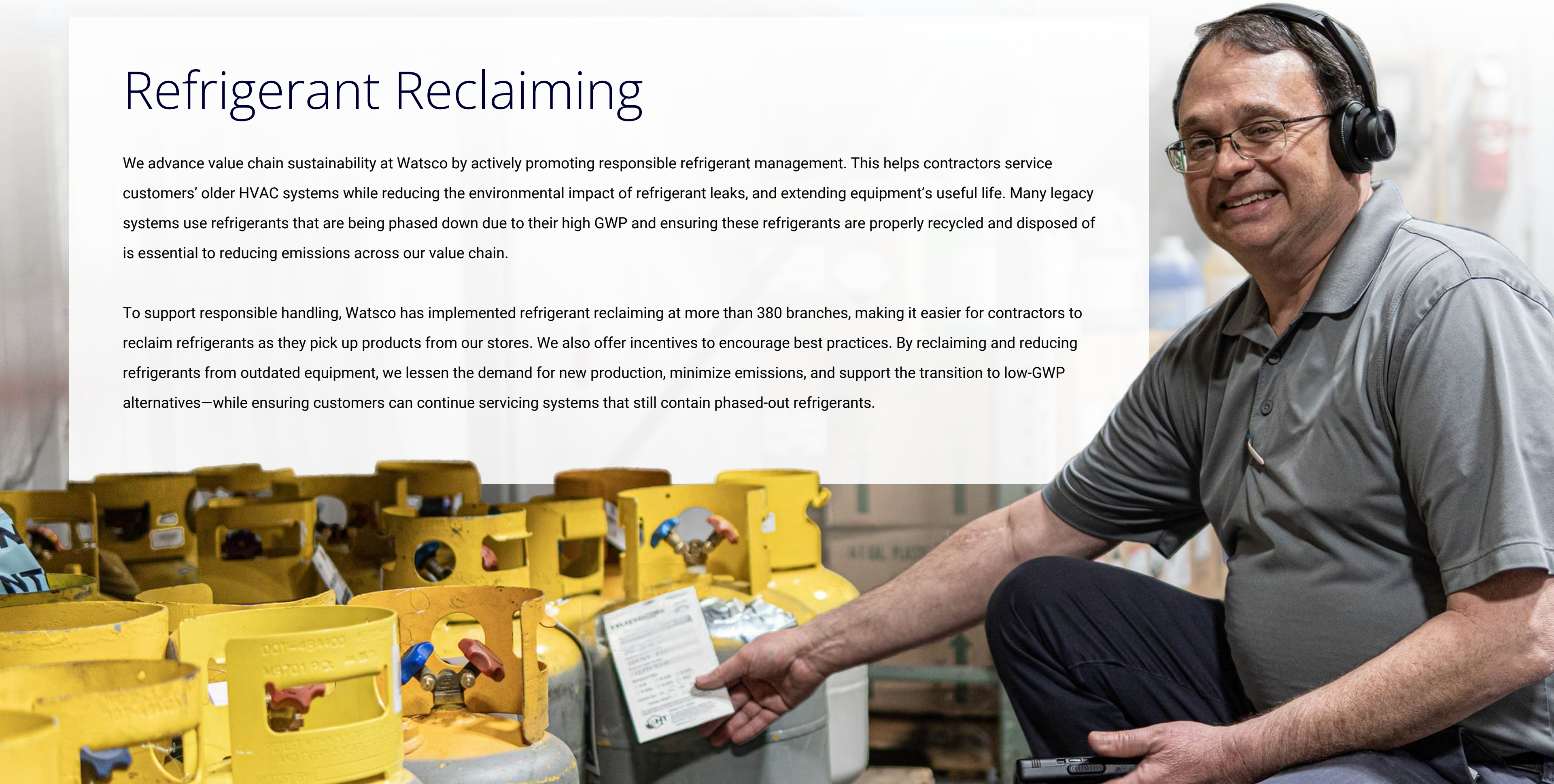


In 2025, Alert Labs was awarded the 2025 Brookfield Global Integrated Solutions (BGIS) Supplier Innovation Award from global facility management provider BGIS. The accolade recognizes Alert Labs’ commitment to delivering innovative solutions that protect assets, optimize resource use, and drive sustainability for BGIS’ facility management clients.

Refrigerant Reclaiming

We advance value chain sustainability at Watsco by actively promoting responsible refrigerant management. This helps contractors service customers' older HVAC systems while reducing the environmental impact of refrigerant leaks, and extending equipment's useful life. Many legacy systems use refrigerants that are being phased down due to their high GWP and ensuring these refrigerants are properly recycled and disposed of is essential to reducing emissions across our value chain.

To support responsible handling, Watsco has implemented refrigerant reclaiming at more than 380 branches, making it easier for contractors to reclaim refrigerants as they pick up products from our stores. We also offer incentives to encourage best practices. By reclaiming and reducing refrigerants from outdated equipment, we lessen the demand for new production, minimize emissions, and support the transition to low-GWP alternatives—while ensuring customers can continue servicing systems that still contain phased-out refrigerants.



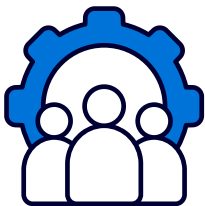
People and Community Well-Being

Watsco's culture is the single most durable competitive advantage we have — and our people are at the heart of it. We enter each year with the same foundational belief: entrepreneurship starts with empowering the individuals in the field who drive our business forward every day.

Our workforce of locally empowered leaders, managers, and employees is what enables us to deliver meaningful value to our customers, suppliers, and communities. We foster a culture of ownership that attracts high-performing talent, supports long-term development, and strengthens our ability to grow.

Our culture of ownership runs deep. Approximately 4,200 active employees are Watsco shareholders. Between 2016 and 2025, employees participating in our stock option program earned approximately \$115 million in compensation — a testament to the long-term value we create together.

The financial outcomes of Watsco’s performance, and the advancement of our sustainability goals, are directly aligned with the growth and prosperity of our employees.



4,200 active employees are Watsco shareholders



\$115 million compensation earned by employees from stock options exercised between 2016 and 2025



Engaging and Retaining Our Employees

My career of 39 years at East Coast Metal Distributors has been a journey of continuous learning and opportunities for growth. I feel that having a positive attitude, a strong work ethic and a genuine desire to serve others so that “they” succeed is very much a key to success!



Tammy Fultz, Regional Credit Manager, East Coast Metal Distributors LLC

We place a strong emphasis on employee engagement. HR leaders come together monthly to share best practices, discuss challenges, and review results — ensuring shared knowledge and expertise flow across our business units while preserving the autonomy that makes each of them unique.

Leadership development and mentorship programs enhance skills, build connections, and open pathways for growth throughout employees' careers. Our engagement approach reflects a straightforward belief: when people feel valued and empowered, they perform at their best.

The results speak for themselves:



Professional Development

In 2025, Watsco employees completed over 35,000 hours of training, strengthening technical, professional, and personal skills across the organization.

Regular performance appraisals and succession planning ensure our high performers have clear opportunities to grow — not only in their current roles, but across our broader network of business units. Our companies have also invested over \$1.2M in tuition reimbursement for undergraduate and graduate programs over the last 5 years, underscoring our commitment to supporting employees' educational and career journeys at every level.

Learning and development programs include the Early Career Trainee program, Branch Manager training, Sandler Sales training, and Six Sigma which are deployed across different business units.

Over the past 5 years with CE, I have been fortunate enough to have 5 opportunities to grow my career through either promotions or relocations to take on the next challenge. I truly credit that success to the incredible mentors and support I have been given, as well as the team members and associates that have supported me along the way. My favorite part about CE and Watsco is the ability to challenge decisions, regardless of position, where ego never plays a factor. Our best ideas come from the field in our entry level positions, and we have always encouraged feedback and strive for continuous improvement.



Kelly Furr, Wholesale Area Manager, CE



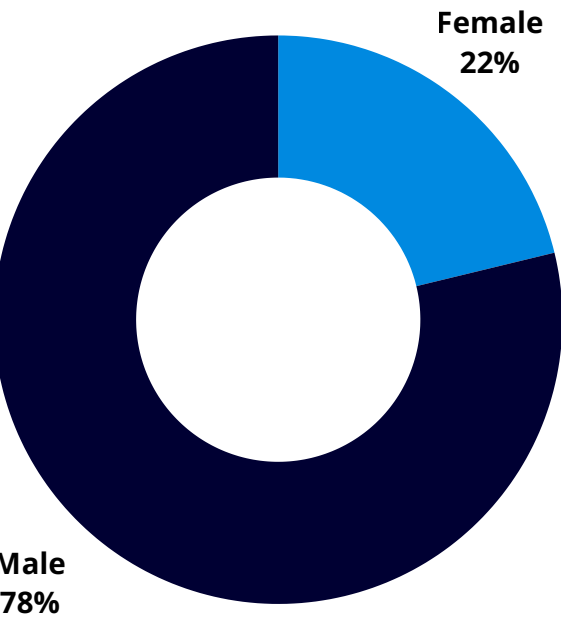
Equal Opportunity

Watsco values and fosters diversity. We offer equal access to employment and advancement without regard to race, color, religion, national origin, age, disability, veteran or military status, pregnancy, sex, gender identity, sexual orientation, or marital status.

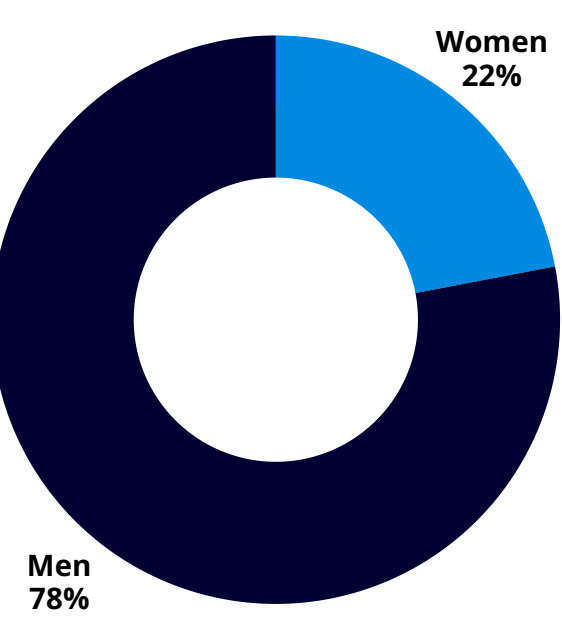
We believe our diverse teams drive better decisions, greater innovation, and stronger outcomes. Feeling valued, understood, and inspired is key to individual success — and to ours as a company.

Our workforce reflects this commitment:

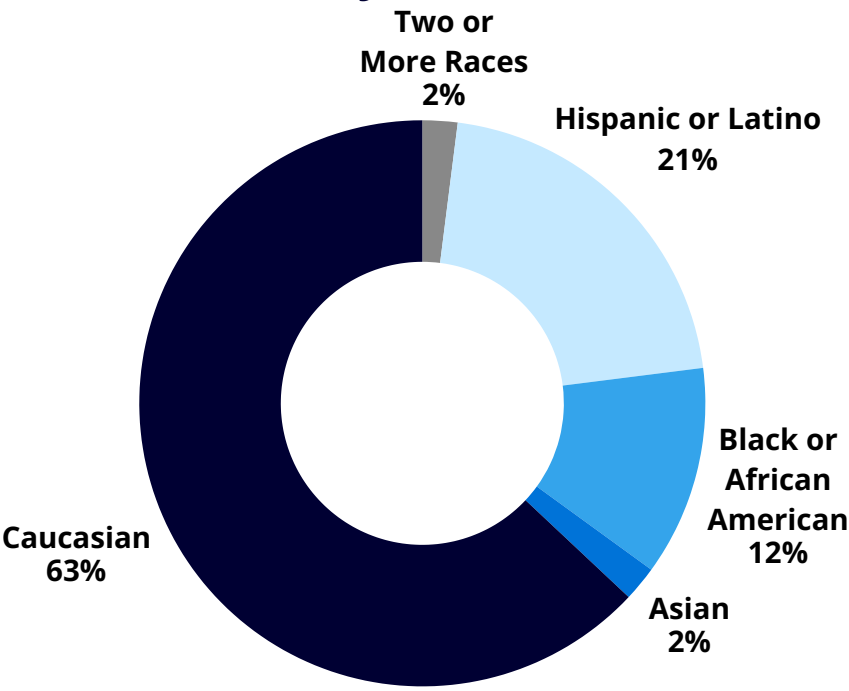
Gender Breakdown



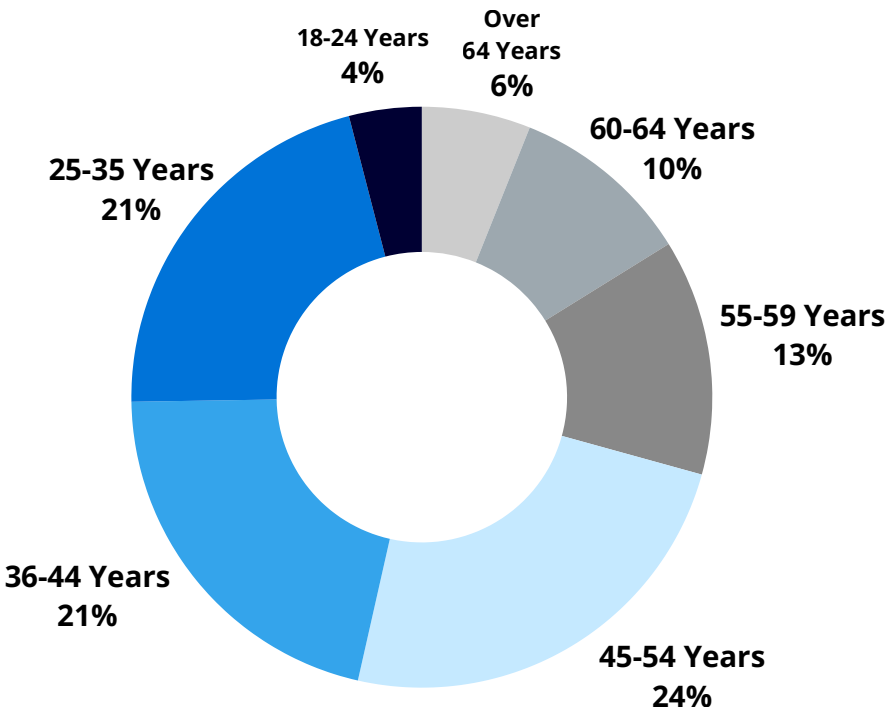
Leadership Breakdown



Ethnicity Breakdown



Generational Breakdown



All employees participate in annual anti-harassment training, covering policies, reporting mechanisms, and the consequences of workplace misconduct. This reinforces our commitment to a respectful, inclusive environment for everyone.



Community Engagement

Strong communities are the foundation for sustainable growth, and Watsco is continuously looking for ways to have a positive impact in the communities we serve. In 2025, our business units and Watsco organized volunteer activities including food and toy drives, and community clean ups. As with all our initiatives, our business units have the autonomy to lead the community engagement efforts that matter most in their local markets.

Here are some highlights:

- **CE** continued its partnership with SkillsUSA by attending the SkillsUSA competition and donating prizes, connecting employees with HVAC students, instructors, and industry partners.
- **Peirce-Phelps LLC (Peirce-Phelps)** built a partnership with the Energy Coordinating Agency (ECA) and the Philadelphia Energy Authority (PEA) to advance energy-efficiency training and ductless deployment programs for low-income families. A key initiative was the creation of a ductless HVAC training lab and accompanying curriculum designed to prepare low-income workers for careers in the trade. So far, 139 people have completed the training, expanding opportunities for vulnerable populations while meeting growing demand for HVAC technicians. With PEA, Peirce-Phelps helped develop a program to install ductless solutions for low-income households where the operational costs would be significantly lower than traditional heating and cooling solutions typically deployed in these homes.
- **Gemaire** supported Strings for Hope in Nashville, an organization that employs and trains survivors of human trafficking and abuse through a Work Development Program offering paid, skills-based work to strengthen economic stability and a path to consistent, dignified employment.

Working with these organizations has been very rewarding. Together, we not only help low-income households install energy-efficient equipment which significantly lowers their cost of operation but also creates pathways for low-income residents to meet the workforce needs of this rapidly growing industry. In partnership with Carrier Global Corporation and some of our trusted installers, we have delivered a functional training lab, trained trainers and delivered a comprehensive syllabus enabling the ECA to upskill people so they can improve their quality of life. My favorite memory of these programs is when we piloted the Built to Last program on a home that was barely habitable and transformed it into a comfortable functional living space where the daughters of the owner returned to living with their father.



David Lamb, Product Manager, Peirce-Phelps

Workforce Health and Safety

At Watsco, we are committed to building a foundation where our employees, their families, our customers, and our communities can thrive. This can only be achieved by creating the conditions for safe and healthy workplaces that inspire our teams to lead healthy lives at work and at home.



Wellness Program

Our Comprehensive Wellness Program is designed to encourage healthier lifestyles and provide meaningful support to employees and their families.

Our benefits include:

- **Medical plan** with coverage of certain preventive care costs, including annual physicals, age-appropriate screenings (mammogram, colonoscopy, prostate, heart, and bone density), and vaccines.
- **Basic Life and AD&D insurance** at no cost to employees.
- **Short- and Long-term Disability insurance.**
- **Watsco Wellness Incentive** as a cash deposit into an employee's Health Savings Account upon completing a free annual physical and submitting a physician results form. An additional incentive is available for a participating spouse.
- **Unlimited Personal Health Advocate** to help find providers, schedule appointments, and resolve billing or claim issues — including confidential mental health services for employees and their families.
- **Teladoc** access 24/7 to U.S. board-certified doctors via web, phone, or mobile app for common health issues.
- **Employee Assistance Program** services offering confidential, 24/7 support for employees and their family members at no cost, covering stress, depression, addiction, childcare, elder care, legal questions, grief and loss, family relationships, and parenting.
- **Tobacco Cessation Program** through the American Cancer Society's "Quit for Life" offering, including coaching, online tools, and ongoing support, covered 100% by Watsco.





Workplace Safety

At Watsco, we strive for an injury-free workplace and empower our employees to embed safety as a pillar of their everyday actions. We pursue this through continuous training, proactive monitoring, rigorous goal setting, and a culture where every employee is empowered to prevent and stop unsafe situations without fear of retaliation.

We have tied these principles to tangible results and incorporated key safety metrics into the incentive structures of our key operational leaders, which has resulted in significant improvements in safety and wellness performance over the past several years.

To drive consistent standards across all business units, we established a dedicated Safety Director role at the Watsco level who supports safety teams, shares best practices and leads the deployment of safety programs and technology. Last year, our Safety Director created and deployed a Safety playbook for all Watsco business units to use as a blueprint to run standardized safety programs.

Health and Safety Training

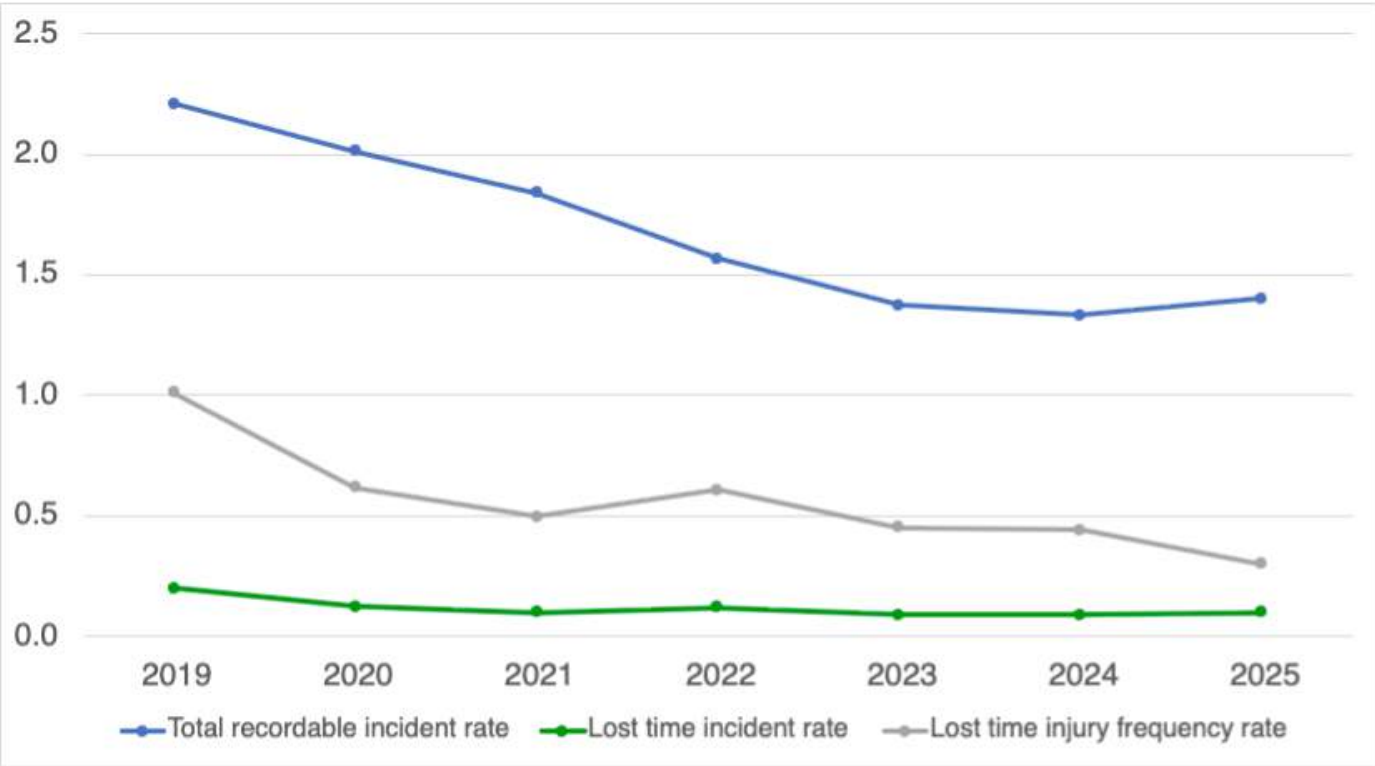
At Watsco we know continuous training and knowledge sharing are the basis of a safe workplace. Our focus on ensuring teams have the knowledge, commitment and ownership of safety in their everyday activities has resulted in a 38% reduction in injury rates across the U.S. and Canada since 2019. Our total recordable incident rate (TRIR) of 1.4 and lost time injury frequency rate (LTIFR) of 0.3, are lower than the respective industry averages of 1.6 and 0.7.



38% reduction
in injury rates in
U.S. and Canada
since 2019



> 16,000 hours
of Health & Safety
training completed
in 2025



Our business units are empowered to develop and implement their own safety programs, guided by our shared health and safety framework which is grounded in four principles:

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

Training is tailored to specific work-related hazards and is delivered through a mix of hands-on, in-person, and online formats. We offer training courses to all employees as they start their career at Watsco, followed by annual training plans which are established and executed across all locations covering target audiences, delivery methods, and relevant topics tied to local operational risks. Supplemental regular training and remedial training are provided when incidents occur.



CE's implementation of kinetic devices across all its distribution centers resulted in a 100% reduction of sprain & strain (S&S) injuries in 2025, eliminating back injuries completely. The program, implemented in 2022, identifies ergonomic risk behaviors and alerts users through vibrations so they can correct their form. The data is automatically uploaded into a central platform and used by Safety teams and supervisors to coach employees regularly.

Proactive Safety Management

We take a structured, four-pillar approach to proactive safety management:

1. Safety Management Platform (SMP)

Implemented in 2025 across all our business units to ensure all employees at our facilities could manage safety programs consistently, our SMP is designed to:

- Track incidents and report hazards and injuries in real time, driving ownership and accountability at every level.
- Perform safety inspections and audits supporting real-time problem solving.
- Access training materials, structure safety meetings, and review KPIs in real time.

2. Regular Safety Meetings

Safety is embedded into our operating rhythm at every level:

- Bi-weekly branch-level meetings: Led by each business unit's Safety Director, covering topics such as heat exhaustion prevention and proper tool use and storage.
- Monthly cross-functional safety committee meetings: Bringing together HR, Regional Managers, Division Presidents, H&S Directors, VPs of Operations, and Branch Managers to review best practices, analyze incidents, and drive preventive action.
- Monthly company-wide meetings: With operational leaders and Watsco's President, covering accident trends, best practices, programs, and next steps for strengthening Watsco's safety culture.

3. Audits and Inspections

Performed regularly to ensure teams are following safety principles. They include:

- Bi-annual general safety audits conducted by Operations and Regional Managers.
- Ongoing audits performed by managers during every branch visit, using our SMP, to identify hazards and provide real-time feedback.

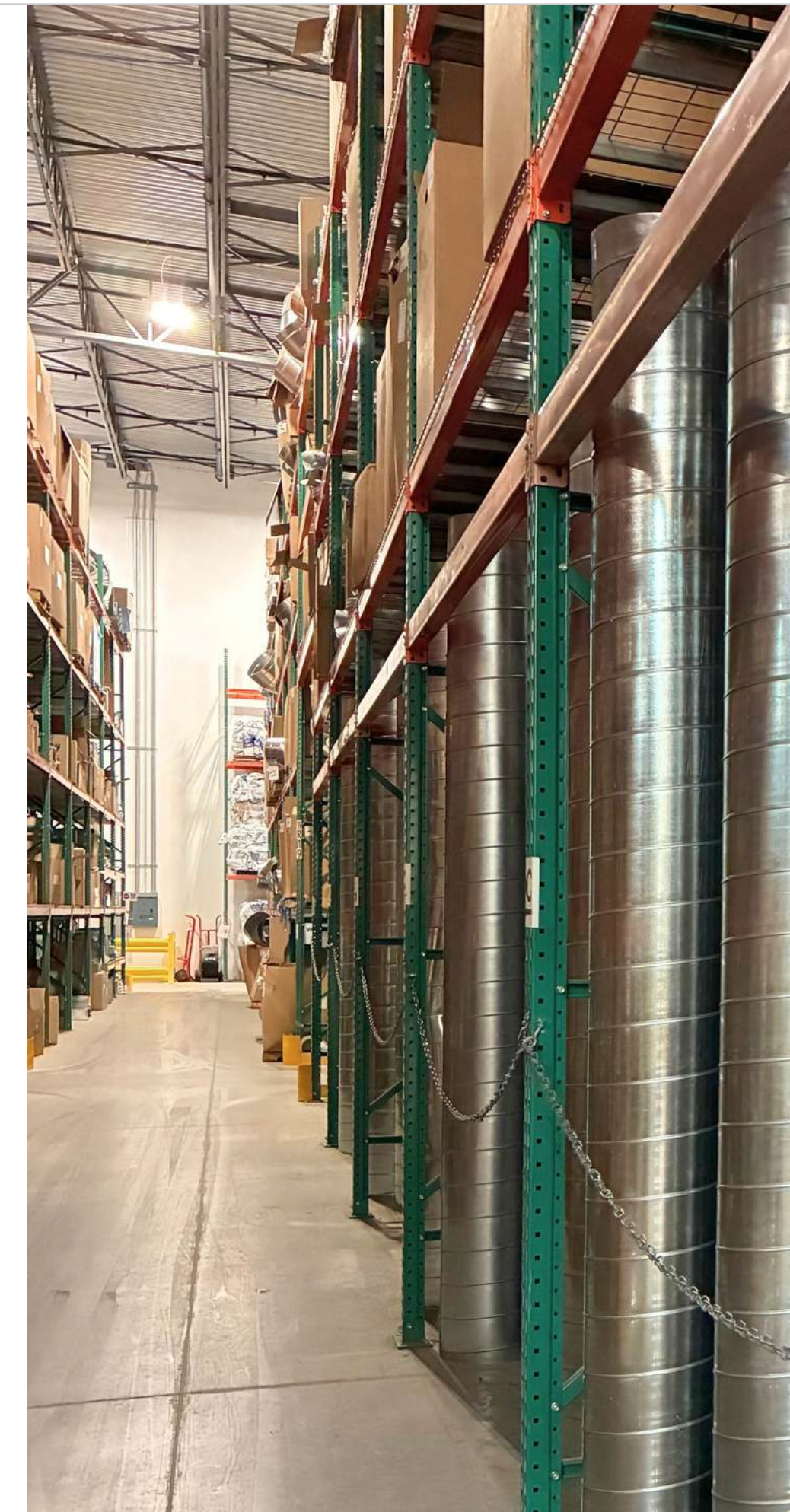
4. Incident Management

Every incident is subject to investigation, corrective action, and follow-up review. All employees are expected to report work-related injuries, illnesses, and near misses. Root-cause analysis and network-wide learning sharing ensure that findings translate into prevention, not just documentation.

Implementing the SMP has been incredibly helpful to audit, manage and ultimately prevent incidents at our facilities. Safety never takes a day off.



Elena Manke and Matthew Stracco, Safety Coordinators, Homans Associates II LLC





Occupational Health Programs

We actively manage key occupational health risks, including heat stress, noise and hearing conservation, and chemical safety.

- **Heat stress:** our heat stress program includes education on recognizing early symptoms, mandatory hydration protocols, access to shaded rest areas, and structured acclimatization guidelines for employees returning after time away.
- **Noise and hearing conservation:** facilities with identified noise hazards assess exposure levels and implement engineering controls to reduce noise at the source. Where engineering controls alone are not sufficient, employees are provided with appropriate hearing protection.
- **Hazardous materials and chemical safety:** managing hazardous materials safely is a core element of our operational and environmental responsibility. We maintain comprehensive programs to ensure that all employees who handle, transport, or are exposed to hazardous substances are properly trained, equipped, and supported.

Fleet Safety

AI Vision On

0.6s Time-to-Hit

A screenshot of a vehicle's forward-facing camera view with AI vision overlays. A red car in the distance is enclosed in a red bounding box, and a white truck directly ahead is enclosed in a larger red bounding box. A small red circle with the number '1' is positioned near the top of the truck's bounding box. The background shows a road with green grass on the sides under a cloudy sky.

We've had great results with telematics. It helps us train drivers, immediately alert them when they're engaging in risky behavior, and deliver ongoing feedback—allowing us to quickly assign corrective action and prevent accidents.

A portrait of Robert Fountain, a middle-aged man with grey hair and a beard, wearing a blue hoodie with a red and white logo.

Robert Fountain, Safety Manager, Gemaire

Our fleet of 850+ ground transportation vehicles — including delivery and pickup trucks, vans, and tractors — is central to our operations and our commitment to safe roads.

Key fleet safety initiatives include:

- **Driver evaluation and training:** through rigorous evaluation and training programs to ensure drivers operate vehicles safely and defensively.
- **Regular vehicle maintenance and safety inspections:** to prevent accidents and ensure fuel efficiency.
- **Telematics technology:** deployed across business units to track and improve driving behavior, reduce incidents, and enhance record keeping.
- **Safety compliance and risk mitigation:** through a third-party provider for driver qualification, DOT guidelines compliance, and Compliance, Safety, Accountability (CSA) performance tracking.
- **Fuel efficiency initiatives:** through reduction in idle times and heavy acceleration — benefiting both safety and emissions performance.



Gemaire rolled out AI-enabled telematics, resulting in a 67% reduction in truck incidents since 2022. The technology proactively detects risky behaviors -including failure to wear seatbelts, speeding, and distracted driving - so drivers can correct their actions in real time.

Emergency Response

Business disruptions may arise due to unforeseeable events such as extreme weather. Watsco takes a comprehensive approach to emergency preparedness to protect our employees, our operations and our communities.

Our business units develop emergency plans that outline the best course of action before, during, and after events such as tropical storms and hurricanes. Each one maintains detailed employee emergency action-and-response plans, including emergency contacts, checklists, and leadership delegation protocols. These well-established practices help us account for employees during evacuations and ensure our workforce is well prepared for any emergency scenario.

To ensure continuity of service for our customers at critical times, we rely on Watsco's extensive network of facilities to swiftly shift operations from affected areas in the event of an emergency, minimizing downtime.



Product Safety and Quality

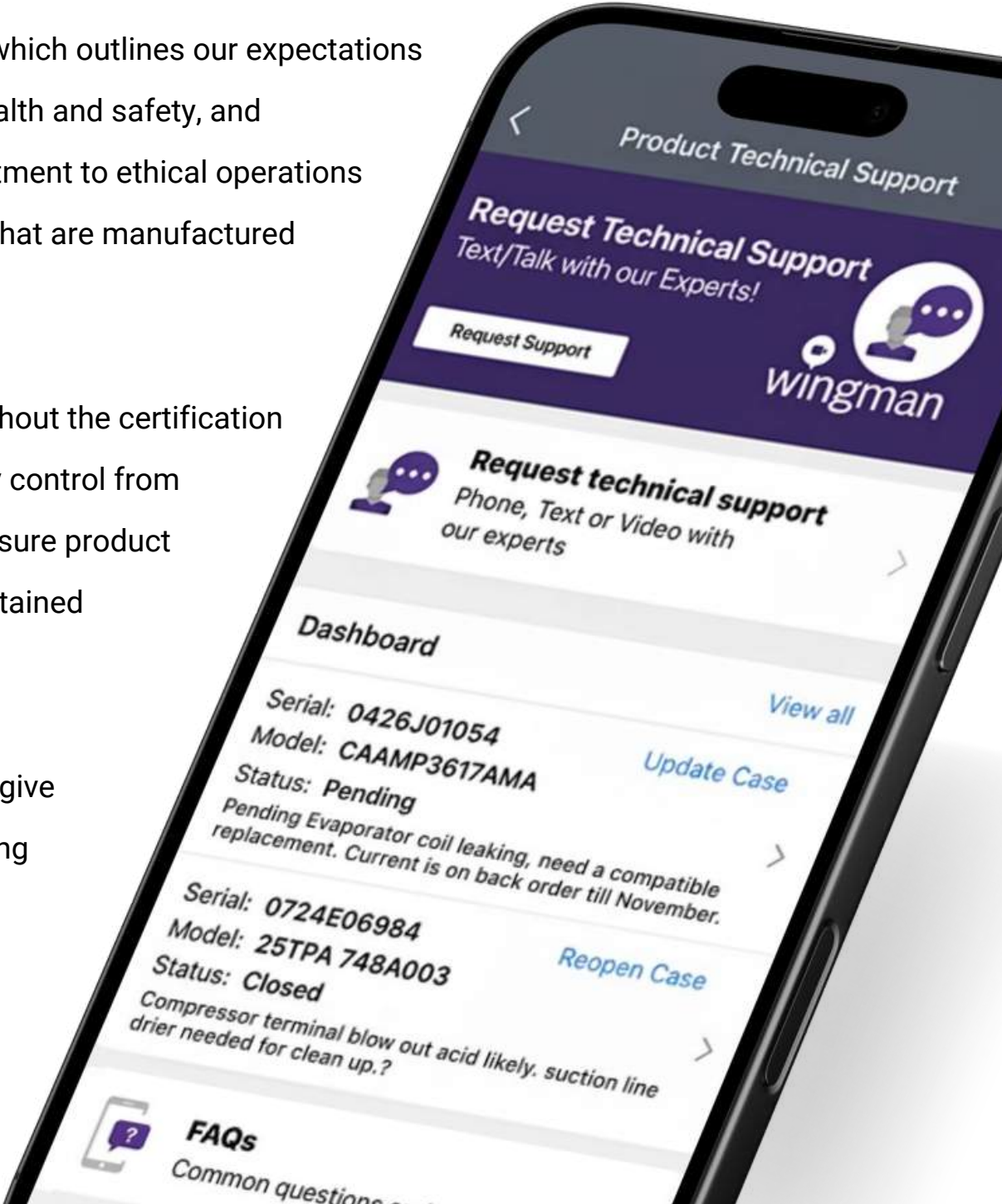


Watsco upholds stringent safety and quality standards across our product offerings to meet industry, environmental, and regulatory requirements. We build strong partnerships with suppliers and maintain continuous oversight to ensure the products we offer align with our expectations for safety, quality, and compliance. We seek supplier relationships based on shared values particularly high-quality engineering, worker safety, and responsible environmental practices, so customers receive reliable products that meet or exceed regulatory standards and are engineered to perform as intended. New suppliers are evaluated on their ability to meet these standards.

All suppliers are expected to adhere to Watsco's Supplier Code of Conduct, which outlines our expectations across human rights, employment standards, environmental compliance, health and safety, and anti-corruption practices. Through these standards, we reinforce our commitment to ethical operations and continuous improvement across the supply chain, supporting products that are manufactured and handled responsibly.

For our private label products, our product teams are deeply engaged throughout the certification and testing process, maintaining hands-on involvement in design and quality control from development through to market readiness. This close collaboration helps ensure product performance and safety are built-in from the start, with quality controls maintained through the validation stage and final readiness.

We also support product quality at the point of installation. Our mobile apps give customers real-time access to technical resources and expert support, helping ensure equipment is set up correctly. The platform further simplifies the warranty process, enabling dealers and contractors to register equipment, submit claims, and check claim statuses with ease.



Ethical Leadership

Corporate Governance

At Watsco, we believe our responsibility is to conduct business with the highest level of ethics and integrity and to communicate openly with all stakeholders. To support this, the Company has established corporate governance guidelines that promote the effective functioning of the Board of Directors and its committees, protect the interests of shareholders, and set clear expectations for how Watsco is managed at every level.

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

The Board maintains four standing committees: Audit, Compensation, Nominating and Governance, and Strategy. The Board also has an Advisory Board, which provides directors with non-binding recommendations and insights. Advisory Board members may include potential future directors, former directors, and other individuals identified by the CEO as valuable sources of perspective. The Advisory Board currently has seven members.



Enterprise Risk Management

The Board is responsible for enterprise risk oversight, with specific risk areas reviewed through the relevant Board committees. Watsco faces a range of risks, including governance, legal, financial, operational, international, strategic, and reputational risks. Within these categories, social risks include human capital management—such as talent acquisition, development and retention, health and wellness, safety, and succession. Watsco also manages risks related to cybersecurity threats, the competitive landscape, and disruptive events including environmental issues, natural disasters, and pandemics.

To identify, assess, manage, report, and monitor risks that could affect the Company's ability to achieve its objectives and strategy, Watsco has implemented an annual Enterprise Risk Assessment process. The Audit Committee has oversight responsibility for this process.

In addition, Watsco completes a Climate Risk and Opportunity Assessment every year as part of the Company's annual Enterprise Risk Management process.



Regulatory Compliance

In 2025, Watsco remained committed to maintaining full compliance with evolving industry regulations. Working closely with our OEM partners, we transitioned inventory of high-GWP refrigerant equipment that could no longer be manufactured after December 31, 2025, and distributed and sold during a set timeline, to new-lower-GWP HVAC systems (A2L systems). This transition supports regulatory compliance while advancing our broader goals to reduce the carbon footprint of our operations and the products we distribute.

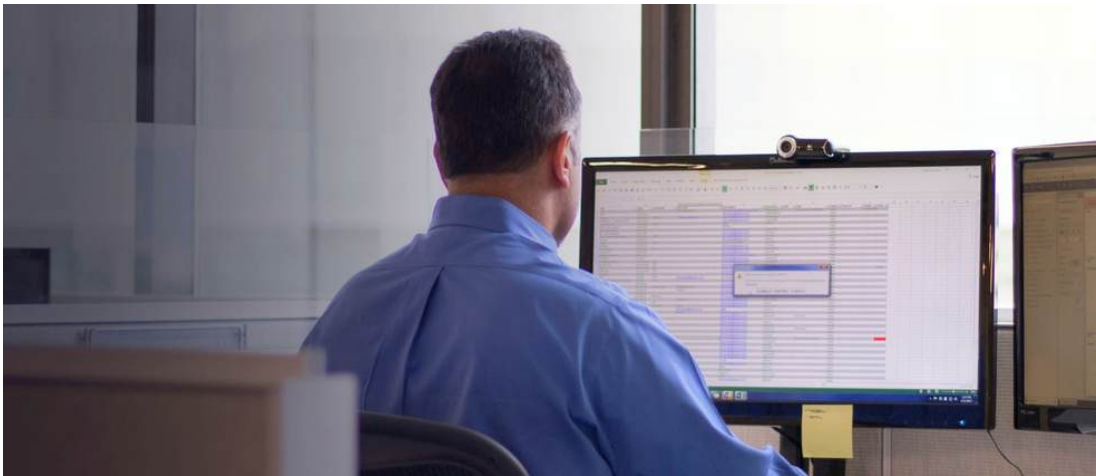
Beyond environmental requirements, we strengthened our governance and compliance systems to stay ahead of social and governance-related regulations, including those related to workplace safety, labor practices, and responsible sourcing. Through our newly deployed SMP, employee training, and the expansion of advanced safety monitoring tools such as kinetics, we help ensure compliance with OSHA standards and minimize workplace hazards. These efforts reinforce our commitment to responsible growth and long-term value for customers, employees, and communities.

Business Ethics and Integrity

At the core of Watsco’s approach to responsible operations are the Company’s codes of conduct for executives, employees, and suppliers.

Code of Conduct for Executives

The Code of Conduct for Executives (the Code) applies to Board and Advisory Board members, executive officers, senior operating, financial, and technology personnel, and other roles identified by the Audit Committee. The policy requires covered individuals to conduct business in accordance with all applicable laws, rules, and regulations in their jurisdictions and to do so with the highest moral and ethical standards. It addresses topics such as bribery, political contributions, insider trading, conflicts of interest, and anti-trust laws. Executives must annually acknowledge that they have read (or re-read), understand, and agree to comply with the Code, including their responsibility to report suspected or apparent violations.



Employee Code of Business Ethics and Conduct

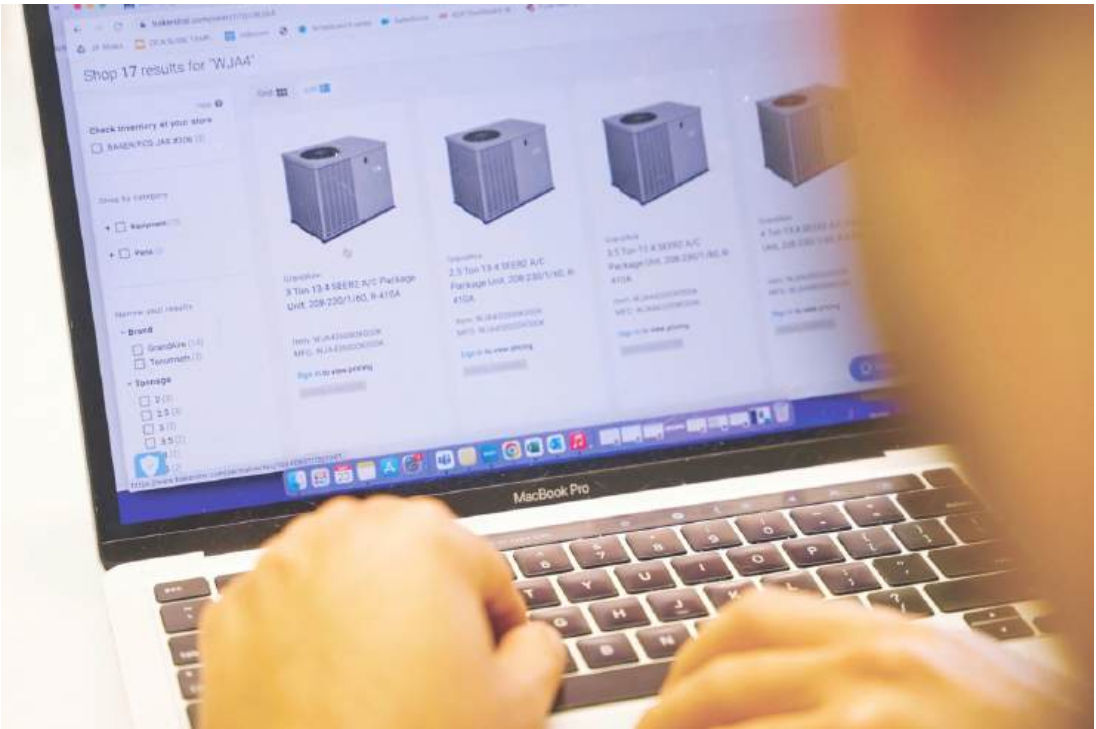
Watsco’s Employee Code of Business Ethics and Conduct sets expectations for employee behavior and provides guidance on where additional support may be found. It is administered by the Corporate Assurance Committee, which monitors compliance and resolves concerns. In addition to many of the same topics covered in the Code, the employee code addresses human rights, environmental protection, and community involvement.

Watsco encourages employees to report potential violations to their supervisor, Human Resources, the Legal Department, or a Corporate Assurance Committee member—without fear of retaliation. Reports may be made anonymously if desired. Concerns are investigated in an appropriate and timely manner.

Supplier Code of Conduct

Watsco also maintains a Supplier Code of Conduct that outlines expectations for product and service suppliers across human rights, employment standards, environmental compliance, health and safety and anti-corruption practices reinforcing the high standards we require for directors, officers, employees, and our supply chain partners.

All three codes—executive, employee, and supplier—are available on [Watsco’s website](#). The Company also makes available additional related policies, including [executive clawback](#), [health and safety](#), [human rights](#), and [securities trading guidelines](#).





Cybersecurity and Data Privacy

Safeguarding data and Watsco’s information technology (IT) systems and equipment is a critical business and governance priority. This responsibility spans Data Security, Risk Management, Legal, Internal Audit, Finance, and other enterprise functions.

Watsco has established a robust Information Security Governance framework overseen by our Chief Technology Officer (CTO) and Vice President of Data Security (VPDS). The framework includes policies and procedures that are regularly updated to address emerging threats and evolving regulatory requirements. We conduct risk assessments and maintain compliance with applicable regulations and standards, including the General Data Protection Regulation, California Consumer Privacy Act, and Payment Card Industry requirements.

We employ security practices designed to help protect against both intentional and unintentional misappropriation or corruption of IT systems, data, and operational continuity. Our multi-layered cybersecurity approach includes network and endpoint protections, data encryption, and strict access controls to help ensure the confidentiality, integrity, and availability of our data. Watsco experienced no material cybersecurity incidents in 2025.

Security Operations, Incident Response, and Resilience

As part of our cybersecurity program, we partner with a third-party provider to operate a 24/7 Security Operations Center (SOC) and deliver Managed Detection and Response (MDR) services. The SOC continuously monitors our IT environment to support rapid threat detection and response, while MDR provides advanced threat detection, incident analysis, and response capabilities using both technology and expertise.

We maintain a comprehensive Incident Response Plan and trained incident response team to ensure swift and effective action if a cybersecurity incident occurs. In addition, we have business continuity and disaster recovery plans designed to minimize downtime and enable rapid recovery of critical systems and data.

Third-Party Risk Management

We also manage cybersecurity risks associated with third-party vendors and partners through security assessments, contractual requirements, and continuous monitoring. This helps ensure our partners adhere to the security standards and practices we require.

Governance and Oversight

Watsco maintains a Cybersecurity Committee that meets monthly to review the effectiveness of our cybersecurity measures, discuss emerging threats, and coordinate response planning. Chaired by our VPDS, the Cybersecurity Committee includes representatives from departments such as IT, Legal, Compliance, and Risk Management.

The CTO and VPDS provide formal briefings to the Board's Audit Committee on cybersecurity matters, including risk assessments, mitigation strategies, areas of emerging risk, and other important topics at least annually. In addition, the Audit Committee, the full Board, and senior management regularly discuss cybersecurity and other enterprise risks.

Watsco also conducts internal audits and engages independent external auditors to review our cybersecurity practices and controls. These external audits provide an objective assessment of our security posture and help confirm alignment with industry standards and regulatory requirements. Findings and recommendations are shared with the Audit Committee and used to drive continuous improvement.

Although our approach to AI governance is still developing, we treat it as a serious responsibility. As we expand our use of artificial intelligence, we recognize the risks it can pose, including data privacy, bias, transparency, and accountability, and we are committed to managing them thoughtfully. We do not yet have a formal AI governance framework, but we are assessing current practices, following emerging regulatory and industry standards, and working toward structured policies and oversight. We expect our approach to mature as our AI use grows and best practices evolve, and we will report on our progress in future disclosures.

Employee Awareness and Training

Because employee behavior is essential to information security, we maintain a comprehensive security awareness and training program. This includes regular training sessions, simulated phishing exercises, and ongoing awareness campaigns to keep cybersecurity top-of-mind across the organization.

Cyber Insurance

To help mitigate potential financial impacts, we maintain comprehensive cyber insurance coverage. This insurance provides financial protection for a range of cyber risks, including data breaches, cyber extortion, and business interruption. Our cyber insurance complements our security and resilience measures to help ensure Watsco is prepared to respond to and recover from cyber incidents.



Appendix

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 49 - Data Transparency Table
Data Security	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	CN0403-02	Pg No 38 - Cybersecurity and Data Privacy Ethical Leadership
	(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) While Watsco doesn't currently disclose these metrics, please refer to page No 38 - Cybersecurity and Data Privacy for further information

Topic	Metric	Category	Unit of Measure	Code	Location in the Report
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 24 - Equal Opportunity, People and Community Well-Being (2) Page No 24 - 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	Watsco doesn't currently disclose this information
Fair Labor Practices	Average hourly wage and percentage of in-store employees earning minimum wage, by region	Quantitative	U.S. Dollars (\$), Percentage (%)	CN0403-06	Watsco doesn't currently disclose this information
	(1) Voluntary and (2) involuntary employee turnover rate for in-store employees	Quantitative	Rate	CN0403-07	Page No. 49 – Data Transparency Table
	Amount of legal and regulatory fines and settlements associated with labor law violations	Quantitative	U.S. Dollars (\$)	CN0403-08	Watsco doesn't currently disclose this information
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. 49 – Data Transparency Table
	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 21– Refrigerant Reclaiming, Planet Stewardship
	Description of strategies to reduce the environmental impact of packaging	Discussion and Analysis	n/a	CN0403-11	Watsco is currently working on a strategy to reduce the environmental impact of packaging and will report strategies once these have been defined and implemented

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	Pg No 49 - Data Transparency Table
Total area of (1) retail space and (2) distribution centers	Quantitative	Square feet (sq ft)	CN0403-B	Pg No 49 - Data Transparency Table

TCFD Index

Governance

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

Watsco's board maintains active oversight of climate-related risks and opportunities. The Audit Committee holds primary responsibility for reviewing these risks on a recurring basis, ensuring they are evaluated alongside the Company's broader Environmental, Social and Governance (ESG) risk framework.

Between full assessments, the Committee holds bi-monthly meetings to review Watsco's sustainability strategy and objectives, track progress on sustainability initiatives, monitor product sales performance, revisit climate-related risks and opportunities, and discuss employee engagement and reporting.

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

Watsco's Sustainability Steering Committee (the Committee) guides the Company's sustainability program, including the ongoing assessment and management of climate-related risks and opportunities.

Watsco's Sustainability Director leads the execution of the Company's sustainability strategy, with responsibility spanning GHG emissions measurement and reduction, climate risk management, collaboration with business unit leaders, and sustainability reporting.

The Committee brings together Watsco's most senior leaders: the 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 of Watsco Ventures, Vice President of External Financial Reporting, Vice President of Tax, Vice President of Strategy, and the Sustainability Director, who reports directly to Watsco’s President.

Each of Watsco's business units has a dedicated Sustainability Leader responsible for driving local implementation and employee engagement. This decentralized model gives business units the flexibility to tailor programs to their context while remaining aligned with Company-wide objectives. Business unit leaders meet regularly with the Sustainability Director and Committee members to share progress and advance 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 its first comprehensive climate risk and opportunity assessment in 2024. While none of the risks identified met the Company's materiality thresholds, several were assessed as relevant and will continue to be monitored. All risks and opportunities were qualitatively evaluated based on likelihood of occurrence, potential impact, and time horizon, defined as follows:

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

The climate-related risks and opportunities identified through scenario analysis are summarized below:

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

Risk	Description	Impact to Watsco	Current and Future Mitigating Activities	Time horizon
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

Table 2. Climate-related Opportunities

Opportunities	Description	Actions to address opportunity	Time horizon
Low emissions goods 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 completed its first standalone, structured assessment of climate-related risks and opportunities. The process was designed to evaluate impacts across short, medium, and long-term horizons, drawing on input from business unit leaders and the Committee. Findings were shared with relevant teams across the Company, and the key risks and opportunities — along with their potential business impact — are summarized in Tables 1 and 2.

Watsco is in the early stages of integrating climate considerations into its financial planning. No climate-related risks were identified as having a material impact on the Company's financial condition. Going forward, climate risk and opportunity assessments will be part of the annual ERA process to ensure the Company can detect and respond to shifts in materiality as market conditions evolve.

While climate-related risks do not currently meet our ERA materiality threshold, we recognize they can affect our business in meaningful ways — from disrupting operations and supply chains to increasing the cost of the products we source and sell. We have identified targeted actions to address the most relevant risks and to capture the opportunities the energy transition creates.

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 scenario analysis evaluated our most relevant physical and transitional risks under two distinct scenarios per risk category. As the process matures, we will expand the range of scenarios considered. The scenarios used were:

For physical risks:

- IPCC RCP 1.9 – An "abrupt transition" scenario in which ambitious, near-term climate action limits global warming to less than 1.5°C by 2100.
- IPCC RCP 4.5 – A "planned transition" scenario in which major energy transition is delayed by 15–20 years, resulting in warming of 2–3°C by 2100.

For transitional risks:

- IEA Net Zero Scenario – A pathway to a net-zero economy by 2050 that limits global warming to less than 1.5°C by 2100.
- IEA Stated Policies Scenario – A scenario that assumes only currently enacted policies remain in force, with few new commitments or regulations introduced.

Each identified risk and opportunity was qualitatively analyzed under these scenarios to determine how it might evolve and whether our mitigation strategies would need to be adjusted. The analysis confirmed the resilience of our current strategy and did not surface the need for material changes at this time. As this process continues to develop, we expect it to yield deeper insights that may inform future strategic adjustments.

Risk Management

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

The Sustainability team initiated the risk identification process, drawing on industry research, emerging regulatory developments, and broader sustainability trends. The assessment considered the following risk categories:

Physical risks — environmental impacts directly linked to climate change:

- Acute risks: event-driven disruptions such as floods and wildfires.
- Chronic risks: long-term environmental shifts including sea-level rise and increases in mean temperatures.

Transitional risks arising from society's shift to a low-carbon economy:

- Market risks: climate-driven changes in supply and demand, including evolving customer preferences.
- Policy and legal risks: regulatory developments such as carbon pricing mechanisms.
- Technology risks: advancements in climate-related technologies, including heat pump innovation.
- Reputational risks: climate-driven threats to Watsco's reputation, including potential greenwashing perceptions.

Once the initial risk list was drafted, it was shared with leadership teams across each business unit and with the Committee. Participants rated each risk and opportunity based on impact, likelihood, and existing or potential mitigation measures. The results were aggregated, tabulated, and reviewed in a facilitated workshop to determine the most relevant risks and the most

effective mitigation and response strategies. The final assessment was distributed to all relevant stakeholders across the Company.

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

Responsibility for identifying, assessing, and managing climate-related risks rests with Watsco's management. The Sustainability team leads the formal assessment process and builds awareness among business leaders, while day-to-day management is embedded in cross-functional teams tasked with ensuring mitigation activities are carried out consistently across the organization.

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

Climate-related risks and opportunities are now formally incorporated into Watsco's annual ERA process, ensuring they are evaluated alongside all other enterprise risks on a consistent, recurring basis.

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.

Although the climate-related risks and opportunities identified to date are not material, Watsco tracks the following metrics to monitor performance and inform ongoing assessment:

- GHG emissions (tCO₂e)
- Energy use (GJ)

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

Scope	2025	2024
Scope 1 (tCO ₂ e)	26,041	24,681
Market-based Scope 2 (tCO ₂ e)	17,707	19,083
Total Scope 1 and 2 (tCO ₂ e)	43,748	43,764

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

Watsco is developing an emissions abatement strategy and establishing formal climate targets. In the interim, we track progress through year-over-year analysis of energy use and Scope 1 and 2 GHG emissions.



Data Transparency Table

ABOUT WATSCO	2025	2024	PLANET STEWARDSHIP	2025	2024	PEOPLE AND COMMUNITY WELL-BEING	2025	2024
Total revenue (in thousands)	7,239,290	7,618,317	Total Energy consumption (GJ)	613,338	583,767	Percentage of voluntary employee turnover rate	19%	18%
Energy Star (ES) Sales (in thousands)	1,795,978	1,675,577	Total Energy consumption (MWh)	170,616	162,158	Lost time injury rate	0.3	0.4
% revenue from ES	25%	22%	% grid electricity	31%	33%	Total recordable incident rate	1.4	1.3
No. of employees	7,050	7,300	Scope 1 & 2 emissions (tCO ₂ e)	43,748	43,764	Total number of fatalities	0	0
No. of full time employees	6,950	7,220	Scope 1 emissions (tCO ₂ e)	26,041	24,681	Total training hours	35,000	31,000
No. of part-time employees	100	75	Fleet emissions (tCO ₂ e)	13,672	14,366			
No. of locations	695	690	% of Scope 1 from fleet fuel	53%	58%			
Total square footage of facilities (M)	16.8	16.5	Scope 2 emissions - market based (tCO ₂ e)	17,707	19,083			
			Scope 2 emissions - location based (tCO ₂ e)	16,999	17,115			