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## Forced Labour in Canadian Supply Chain Report

A. O. Smith Corporation, Reporting Year 2023

05/29/2024

### Report Scope

A. O. Smith Corporation respects and upholds basic human dignity and human rights, they are core to our values and our Guiding Principles.

This report has been prepared pursuant to Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”) and outlines the actions taken during the year ended December 31, 2023 to prevent and reduce the risk of forced labour or child labour occurring in our business.

This Report applies to the following entity: A. O. Smith Enterprise Ltd. [Business Number: 1000748638]

### Structure, Activities and Supply Chains

#### Company Overview and Structure

A. O. Smith is a global leader applying innovative technologies and energy-efficient solutions to products manufactured and marketed worldwide. The company is one of the world’s leading manufacturers of residential and commercial water heating equipment and boilers, as well as a manufacturer of water treatment products for residential and light commercial applications. A. O. Smith is listed on the New York Stock Exchange and is part of the S&P 500 Index.

A. O. Smith Enterprise Ltd. is a wholly owned subsidiary of A. O. Smith Corporation and:

- Has a place of business in Canada;
- Does business in Canada;
- Has assets in Canada;
- Has generated at least \$40 million in revenue for at least one of its two most recent financial years; and
- Employs an average of at least 250 employees for at least one of its two most recent financial years.

#### Activities

A. O. Smith maintains operations across three facilities in Canada. The Fergus, Ontario operations provide wholesale, retail and rental services of water heating products. The Montréal-Est, Quebec operations manufacture electric, gas and oil-fired water heaters for the

Canadian residential and commercial markets. The Stratford, Ontario operations manufacture pump tanks and pressure tanks for the U.S. and Canadian markets.

**Supply Chain**

A. O. Smith purchases various raw materials from an average of 435 qualified vendors for our Canadian operations. Approximately 85% of the A. O. Smith Canada non-related party vendor base is located in Canada and 15% in the USA. Our primary raw material inputs are steel, metal & plastic components, and foam products purchased through our third-party vendor network. A. O. Smith expects our vendors to supply products and services that are compliant with all applicable environmental, governmental, jurisdictional, and regulatory requirements for the commodity or service provided.

**Policies and Due Diligence Processes related to Forced or Child Labour**

A. O. Smith developed a set of values as guidelines for conducting business and interacting with our customers, our employees, and the communities in which we do business. These values are expressed in our Guiding Principles, the A. O. Smith code of conduct, and have been the foundation of our company since 1874. We expect all employees, officers, directors, and third-party partners to abide by the company’s Guiding Principles. The Guiding Principles are provided to every employee and every supplier, are posted on the internal website and on the company’s external website (aosmith.com)

In addition to the Guiding Principles A. O. Smith has published a Human Rights Statement that prohibits forced or child labour. The statement reads in part:

**Labor**

We do not tolerate the use of child labor, forced labor, or human trafficking within our operations and supply chain. We prohibit the employment of individuals under the minimum age allowed by applicable law. Our labor policies follow these laws, including the UK Modern Slavery Act 2015

Every year as part of A. O. Smith’s commitment to conducting business with integrity, all vendors are provided with a copy of the Guiding Principles and acknowledge that we expect them to adhere to the Guiding Principles and exhibit stewardship regarding human rights and ethics in their business and supply chains.

**Forced or Child Labour Risks**

**Procurement Risk Assessment**

There is a low risk of forced or child labour in the supply chain, with A. O. Smith Canada sourcing less than 1% of materials outside of North America.

## **Third Party Due Diligence Program**

All suppliers to our Canada operations, with the exception of Montreal operations, are set up in our third-party screening software, which screens against hundreds of continuously updated, regulatory and disciplinary authority and government lists from around the world. The Montreal operations vendors were added in 2024 as part of the business integration. In addition to an initial screening, entities in the system are continuously monitored to ensure that if they are added to a list after on-boarding, we will be alerted. Examples of lists include: *USDHS – Uyghur Forced Labor Prevention Act Entity List*, *USCBP – Withhold Release Orders*, *OFAC – Office of Foreign Assets Control*. The trade compliance department maintains, updates, and circulates a restricted and prohibited party list frequently.

The corporate legal department and the trade compliance department oversee and monitor the Third-Party Due Diligence program. If a notification is triggered by the software, a member of the trade compliance team or legal department will review to confirm it is a match. If there is a significant issue identified, the business will be notified, and action will be taken to address the concern.

## **Remediation Measures**

### **Supply Chain**

We have not identified any instances of forced labour within our supply chain, so it is not necessary to remediate instances or loss of income for families in 2023. We remain committed to upholding ethical business practices and will continue to monitor and assess our supply chain to ensure compliance with our standards of integrity and respect for human rights across all our businesses.

The Company requires its suppliers to adhere to its values and follow all applicable laws, regardless of geographic location. These principles are captured in the Company's Guiding Principles. Sourcing employees notify the global sourcing department and legal department in instances where suppliers fail to comply with these requirements.

### **Integrity Helpline**

The company uses an Integrity Helpline, hosted by an independent company, which can be used to report any concerns about unethical behavior, including the use of forced or child labour. The reporter can remain anonymous if they choose. A link to the Integrity Helpline is published on our corporate website and is posted in all our locations globally.

Reports to the Integrity Helpline are reviewed and investigated by A. O. Smith. Corrective actions are taken on a case-by-case basis, including potentially discontinuing supplier and vendor relationships. Individuals that report issues to Integrity Helpline can follow up to learn what actions have been taken to address the raised concern.

## **Training**

At onboarding, all employees are assigned training on relevant policies associated with their role and our Guiding Principles. All salaried employees globally are required to complete certification and attestation to our Guiding Principles annually. Employees with responsibility for the Third-Party Due Diligence program are trained in adding and managing third parties, and handling alerts raised by the system.

## **Assessing Effectiveness**

New suppliers are evaluated for potential risks, including forced and child labour risks prior to on-boarding. The company's Guiding Principles and Human Rights Statement spell out expectations regarding ethical behavior. Suppliers must acknowledge and accept these expectations prior to working with A. O. Smith and again annually.

We prefer to do business with companies that share our commitment to ethical business practices. Our Third-Party Due Diligence program helps prevent the risk of doing business with sanctioned companies. Our supply chain team conducts audits periodically to ensure our suppliers are complying with our Guiding Principles and quality expectations.

## **Attestation**

In accordance with the requirements of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act"), and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

This Report is approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of A. O. Smith Enterprise Ltd.

In my capacity as a Director of A. O. Smith Enterprise, Ltd., and not in my personal capacity, I make this attestation in accordance with the requirements of the Act.

I have the authority to bind A. O. Smith Enterprises Ltd.



Charles Lauber  
Executive Vice President, Chief Financial Officer  
May 29, 2024