

EOH

EMPLOYEE OWNED HOLDINGS, INC.

2024 Sustainability Report

Executive Summary



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Environmental Stewardship

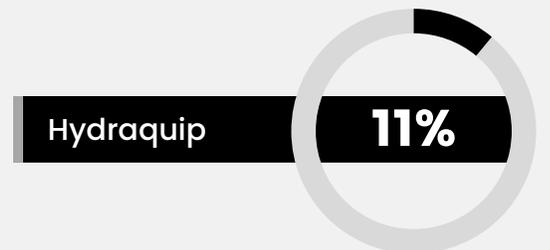
At Employee Owned Holdings, Inc., we are committed to strategic initiatives that align with our core values and Environmental, Social, and Governance (ESG) principles. Our approach is multifaceted, targeting significant areas where we can make a measurable impact. Here, we outline our achievements and ongoing efforts in environmental stewardship across several key categories.

Electrification Initiatives: Powering Sustainable Futures

In alignment with our commitment to sustainability and reducing our environmental impact, Employee Owned Holdings, Inc., along with our subsidiaries, has placed a significant focus on electrification projects with our customers. These projects are essential components of our strategy to drive innovation and sustainability across industries. Our subsidiaries have set targets for their forecasted revenue specifically from electrification projects, underscoring our collective commitment to this initiative. GCC aims for 14%, Hydraquip, Inc. targets 11%, and Supreme Integrated Technology, Inc. sets a goal of 8%. Collectively, EOH and its subsidiaries have established a forecast goal to achieve 11% of our revenue directly from electrification projects with our customers in 2024.

This strategic focus on electrification reflects our belief in the power of electric technology to revolutionize industries, reduce carbon emissions, and help create more sustainable business practices. By investing in electrification projects, we hope to be contributing to the global shift towards cleaner energy while also positioning our company and its stakeholders for long-term success in an increasingly environmentally conscious market. This initiative represents a vital component of our broader environmental strategy, demonstrating our proactive approach to fostering innovation **that benefits the planet.**

Electrification % of Revenue



Fleet Emission Reduction

Understanding the impact of transportation on the environment, we have successfully reduced our vehicle fleet by 19% in the last year. This strategic decision not only contributes to a significant reduction in our carbon footprint but also underscores our commitment to adopting more sustainable operational practices. Through this initiative, we aim to set a strong precedent in our industry for environmental responsibility.

Paper Reduction and Digital Transformation

Recognizing the environmental cost of paper consumption, we have implemented software solutions to move towards a paperless operation. By adopting Fastfield for Health, Safety, and Environmental (HSE) inspections and DataServ for electronic invoicing, we have drastically reduced our paper usage. Additionally, our shift to eCommerce platforms for customer order entry and forthcoming launch of an online Accounts Receivable (AR) portal demonstrate our commitment to digital transformation, further reducing our reliance on paper and contributing to our sustainability goals.



Sustainable Supplier Partnerships

Sustainability extends beyond our immediate operations; it encompasses our entire supply chain. We actively partner with suppliers who share our commitment to sustainability, for example, requiring all suppliers to submit conflict minerals compliance documentation. This ensures our supply chain does not contribute to environmental harm or social injustice, reinforcing our dedication to responsible sourcing and sustainable practices.

Chemical Use Reduction and Recycling

In our manufacturing processes, particularly within our paint booths, we exert significant effort to recognize the environmental hazards associated with the use of certain chemicals. We have implemented measures to reduce and recycle hazardous chemicals, minimizing our environmental impact. This initiative not only helps in protecting the ecosystem but also ensures the health and safety of our employees and communities.

Our Commitment to Continuous Improvement

At Employee Owned Holdings, Inc., we believe that our responsibility to the environment is an ongoing journey. We are continuously exploring innovative solutions and practices that can further reduce our environmental impact. Our efforts in fleet management, digital transformation, sustainable supply chain management, and responsible chemical use provide testament to our commitment to environmental stewardship.

As we move forward, we remain dedicated to integrating environmental considerations into all aspects of our operations. We are committed to transparency in our environmental initiatives and to reporting our progress as we strive for sustainability. Through these efforts, we aim to contribute positively to our planet while setting the standard for environmental responsibility in our industry.

Social Welfare

EOH's commitment to enhancing social welfare is encapsulated in our innovative FUEL program, an initiative aimed at fostering a vibrant, inclusive, and supportive community within and around our organization. FUEL—standing for Family, University, Employee Ownership, and Local Communities—serves as the cornerstone of our social strategy, reflecting our dedication to not only improving the work-life balance and professional development of our employees but also signify our commitment to making a meaningful impact on our local communities.

Family

EOH believes in nurturing a family-oriented work environment that extends its warmth beyond employees and to their families. Our "Bring Your Child to Work" event is a testament to this program, inviting the next generation to explore the dynamic world of fluid power and automation through engaging STEM activities, team sports, and facility tours. Furthermore, our annual holiday parties and family picnics across all locations offer valuable opportunities for networking and reinforcing the familial bond within our teams.



University (Employee Training)

EOH is deeply committed to nurturing talent, offering extensive training programs in sales and engineering that feature monthly sessions, quarterly projects, and annual in-person gatherings. We also provide widespread training opportunities across the company, covering Excel, fluid power certifications, presentation techniques, and leadership skills. We host in-person yearly sales and engineering meetings, designed to promote continuous learning, foster networking, and encourage the exchange of best practices among our team members. Further enriching our talent development initiatives, we've introduced the EOH Mentor Program, which pairs experienced professionals with emerging talent within the organization. This mentorship scheme facilitates personalized guidance, accelerates professional growth, and strengthens the internal support network, ensuring our employee-owners not only develop their technical skills but also cultivate strong leadership and strategic thinking capabilities.



Local Community

EOH's local community engagement in 2023 was marked by significant contributions to various causes, from donations to St. Jude's Foundation and local food banks, to support for veterans' charities and Toys for Tots. In 2024, our employees aim to expand our impact through initiatives supporting wildfire relief, animal shelters, and community care centers, alongside our ongoing commitments to St. Jude's Foundation, Food Banks and Toys for Tots.



Employee Ownership

Adopting a 100% Employee Stock Ownership Plan (ESOP) fundamentally and positively transforms company culture by aligning employees' interests with the success of the business, fostering a sense of ownership, engagement, and motivation. We call it, having "skin in the game." This ownership model not only encourages a collaborative and innovative work environment but also offers significant financial benefits, enhancing employee retention and attracting talent. The transparency and trust built through our shared ownership leads to improved company performance and a strong sense of community both within the company and in its local environment. The 100% ESOP model promotes our employees' dedication to creating an inclusive, supportive, and high-performing workplace.

We celebrate employee ownership through our ESOP awareness events where we invest to bring employees together at their local offices as well as recognize our EOH values award winners as they are invited to our corporate headquarters in Houston for teambuilding, facility tours and the opportunity to network with leadership. These celebrations recognize those employees who especially embody our core values—integrity, customer focus, smart work, continuous improvement, and results as well as provide education to the entire organization about the fundamentals of the ESOP each year.

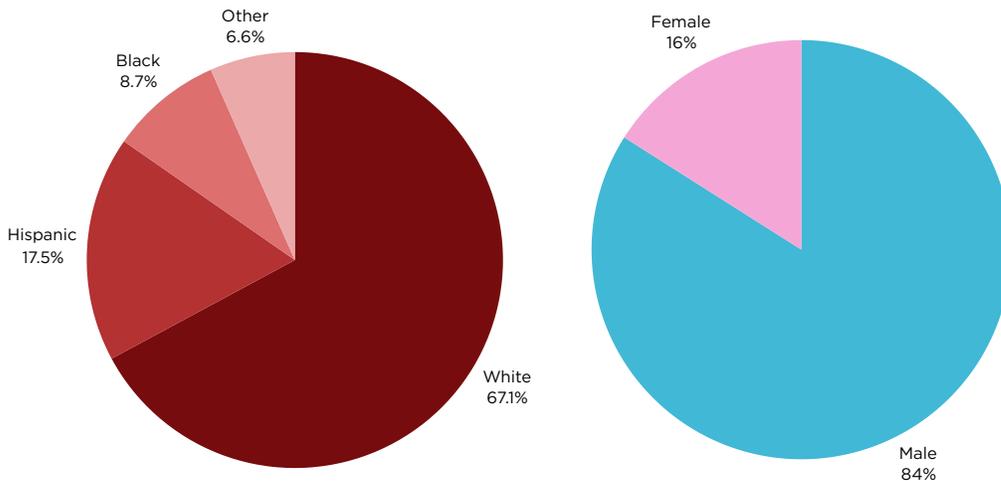


Impact and Future Directions

Our social initiatives help positively impact our organizational health, as we have been successful in reducing voluntary employee turnover from 15% in 2022 to 9.9% in 2023. Our company-wide target is to sustain this rate at 10% or below into 2024. A key focus for us is to enhance workforce diversity. As of the latest data, our team is comprised of 67% white, 17.5% Hispanic, 8.7% Black, and 6.6% other races. Gender diversity presents a challenge, with our current composition being 84% male and 16% female employees. This skew towards male employees highlights the significant recruitment challenges in our field and business, which is heavily oriented towards technical and engineering roles—areas historically dominated by men. In response, we are launching a women’s networking group in 2024, aiming to help bolster our recruitment and retention of qualified female professionals. This initiative is part of a broader effort to enrich our company’s diversity and fortify our social framework, ensuring EOH remains a vibrant and inclusive place to work.

In summary, EOH's social initiatives under the FUEL program demonstrate our commitment to fostering a supportive, inclusive, and community-oriented culture that not only enhances the well-being of our employees and their families but also makes a tangible difference in the wider community.

EOH Employee Composition



Governance

Board Composition

EOH's governance structure is designed to ensure a diverse range of perspectives in decision-making, featuring four independent directors and an employee-elected member on the board. Our two outside directors bring invaluable expertise, with one having a deep understanding of 100% ESOP ownership structures and the other possessing extensive experience in the fluid power industry. This blend of external expertise and internal representation ensures that our board is well-equipped to guide the company's strategic direction.

Our unique approach to corporate governance includes the involvement of our employees in the process, with one of members of the board, the employee-elect director, chosen through an annual company-wide nomination and voting process. This democratizes company governance, ensuring that our employees' voices may be heard at the highest level. Eric Martin, a highly respected VP of sales for Supreme Integrated Technology, Inc., has been elected to and served as the employee-elect director for the past three years, dedicating himself to receiving input from across our locations and conveying employee suggestions and issues directly to the board.

Board of Directors



Richard Neels



Matt Weisser



Kevin Hayes



Eric Martin



David Tyler



Mark Helm



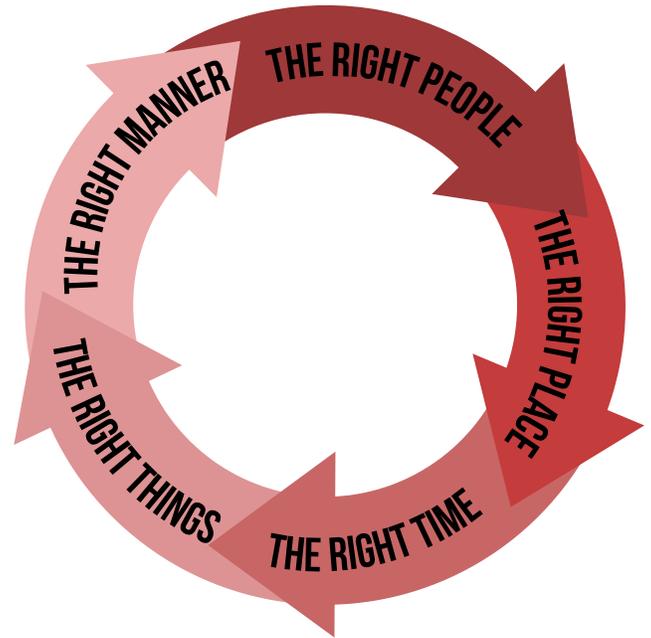
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Ethics

At the heart of EOH's governance practices is a strong commitment to ethics, championed by our CEO, Richard Neels. The "5 Rights" principle – to have the right people, in the right place, at the right time, doing the right things, in the right manner – is a cornerstone of our corporate culture, reiterated in company-wide meetings and communications. To reinforce our ethical standards, our internal corporate counsel conducts mandatory annual ethics training completed by all employees. Additionally, we adhere to a comprehensive code of ethics and confirm virtual training is completed for all new hires, ensuring integrity permeates at every level of the organization.



Transparency

Transparency is a key principle underpinning our governance, made possible through our 100% ESOP model. This ownership structure fosters an open environment where general company financials are shared with all employee-owners. We educate our employees on the annual financial audit and ESOP stock price valuation processes, ensuring a clear understanding of the company's financial health and critical performance metrics. At State of the Company meetings, we have shared our annual forecast scorecard, providing insights into targets and progress in bookings, sales, gross margin, and net income, thereby keeping our employee-owners informed and engaged.

ESOP and Shareholder Advocacy

EOH works closely with the nationally recognized and independent ESOP Trustee, TI-Trust, Inc., represented through Kimberly Serbin, who acts in the best interest of our shareholder employees. This partnership ensures that the shareholders' perspectives are considered in board-level decisions, further embedding the principles of fairness and accountability into our governance framework. The ESOP Trustee's role is crucial in maintaining the integrity of our ESOP structure and advocating for the best outcomes for our employee-owners.

In conclusion, EOH's governance framework is structured around the principles of diversity, ethics, transparency, and employee engagement, ensuring that our company not only operates with integrity but also fosters a culture of shared ownership and responsibility. Through these governance practices, EOH aims to maintain a high standard of accountability, thereby positively securing the trust and commitment of our employees and stakeholders.