

NORTHSTAR ASSET MANAGEMENT

Shareholder Rebuttal to A.O. Smith's Opposition Statement Regarding "Eliminating Discrimination through Inclusive Hiring"

240.14a-103 Notice of Exempt Solicitation U.S. Securities and Exchange Commission, Washington DC 20549

NAME OF REGISTRANT: A. O. Smith

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Written materials are submitted pursuant to Rule 14a-6(g)(1) promulgated under the Securities Exchange Act of 1934.*

*Submission is not required of this filer under the terms of the Rule, because the proponent does not hold in excess of the mandatory filing threshold of \$5 million in shares of the company, but is made voluntarily in the interest of public disclosure and consideration of these important issues.

NorthStar's proposal ask: Shareholders request that the Board of Directors prepare a report, at reasonable cost, omitting proprietary information, and published publicly within one year from the annual meeting date, analyzing whether A.O. Smith's hiring practices related to people with arrest or incarceration records are aligned with publicly stated diversity commitments, and whether those practices may pose reputational or legal risk due to potential discrimination (including racial discrimination) claims.

Dear A. O. Smith Company Shareholders:

NorthStar Asset Management asks you to vote "FOR" the shareholder proposal, requesting that A. O. Smith Corp ("A. O. Smith" or the "Company") report to shareholders on its hiring practices as they relate to formerly incarcerated people, at the A. O. Smith Annual Meeting of Stockholders on April 8th, 2025.

A.O. Smith has provided a similar opposition statement in response to the shareholder proposal for both 2024 and 2025. Yet, circumstances have changed and the demand for skilled laborers in manufacturing and advanced industries has only increased. As of October 2024, there were 465,000 manufacturing job openings in the U.S., with over

55% of manufacturers citing challenges in attracting and retaining employees¹. In the Proponent's view, when this challenge of attracting and retaining employees is combined with stricter immigration policies, companies will need to tap into underutilized talent pools to fill key roles.

A.O Smith has the opportunity to develop channels for a reliable workforce in an increasingly tight labor market through fair chance employment. Fair chance employment is the intentional recruitment of people with arrest or incarceration records. While many employers including A.O. Smith "ban the box", by preventing inquiry about criminal convictions in initial applications, Fair Chance Employers go beyond "ban the box" and take proactive measures to reach formerly incarcerated job seekers that are fully qualified for employment at the Company. Fair chance employment can involve creating internships, partnering with local reentry organizations, or innovating new ways to find, recruit and train people who might not have access to traditional employment channels. If successful, fair chance employment may benefit the Company, the community and the overall economy.

Fair Chance Hiring Supports A.O. Smith's defined company Values.

The following five values are detailed word for word by AO Smith on their website. These foundational values align and could support the practice and implementation of fair chance employment seamlessly.

"A.O Smith will be a good place to work."²

- The company emphasizes the importance of respect for individuality, fairness and diversity. Fair chance employment ensures that individuals are evaluated based on their skills and potential, fostering a workplace where all employees are treated equitably and compensated fairly.
- Fair chance hiring actively promotes racial and ethnic diversity—helping AO Smith achieve its diversity goals. Black Americans make up 14% of the US population³, but 39% of the incarcerated population.³ Hispanic people make up 19% of the US population⁴, but 29% of the prison population.⁴ By hiring justice-involved individuals, A.O. Smith expands its talent pool while making meaningful strides toward equity and inclusion in the workplace.

"A.O Smith will preserve its good name."²

- The company commits to upholding high standards of quality in all aspects of business includes ensuring that hiring policies are inclusive, fair, and transparent.
- Two main misconceptions that hold employers back from implementing robust fair chance hiring practices are that fair chance hiring is too expensive and/or risky, and that their company lacks the capacity to adequately support unique needs of fair chance hires.⁵

¹ <https://www.manufacturingdive.com/news/most-in-demand-factory-jobs-2025-labor-recruitment/736728/>

² <https://www.aosmith.com/About/Values-and-Guiding-Principles/Our-Values/>

³ https://www.bop.gov/about/statistics/statistics_inmate_race.jsp

⁴ https://www.bop.gov/about/statistics/statistics_inmate_ethnicity.jsp

⁵ <https://www.bcg.com/publications/2023/implementing-fair-chance-hiring>

- However, a 2021 study conducted by the University of Chicago revealed 81% of HR professionals and 74% of business leaders say fair chance hires cost the same or less than non-fair chance hires.¹¹

“A.O. Smith will emphasize innovation.”²

- 77% of manufacturers have indicated anticipated difficulties in attracting and recruiting workers¹.
- Peers, such as Eaton and Xylem, have already embraced fair chance hiring to address the skills shortage. In fact, Eaton’s CEO is a co-founder of Second Chance Business Coalition, which advocates for expanded fair chance hiring to expand the talent pool and provide economic advancement to people with criminal records.⁶
- A.O. Smith values innovative approaches to organizational effectiveness thus hiring justice-involved individuals would be a values aligned approach to finding new talent pools.

“A.O Smith will be a good citizen.”²

- A.O. Smith is dedicated to contributing to the economic well-being of communities. Fair chance hiring aligns with this mission by reducing recidivism, strengthening families, and supporting local economies.
- 75% of formerly incarcerated individuals are unemployed one year after release⁸, largely due to the thousands of systemic barriers they face when re-entering the workforce.
- This is a missed opportunity—a survey found that 81% of business leaders and 85% of HR professionals believe that formerly incarcerated individuals perform just as well or better than employees without records.⁷ By providing second chances, A.O. Smith could break cycles of poverty and incarceration, leading to safer and more economically vibrant communities.

“A.O Smith will achieve profitable growth.”²

- As a leading global manufacturer of water heaters and boilers, A.O. Smith recognizes that a strong and skilled workforce is key to sustaining long-term growth.
- The U.S. is projected to face a shortage of 2.1 million manufacturing jobs by 2030, which could result in \$1 trillion in lost economic output.⁸
- Companies that embrace second chance hiring benefit from reduced turnover rates, higher employee engagement, and a more stable workforce. This could lead to stronger profitability and long-term success.⁹

Fair Chance Employment aligns with A.O Smith’s guiding values. Yet, despite the company’s response to our proposal and various written communications, A.O Smith has not released data on their hiring patterns involving formerly incarcerated people and community partnerships. Without data, it makes it impossible to draw conclusions on

⁶ <https://secondchancebusinesscoalition.org/press-releases/major-u-s-employers-commit-to-advancing-second-chance-employment>

⁷ https://www.gettingtalentbacktowork.org/wp-content/uploads/2021/05/2021-GTBTW_Report.pdf

⁸ <https://nam.org/2-1-million-manufacturing-jobs-could-go-unfilled-by-2030-13743/?stream=workforce>

⁹ <https://mitsloan.mit.edu/ideas-made-to-matter/bottom-line-benefits-second-chance-hiring>

whether the program extends beyond the occasional individual. Fortunately, since A.O. Smith routinely performs 3rd party background checks on all candidates, they have relevant data points to know the extent of their efforts. The company should also disclose their hiring practices to help investors better understand if they are meeting their goals.

Recommend the vote 'YES'

Shareholders, we urge you to vote “FOR” this shareholder proposal, as fair chance hiring will help mitigate the risks of a growing manufacturing skills shortage, increase diverse representation in A. O. Smith’s workforce, and provide employment opportunities to a the nearly one in three Americans who face thousands of barriers after leaving the justice system.

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