

GUIDING PRINCIPLES

The A. O. Smith Corporation Code of Conduct



“Integrity is doing the right
thing even if no one is watching”

- Albert Einstein

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A MESSAGE

FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

September 2016

One of the characteristics that makes A. O. Smith Corporation unique is our values. We have operated with a single set of values since we began doing business in 1874. Our values originated with the founders of our company, the Smith family, who believed in conducting business honestly and ethically and being socially responsible corporate citizens. Thanks to this unwavering commitment to integrity, A. O. Smith enjoys an outstanding reputation for excellence in all of the markets we serve. This reputation can be summarized in three ways: an active interest in our customers' long-term success, the desire to be a good corporate citizen, and a commitment to treat each other with respect and dignity at all times.

We have written and distributed these Guiding Principles to ensure that we communicate our values and our belief in ethical conduct to every employee, officer, and director of our company. Our Guiding Principles are meant to provide a standard of conduct and an ethical framework in a rapidly changing business world. This booklet is also meant to help you understand what the company expects of you and to give you guidance on how to conduct yourself in complex or challenging situations. As A. O. Smith expands into new markets and new countries, we want to make certain that each employee understands, accepts, and lives by one set of business standards. We also want our customers, suppliers, and the communities in which we do business to know the high standards that we have set for ourselves.



A. O. Smith's reputation is the result of your actions and beliefs. Each of you represents our company to the outside world, and your day-to-day activities will either enhance our stature as an ethical company or destroy it. In today's world of instantaneous global communication, trust in a company and its ability to deal fairly with its business partners is more important – and more fragile – than ever. I respect and appreciate your commitment to the A. O. Smith values, and I urge you to continue to live by them as we do business together in the future.

Ajita G. Rajendra
Chairman and Chief Executive Officer

A. O. SMITH STATEMENT OF VALUES

A. O. Smith developed this set of values as guidelines for conducting our business and interacting with our customers, our employees, and the communities in which we do business. Our success depends upon all of our employees, officers, and directors working together toward the same goals and sharing the same values.

A. O. Smith will achieve profitable growth

Profitable growth is essential for A. O. Smith's future. To achieve profitable growth, we must provide:

- New and high-quality products for our customers;
- Greater opportunity for individual advancement and improved job security;
- Growth in investment value for our stockholders.

Not only will we seek an above-average return on stockholders' investment, we will grow in a planned way so that:

- Our business units will have individualized growth rates that complement each other and produce a company that grows faster than the U. S. economy;
- The capital requirements of growth will be supported by funds generated by our above-average return on investment and by external sources, such as borrowing and equity.

A. O. Smith will emphasize innovation

Innovation is a primary source of profitable growth. Therefore, we will:

- Achieve market leadership in all major product lines through innovation and continuous improvement that increases the value of our products and services to our customers;
- Seek innovative ways to improve our effectiveness as an organization and the productivity of our facilities;
- Foster development of attitudes and skills in our people that encourages involvement and creativity;
- Achieve management excellence to produce the best results and position our company for future growth.
- Focus on achieving profitable growth with a disciplined approach to mitigating risk.

A. O. Smith will preserve its good name

In all dealings with people and organizations, we will act with uncompromising integrity. We will:

- Be fair and truthful in all claims and advertising;
- Deal fairly with customers, suppliers, competitors, government and regulatory agencies, and employees;
- Strictly adhere to all laws and seek only honorable goals while rejecting unethical practices;
- Achieve high standards of quality in all aspects of the business;
- Instill these values in succeeding generations of employees.

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

In operating our company, we will attract imaginative and competent people. We will emphasize teamwork and welcome diversity in seeking our objectives. We will:

- Create a climate where respect for the individual is fundamental;
- Encourage the freedom and personal growth that comes with self-discipline and enthusiasm for work;
- Treat each other fairly and without discrimination;
- Pay individuals equitably according to their contributions;
- Provide safe equipment, proper materials, and training and always insist on safe practices.

A. O. Smith will be a good citizen

To serve the public and the communities in which we do business, we will:

- Strive for growth that contributes to the economic well-being of the communities in which we are located;
- Provide financial support for and encourage our people to involve themselves in worthwhile civic activities;
- Insist that our plants and operations comply with environmental standards;
- Encourage, in every appropriate way, the protection and preservation of the free enterprise system so necessary for the attainment of these objectives.

The key is putting our values to work every day at A. O. Smith. This Guiding Principles booklet describes standards of conduct that represent the best of our values and an ethical way to conduct business.

GUIDING PRINCIPLES

CONCERNING EMPLOYEE AND BUSINESS CONDUCT

Compliance with all applicable laws

While A. O. Smith intends to compete vigorously in all of its markets, we will do so while strictly obeying the law.

Never take any action that violates the law and never encourage anyone else to violate the law on behalf of A. O. Smith. If you question whether an action or decision is against the law, it is your duty to find out before you take action.

Later in this booklet, you will read about some specific laws and regulations. These are of particular importance to our business activities, and we expect you to comply with them without exception. Please keep in mind, however, your obligation is not limited to those laws, it extends to all applicable laws and regulations.

Observing the ethical standards of society

Ethical conduct goes beyond simply obeying the law. It means conducting yourself in a fair, honest, and consistent manner in all of your business activities. We expect our employees, officers, and directors to maintain the highest ethical standards.

A. O. Smith's interests are never served by acting unethically or dishonestly.

At all times, avoid any activity which might compromise or even appear to compromise our ethical standards. Also, remember never to reveal any information that is confidential to A. O. Smith.

No set of guidelines provides all of the answers; it just creates a framework for making decisions. Be aware that you are responsible for your actions, and this responsibility will not always be easy. The next time you face an ethical dilemma, you might try this test. Ask yourself:

“If my associates, my friends, or my family examine this decision closely, would I be comfortable with it?”

If you can honestly answer you would, it probably is the right decision. If you have even the slightest doubt, check further before you take any action.

Our Guiding Principles represent a foundation of ethical conduct, and we expect each A. O. Smith employee, officer, and director to adhere to them at all times.

Reporting Procedures

Q: “WHOM DO I CONTACT TO ASK A QUESTION OR TO REPORT A CONCERN?”

A: We want to hear your questions and concerns. To ask a question, raise a concern, report potentially unethical behavior or a violation of the law or a company policy, or to seek guidance on ethics and compliance matters, you have a number of options. You may contact or consult with:

- Your supervisor
- The leader at your plant or facility
- Your human resources representative
- The Legal Department
- The Integrity Helpline*

Integrity Helpline Telephone Numbers

Canada	1-800-350-1325
China	10-800-110-0450 or 400-601-3276
France	0800-99-0011, then dial 800-350-1325
Hong Kong	800-93-2266, then dial 800-350-1325
India	000-117, then dial 800-781-6270
Mexico	001-800-376-4207
Netherlands	0800-022-3479
Turkey	0811-288-0001, then dial 800-778-1911
United Arab Emirates (UAE)	8000-021, then dial 800-350-1325
United Kingdom	0800-032-2206
United States	1-800-350-1325
Vietnam	1-201-0288, then dial 800-350-1325

Integrity Helpline Website

The Integrity Helpline also is available via the internet at www.aosintegrity.com

*Both the A. O. Smith Integrity Helpline telephone service and website are staffed with trained communications specialists from an outside service who will listen to your concern. Both services are available in multiple languages. The services are available 24 hours a day, seven days a week. You have the option to remain anonymous when you use the Integrity Helpline.

WHAT ARE MY RESPONSIBILITIES?

FOLLOW ALL LAWS AND POLICIES. Understand and follow all laws, these Guiding Principles, and company policies. It is your responsibility to read, study and follow these Guiding Principles and A. O. Smith policies. Keep in mind that as an employee of A. O. Smith, you are expected to abide by the Guiding Principles.

ASK QUESTIONS. You have a responsibility to ask questions, especially if you have doubts or concerns about an action or a decision.

SPEAK UP. You are responsible for reporting any violation of these Guiding Principles, company policies, or any illegal or unethical act you may witness.

Reporting Procedures (cont'd)

We will uphold the highest ethical standards

No matter what the situation, we encourage employees to always do the right thing. A. O. Smith is committed to upholding the highest ethical standards throughout its business worldwide. We expect no less from our employees, officers, and directors.

But knowing which is the right course of action is not always easy, particularly in today's complex business world. We depend upon you to exercise good judgment and always act in the company's best interest.

**“Be sure to
put your feet
in the right
place - then
stand
firm”**

- Abraham Lincoln

Just ask

If you are ever uncertain, if you have any questions, or if you are aware of a situation that just does not seem right . . . **ASK!**

Ask **YOUR SUPERVISOR** for help. Most often, he or she will be able to provide you with guidance. Or, your supervisor can refer your question to someone else in the company who can help you.

Ask **YOUR HUMAN RESOURCES REPRESENTATIVE** or **LEADER AT YOUR PLANT OR FACILITY**. Not only do they understand the A. O. Smith Guiding Principles, they are familiar with many of the rules and regulations that govern the workplace.

Occasionally, you may feel uncomfortable about discussing a matter with your supervisor. Other options are contacting **THE LEGAL DEPARTMENT** or **THE INTEGRITY HELP LINE**.

The Integrity Helpline

The Integrity Helpline is here to help

The Integrity Helpline is a confidential service you may contact with complaints or with information regarding non-compliance in:

- Equal Employment Opportunity;
- Harassment, including sexual harassment;
- Conflicts of interest;
- Improper use of insider information or other securities law violations;
- Safety, health, and environmental laws or regulations;
- Intellectual property (patents, trademarks, copyrights);
- Bribery;
- Antitrust compliance;
- Inaccurate, false, or misleading entries in the company's books or records;
- Improper international activities;
- Other questions regarding ethical practices.

Here's what you can expect when you call or report a concern through the Integrity Helpline:

- Your question or concern will be taken seriously. If you are reporting a concern about a situation or another employee, you will be protected against retaliation;
- Your identity will be protected. Your Integrity Helpline communications specialist will encourage you to identify yourself and your location so they can initiate action on your behalf. But, if you wish to remain anonymous, your wishes will be respected;
- Your request for information will be handled promptly, discreetly, and professionally;
- Your Integrity Helpline communications specialist will send the company a confidential report. If the concern you report requires immediate action, your Integrity Helpline communications specialist will contact the appropriate company representative(s);
- If your concern is related to financial improprieties or accounting irregularities, your Integrity Helpline communications specialist will refer the matter directly to the Audit Committee of the Board of Directors;
- A. O. Smith will investigate the situation and report back to the Integrity Helpline;
- You may follow up with the Integrity Helpline via telephone or via the internet to review the action taken by A. O. Smith to address your concern.

Remember, it is in everyone's best interest to live by the A. O. Smith Guiding Principles. If someone inadvertently or willfully chooses to disregard our standards, we all suffer. If you see what you think is an illegal or unethical situation, let us know. Or contact the Integrity Helpline. We have worked too hard to build a reputation for excellence to have it damaged or destroyed by an isolated act of carelessness.

Non-retaliation policy

It is A. O. Smith's policy that any individual who, in good faith, reports a suspected violation of our guidelines or policies will not be retaliated against. The company's policy is to discipline (up to and including termination) any employee who retaliates against an individual reporting a violation.

Q:

I have reason to believe an employee in a position of authority may be violating a company policy and possibly the law. I'm afraid I might lose my job if I raise the issue.

A:

It is your responsibility to raise the issue, and the company will not tolerate any form of retaliation, such as firing you for raising the issue in good faith. It is in all of our best interest to address conduct that may violate the law, a company policy, or ethical standards. And remember, you have options when it comes to raising issues. You can contact your supervisor, your facility leader, a human resources representative, the Legal Department, or the Integrity Helpline.

THE WORKPLACE

Equal employment opportunity

A. O. Smith values employee excellence. In our employment practices, we will not discriminate based on race, color, religion, sex, age, national origin, marital status, disability, or other legally protected status. We operate in a global environment and will strive to create a workplace where men and women from diverse backgrounds can thrive and achieve their fullest potential.

Throughout this booklet, you will find examples of business situations that require you to apply the A. O. Smith Guiding Principles. These examples are meant to provide you with some “real-life” applications of our principles. But they are not the only situations you may encounter on the job! If, at any time, you find yourself in a situation where you have concerns regarding legality or ethics, ASK. Ask your supervisor, your human resources representative, or the Legal Department. If you witness any act that you think is questionable or illegal, REPORT it immediately to your supervisor, human resources representative, your plant leader, the Legal Department or the Integrity Help Line.

Harassment

You are entitled to work in an environment that is free from any form of harassment, such as hostile, offensive, or humiliating behavior; unwanted physical contact; verbal, written, or graphic statements directed at you or a group of employees.

We define harassment to include:

- Sexual harassment, such as unwelcome sexual advances or requests for sexual favors;
- Racial or ethnic harassment, where the hostile or unwelcome behavior is based on your race or country of origin;
- Religious harassment, where the harassment is based upon your religious beliefs;
- Harassment based on your age, a disability, or any other non-job-related characteristic protected by law.

The company will discipline any employee whose conduct violates this policy. If you are being harassed, or if you witness an individual being harassed, report it immediately to either your supervisor or your human resources representative.

Confidentiality and privacy

Employees, officers, and directors should maintain the confidentiality of information entrusted to them by the company, its customers or suppliers, except where disclosure is authorized or required by law. Confidential information includes all non-public information that might be of use to competitors or harmful to the company, its customers or suppliers if disclosed. Unauthorized disclosure of information that is material

(information that a reasonable investor would consider important when deciding whether to buy, sell, or hold our stock) also could result in civil and criminal liability for insider trading. Please review the section “Inside Information and Securities Trading” for more information.

In the course of business, A. O. Smith must collect information about employees or prospective employees to make employment-related decisions and retains only information that is useful in making those decisions. Access to any personal information is restricted to those A. O. Smith employees with a “need to know” (such as your supervisor). Any electronic personnel files are password restricted and cannot be viewed by unauthorized persons inside or outside the company. We also must take care not to violate any laws when we handle private information of our customers, suppliers, and other stakeholders. Contact the Legal Department if you have any questions.

Q:

“One of my coworkers has a disability, but he is still able to work. From time to time he jokes about his condition, but recently many of our coworkers are taking things too far, and the jokes are more like insults. What should I do?”

A:

This may rise to the level of illegal harassment under law, but even if it doesn't, this type of conduct is disrespectful and contrary to the type of work environment we require at A. O. Smith. You should report the situation to your supervisor or human resources representative. You can also contact the Legal Department or Integrity Help Line if you feel more comfortable with that approach.

Conflict of Interest

You have a conflict of interest when your personal interests interfere, or appear to interfere, with the interests of A. O. Smith. Conflicts also may arise when an employee, officer, director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the company.

Common examples of conflicts of interest include when you or a member of your family:

- Have a direct or indirect financial interest in a current or potential competitor, supplier, or customer of A. O. Smith;
- Conduct business on behalf of A. O. Smith with a supplier or customer that employs one of your relatives as a principal, officer, or representative;
- Accept a gift of more than token value from a current or potential customer, supplier, or

Q:

“My sister works for a company that would like to bid on project work for A. O. Smith. Are we prohibited from selecting that company as a supplier?”

A:

Not necessarily. You should disclose your relationship to your supervisor and remove yourself from the decision on which supplier to select. If your sister's company is the best supplier, they can be selected.

Conflict of Interest (cont'd)

competitor. Simple business entertainment, such as buying meals or taking a customer to a sporting event, is a normal part of a business relationship; larger forms of entertainment, such as paying for or accepting a trip are prohibited. Contact the Legal Department if you have any questions;

- Operate a business or work as an employee, officer, or director of another company under circumstances detrimental to A. O. Smith.

Before taking any action that would result in a conflict, you must disclose any personal interests that may constitute a conflict of interest or even the appearance of a conflict of interest. Employees and officers should alert their supervisor or the Legal Department; directors should clear any potential conflict with the Board of Directors. Depending on the circumstances, a waiver of the conflict may be appropriate. The A. O. Smith General Counsel of the Legal Department should be contacted if a waiver is requested.

Corporate opportunities

Employees, officers, and directors owe a duty to A. O. Smith to advance the company's legitimate interests when an opportunity arises. They cannot compete against the company, directly or indirectly. Employees, officers, and directors are prohibited from taking for themselves opportunities that are discovered through the use of company property, information, or position. They also are prohibited from using company property, information, or position for personal gain.

Q: **"Occasionally, our supervisor lets us borrow the company flatbed truck on the weekends to haul dirt or building materials. We're always careful and bring the truck back clean and with a full fuel tank. Since our supervisor says this is okay, is it allowed?"**

A: Your supervisor does not have the authority to determine if this use of company assets is proper or not. You must ask your plant manager or human resources representative for written permission and, to avoid any problems, not use the truck until you have received that written permission.

Q: **"I discovered I can buy land next to the plant where I work. I recently heard the company is considering a plan to expand the plant, and I could make a large profit if I sell the land to the company. Is that okay?"**

A: No. If you become aware of an opportunity which would benefit A. O. Smith, you must alert the company. In this situation, the company would have a direct interest in the land that could support its long-term expansion plans. Your intention to buy the land and sell it at a profit to the company is not proper.

Director positions outside our company

No A. O. Smith employee may accept a director position with a for-profit corporation without approval. The Chief Executive Officer and other officers must follow the approval process in the A. O. Smith Corporate Governance Guidelines, posted on our website at www.aosmith.com. Other employees cannot hold a director position with a publicly traded company unless the Chief Executive Officer approves, in writing, a specific exception.

Product Safety

Our company has a long and proud history of building innovative, quality products. Our goal is to make products that offer value to our customers, meet all applicable legal requirements, and are safe when used as intended. Product safety is the responsibility of every employee. If you become aware of any product safety concern, report it immediately to your supervisor, manager or the Legal Department. Likewise, if you are contacted about a product safety concern by the U.S. Consumer Product Safety Commission, any other government authorities, or anyone outside the company, please refer the agency or individual to the Legal Department immediately for proper handling.

The internet and other communications technologies

There is no question the internet has become a big part of our personal and business lives. Used responsibly, it can be a powerful tool to help us build our brand and serve our customers. Please remember that when you use company communications technologies, such as e-mail, voicemail or the internet, we expect you to conduct yourself in a manner that complies with the law, company policies, and the Guiding Principles. You must not access, download, upload, or disseminate material that is prohibited by law, contains sexual content or offensive language, or that could negatively reflect on the company in any way.

Employees who have access to AOSNET, the company's intranet, are required to review and agree to the company's Web Network Access Policy. This policy governs the proper use of web-based applications including the intranet and internet.

**Laws control
the lesser man.
Right
conduct
controls the
greater one."**

- Chinese Proverb

Social Media

Social media represent exciting new communications technologies that can have a positive effect on A. O. Smith's reputation. Whether you are using social media at work or at home, it is important to use these media in a way that reflects well on yourself, your co-workers, and A. O. Smith. Keep in mind, when you use social media to talk about the company, your co-workers, our customers, or suppliers, the words and images may be seen by many more people than you might intend. You want to be certain you do not inadvertently disclose confidential information. Also, unless you have been authorized to do so, do not hold yourself out as speaking on behalf of the company through social media. For more information on the opportunities and obligations associated with social media, please refer to the company's Social Media Policy and Guidelines.

Q: "Someone has been posting negative comments about A. O. Smith products on an internet message board. Can I make up a name, pretend I am a new customer, and post outstanding product reviews?"

A: We understand your desire to "set the record straight," but please do not use an assumed identity to join in any online discussions about A. O. Smith. This type of conduct is against A. O. Smith's policy. Employees with a number of other companies have done this and have been discovered, causing significant embarrassment to themselves and to their employers. Such postings also may violate federal law. Whenever you talk about A. O. Smith online, make certain you identify yourself as an A. O. Smith employee. Also, when you do so, you have to make sure it does not appear that you are speaking on behalf of A. O. Smith. In this instance, the best approach is to let our marketing team know about the negative comments.

Safety, Health, and Environment

A major part of being a good corporate citizen is obeying all laws and regulations that pertain to health, safety, and the environment. The company spends a considerable amount of time and money to ensure that we comply with applicable laws and regulations, and we have trained and certified professionals working in this field.

A. O. Smith's responsibility is to:

- Design, build, and operate our facilities to ensure they are safe work places;
- Provide proper machine guards and safety devices for all equipment in our plants;
- Design and manufacture products that are safe to use and perform as specified;
- Provide proper documentation, such as material safety data sheets, for materials used in the manufacturing process;
- Reduce any wastes or emissions at their source;
- Designate only qualified suppliers to handle and dispose of hazardous waste;
- Communicate our safety rules and policies to all employees;
- Maintain complete and accurate records, including EPA and OSHA logs, and other regulatory agency requirements.

As an employee, you have responsibilities as well. You are responsible to develop safe working habits and to ensure that your fellow employees work safely.

This includes:

- Always using all machine guards, lock-outs, and safety devices on the equipment in our plants;
- Becoming familiar with and using the personal protective equipment required glasses and hearing protection;
- Safely handling and properly disposing of any waste materials, being especially attentive to hazardous wastes;
- Notifying your supervisor if you discover a hazardous condition or you witness other employees working in an unsafe manner.



“To meet production deadlines, my co-workers disabled the safety device on a machine that has been giving us trouble. No one has been hurt, and I realize the schedule is important, but I do not want to do this.”



You are right. Under no circumstances should safety devices ever be disabled. Report your concerns to your supervisor or plant safety manager right away.

“...Next time you’re faced with a **choice, do the right thing. It hurts everyone less in the long run.”**

- Wendelin Van Draanen



“We were able to reduce cost by contracting with a new supplier. I heard a comment from the new supplier’s truck driver that they are not disposing our waste appropriately. What should I do?”



Report the possible violation to your supervisor, facility leader, or the Legal Department. Improper disposal of waste is a serious issue, and A. O. Smith could be found liable for the supplier’s conduct. In some instances, individual employees could also be fined or jailed based on knowledge of or involvement in the improper disposal of hazardous waste.

Protection and proper use of company assets

The resources of the company should be used only for legitimate business purposes and for the benefit of A. O. Smith. All employees, officers, and directors should protect the company’s assets and ensure their efficient use. Theft, carelessness, and waste directly affect A. O. Smith’s profitability. You should report immediately any suspected fraud or theft for investigation.

THE MARKET

Inside information and securities trading

As a publicly traded company in the United States, A. O. Smith is obligated to report any material information to the investing public as quickly as practical. Material information is anything that a reasonable investor would consider important when deciding whether to buy, sell, or hold our stock. Examples would be major new contracts from customers, an important new product introduction, an acquisition, a major lawsuit, and future sales and profit estimates.

As an employee, officer, or director, you may become aware of this type of information before it is made public. This is commonly called non-public information or "insider information." It is illegal to buy or sell stock when you have insider information. It also is illegal to share that information with anyone who may trade in our stock. Insider trading can result in fines and jail sentences for you and the person with whom you share the information.

A. O. Smith's Insider Trading Compliance Policy provides additional details on properly handling non-public information. Keep in mind, our policy applies to inside information related to our customers and suppliers as well as to our company. If you want more information or would like a copy of the Insider Trading Compliance Policy, contact the Legal Department, e-mail info@aosmith.com or visit the "Compliance and Ethics" section of the Legal Department on AOSNET.

Q:

"I visit company "discussion groups" on Google quite frequently and noticed that someone is posting some very sensitive information about A. O. Smith, including some news that I thought was being kept secret. Should I respond on line or do anything about this?"

A:

Do not respond on line, because that would likely make the situation worse. Instead, contact Human Resources or the Legal Department immediately and relay your concerns to them. Spreading inside information is illegal, even if the individuals involved do not benefit personally from the "tip." If necessary, we will contact the appropriate law enforcement agency to investigate this abuse.

Q:

We are using a new supplier for a key component in a new product we are about to launch next month. I have a hunch the supplier's stock price will go up once we announce the new product. Can I purchase the supplier's stock now?

A:

No. This would constitute illegal trading based on inside information, even though you are not trading in A. O. Smith stock.

Competition and fair dealing

We seek to outperform our competition fairly and honestly. Each employee, officer, and director should endeavor to deal fairly with the company's customers, suppliers, competitors, and employees.

In our highly competitive markets, being able to gather and analyze information about our competitors is an important and necessary activity. There are dozens of public sources of competitive information that enterprising employees may reference, such as annual reports, Internet sites, press releases, trade shows, stock analyst reports, and others.

We expect, however, that you will not attempt to obtain competitive intelligence by unfair, dishonest, or illegal means. Theft, illegal entry, wiretapping, or similar methods are expressly forbidden. Misrepresentation, such as posing as a customer to obtain sensitive data, is also against our Guiding Principles.

No employee, officer, or director should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair dealing practice.

Occasionally, you may be offered access to competitive information by a non-public source or third party. Situations such as these require extreme caution, and you should remember to observe accepted standards of good faith and all applicable laws when dealing with this source.

In a similar vein, never make false or misleading comments about other companies, including our competitors, their employees, or their products. Use only fair and accurate comparisons when describing our products and a competitor's. The best practice is to stress the advantages of A. O. Smith's products or services.

Q:

"We recently hired the chief engineer from one of our competitors (she had not signed a "non-compete" agreement). Can we de-brief her on her former employer's new product plans?"

A:

Not if the questioning centers on any proprietary or non-public information. In fact, she should be reminded that she cannot voluntarily comment on any proprietary information about her former employer or she and A. O. Smith could be subject to criminal prosecution or a lawsuit.

Q:

"I have been given a password that allows me to tap into a competitor's computer system. Can I use this to obtain information about their product costs?"

A:

No. This type of electronic entry is illegal. "Hacking" a competitor, downloading their computer files, and obtaining competitor computer files from a third party are forbidden.

Antitrust

A. O. Smith competes aggressively and independently in all of the markets it serves. Our relations with competitors, customers, suppliers, pricing, and other market-related issues all come under a group of laws called “antitrust.” Antitrust laws in the United States and other countries are based on the same principles: that the public benefits most if businesses compete vigorously, free from agreements and understandings with other companies that limit competition.

A. O. Smith is committed to following antitrust laws without exception. If your job or position as an employee, officer, or director brings you in contact with competitors, customers, or suppliers, you are responsible for following our policies on antitrust compliance.

As far as relations with competitors are concerned, you may never make any formal or informal agreement or understanding to:

- Fix or control prices;
- Allocate products, markets, or territories;
- Boycott certain customers or suppliers;
- Refrain from or limit the manufacture, sale, or distribution of any product.

In dealing with customers, you may not:

- Make any agreement or understanding to set prices at which the customer will resell A. O. Smith products;
- Make any threat(s) that customers will be “cut off” if they do resell A. O. Smith products at suggested retail prices.

A. O. Smith is allowed to purchase products from companies that buy products from us, but antitrust laws prohibit agreements or understandings to the effect that purchases by either party are conditioned upon purchases by the other.

Many of you may become involved in trade associations or other professional organizations where you come in contact with competitors, customers, or suppliers. Remember that antitrust laws apply to formal and informal communications as well as written or unwritten agreements or understandings. Always be aware of this when you attend any functions for a trade association or other organization.

Q:

“At a recent trade show, I was invited to join our competitors’ sales people for breakfast. We talked about some general topics, and then the discussion moved into what we are charging a particular customer. I didn’t say very much and didn’t reveal any specific pricing information. Is this an antitrust violation?”

A:

It’s hard to say. You were definitely placed in a compromising situation. Failure to say anything can sometimes be interpreted as consenting to antitrust practices. The best course of action would have been to tell everyone at the table that this topic of discussion was inappropriate and to have left immediately. In the future, it’s a good idea to avoid these situations to minimize your risks.

Failing to comply with antitrust laws will result in serious consequences to A. O. Smith and, possibly, to you. The company and you may be heavily fined and, in some cases, you may be subject to imprisonment as well. If you are involved in any transaction in which you have an antitrust question or concern, contact your supervisor or Human Resources. If you still have a concern, contact the Legal Department.

**“We must be the
change
we want to see
in the world”**

- Gandhi

Bribery

While business practices may vary in many countries of the world, as an A. O. Smith employee, officer, or director, you are forbidden to offer or accept a bribe at any time.

Never offer money or gifts:

- To receive a customer order;
- In exchange for information about a competitor, customer, or supplier;
- To avoid paying a fine, permit fee, or other government levy;
- To attempt to influence a government official.

You may not pay a consultant or an agent if you believe they are going to use that money or a portion of that money for bribes. The company retains only reputable and qualified business partners and does not engage business partners likely to be involved in corrupt activities. A good approach to take, especially in countries outside the United States, is to insist on a purchase order or contract for every business transaction and not use cash or cash equivalents for payments.

A. O. Smith and its officers, directors, and employees are required to comply with its Anti-Bribery Policy and to obey both the letter and spirit of all applicable laws, including anti-bribery and anti-corruption laws. It is also A. O. Smith’s policy to require third parties to comply with these same laws and, whenever possible, the Anti-Bribery Policy. Illegal activities and unethical practices will not be tolerated. Furthermore, although certain “facilitating payments” which are made to expedite or secure performance of routine governmental action may not violate the U. S. Foreign Corrupt Practices Act, these payments often violate the laws of the countries where A. O. Smith does business, and A. O. Smith prohibits facilitating payments.

Q:

We are pursuing a contract with a company in another country. My main contact with the company is considered a foreign official. I have learned that it is customary in this country to invite the official for dinner, drinks and entertainment, and the suggested location for the event is expensive, possibly costing \$10,000 including the entertainment. Should I go ahead with setting up this event?

A:

No. The United States Department of Justice has issued guidance indicating that it would find this scenario to constitute an example of an unlawful and improper travel and entertainment expenditure under the U. S. Foreign Corrupt Practices Act. This conduct could also violate other countries’ anti-bribery and anti-corruption laws.

Q:

We are looking into forming a joint venture with another company. I've learned that an intermediary hired by the company paid money to government officials to retain a very profitable contract with the state-owned entity that the official is employed by. Given that A. O. Smith itself did not make the payment, is there cause for concern?

A:

Yes. Anti-bribery and anti-corruption laws, including the United States Foreign Corrupt Practices Act, prohibit corrupt payments made through third parties or intermediaries. Common areas of concern associated with third parties include excessive commissions to third-party agents or consultants, unreasonably large discounts to third-party distributors, third-party "consulting agreements" that include only vaguely described services, the third-party consultant is in a different line of business than that for which it has been engaged, and the third party is related to or closely associated with the foreign official.

Patents, trademarks, copyright, and intellectual property

The knowledge and technology that A. O. Smith has developed through the years are important assets to us. As with any asset, we make every effort to protect that knowledge and keep it out of the hands of our competitors. This property can take the form of product designs, computer programs or files, process descriptions, and business practices. There are a number of ways to protect this knowledge and technology which are also known as "intellectual property:"

- The company can choose to protect it as a trade secret or proprietary process and not disclose anything to the public about it whatsoever;
- The company can elect to obtain a patent for a product or process. A patent, which is issued by the government of the country where we are operating, indicates that A. O. Smith invented the product or process, and that invention cannot be copied by a competitor for a specific time;
- To protect the name or identity of a product or a service in the market, we can apply for a trademark;
- Copyrights enable us to protect the contents of brochures, video, computer programs, web sites, and related works from being copied.

Q:

We have been trying for some time to obtain a permit from the government of another country so that we can export our products there. The government official has indicated the permit could be granted soon, but that it is customary in his country to make a monetary contribution to his charitable foundation to expedite the permit process. Is this acceptable?

A:

No. This is an improper payment even though the payment may be charitable in nature.

Anyone working in new product or process development should coordinate his or her activities with the company's Patent Committee. The committee will evaluate the idea and determine if it is patentable. The committee works with the company's outside patent counsel to ensure that all procedures are followed properly in investigating and filing for a patent.

When the time comes to name a new product or service, you should have the Legal Department conduct a trademark search. If you elect to trademark the name of the new product or service, the A. O. Smith Legal Department will help secure the mark and show you methods to protect the mark.

Business gifts

Giving or receiving gifts is a difficult area that requires good judgment. Normally, inexpensive gifts, such as pens, coffee mugs, baseball caps, or food baskets, are part of establishing a good business relationship. Large or expensive gifts, however, could be interpreted as bribes and must be avoided.

A. O. Smith does not prohibit small gifts and entertainment expenses that are:

- Infrequent, customary, and reasonable in amount;
- Do not violate local gift and hospitality laws or the recipient's code of conduct;
- Are not offered or given with the intent of improperly influencing the recipient;
- Comply with processes and limits established by A. O. Smith.

Q: "I was given a copy of some software to help with a project. I noticed there is a copyright on the software label. Is this cause for concern?"

A: Yes. Computer software is protected against unauthorized use. You must determine if you are properly licensed to use this software. If there is any question, contact your IT department.

Q: I'm planning a family vacation to Hawaii. A supplier mentioned that he has a condo in Hawaii. I asked him if I could use the condo, and he agreed to this, and indicated I would not have to pay him anything for it. Is this all right?

A: This is an improper solicitation, and you should not use the supplier's condo. If you look at an issue from the supplier's perspective, he or she might feel pressured to go along with this to keep you, the customer, happy. Also, this arrangement can result in an actual or perceived conflict of interest – it could be determined that this gift will influence the ability to select a supplier based on our business needs. If you have any questions as to whether a gift is appropriate, contact the Legal Department.



Business gifts (cont'd)

Similarly, simple business entertainment, such as buying meals or taking a customer to a sporting event, is a normal part of the business relationship. Larger forms of entertainment, such as paying for or accepting a trip, are prohibited.

You may not request or solicit a gift from a supplier, customer, or other party under any circumstances.

If you are unclear whether a specific gift or form of entertainment is prohibited, talk to your supervisor, your human resources representative, or the Legal Department.

Q:

“I received a gift through the mail that I think is inappropriate, and have no way to return it. What should I do?”

A:

Turn the item over to the Legal Department or your Human Resources Manager for disposition.

Political contributions

We encourage our employees to be active in the political process and support the candidate(s) of their choice. However, A. O. Smith does not authorize any employee, officer, or director to make a company contribution to a politician, candidate, or political party.

The company does sponsor a Political Action Committee in the U. S. The purpose of the A. O. Smith Political Action Committee is to follow issues that have a direct impact on the company's operations and to communicate the company's position on those issues to our elected U. S. representatives. Participation in the A. O. Smith Political Action Committee by any U. S. citizen is purely voluntary.

Q:

“My boss has told employees that we should each make a contribution to his favorite official who is running for public office. I feel pressured to make a contribution, even though I do not agree with this person's views. Do I have to make a contribution?”

A:

No. A. O. Smith does not restrict your personal political activities or your use of personal funds. This means you are free to support the candidate or party of your choice or to choose not to participate at all. Your supervisor cannot use his position or company resources, including his work time, on a political campaign. You should report this situation immediately to your Human Resources Manager.

Accurate documentation, records management and taxes

Having reliable information is crucial to running a successful business. Records and reports should be accurate, timely, complete, and consistent with generally accepted accounting principles in the U. S. You are responsible for any reports you write and records you keep. This includes sales records, production records, expense reports, inventory or scrap reports, environmental records, accounting records, and any other business-related reports, transcripts, or records. If you become aware of any inaccurate, false, or misleading entry in the company's books or records, report it immediately to your supervisor, the company's chief financial officer, the Legal Department or to the Integrity Help Line. Any such calls to the Integrity Help Line will be reported directly to the Audit Committee of the Board of Directors.

The company has a policy that describes how long you should maintain specific records. You are responsible for maintaining records for the appropriate length of time and for destroying records in accordance with this policy. If you have any questions on record retention, contact the Legal Department.

A. O. Smith is scrupulous in reporting its tax obligations fairly and accurately and in paying its taxes promptly. We obey all foreign and domestic tax laws and foreign exchange control laws. Never enter into any transaction on behalf of the company that would violate the law.

Q:

“One of my co-workers submits inaccurate expense reports and seeks reimbursement for items and meals she never purchased. I brought it up to my supervisor, but the practice continues. Should I call the Integrity Help Line?”

A:

Yes. The accuracy and reliability of the company's financial records are crucial to our success. If you have a concern that is not remedied, you should report it to the Legal Department or the Integrity Help Line.

**“When you realize
you’ve made a mistake,
take immediate steps
to correct it.”**

- Dalai Lama

GLOBAL

Trade Compliance

Our international activities are subject to the trade regulations of the United States and the other nations we operate in. If you are uncertain of the trade status of any country or the export or import of any good, then contact the director of trade compliance or the Legal Department.

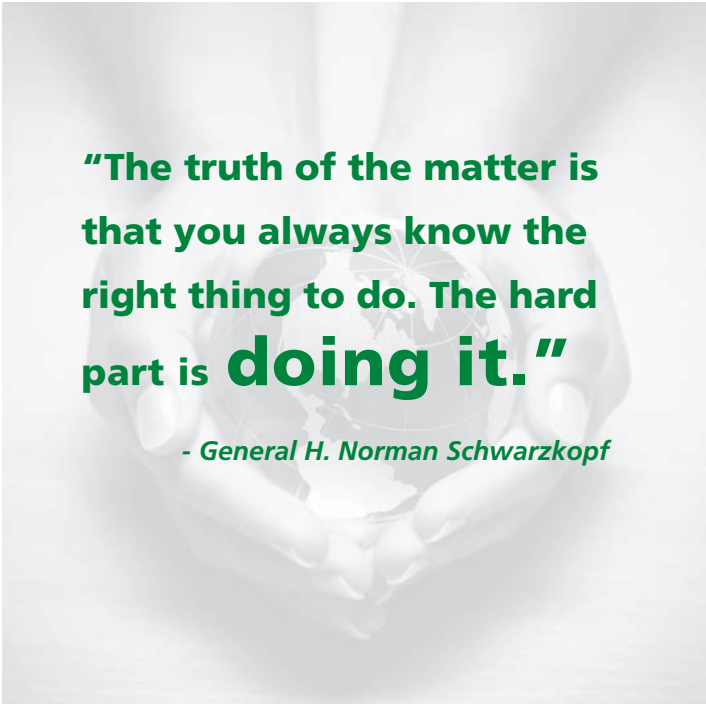
The United States prohibits conducting business with certain individuals, groups, and organizations that have been designated as terrorists, those supporting terrorism, and drug traffickers. This list includes “end-users” who may be involved in chemical or biological weapon development, ballistic missile development, and sensitive nuclear activities in certain countries. Our adherence to this restricted party list is essential to our reputation as a global supplier.

The United States has also imposed sanctions and trade limits on a number of countries. The Legal Department can advise you of sanctions against specific countries, individuals and entities, and other regulatory sanctions.

Any goods we import or export must be classified accurately and assigned the correct tariff number so that appropriate duties are applied and paid. An accurate determination of which jurisdiction a particular commodity, piece of information, or service falls under is critical to ensuring that the item is appropriately identified, secured, handled, and transferred in accordance with export controls.

We must adhere to the U. S. anti-boycott laws at all times; these laws prohibit us from participating in unsanctioned boycotts (refusals to do business with certain countries or people). The purpose of the anti-boycott laws was to require U. S. companies (including their foreign subsidiaries) to refuse participation in foreign boycotts that the U. S. does not sanction. In other words, American companies (including their foreign subsidiaries) are prohibited from collaborating in other nations’ boycott policies that run counter to U.S. policy. As a practical matter, we are most likely to encounter regulated boycott situations when dealing with customers or vendors in countries that boycott Israeli-origin goods and services. Notify the Legal

Department whenever you read or hear a statement or request that may involve taking action or furnishing information in connection with an unauthorized boycott and contact the Trade Compliance Department if you are uncertain of the boycott status of any country.



“The truth of the matter is that you always know the right thing to do. The hard part is doing it.”

- General H. Norman Schwarzkopf

C-TPAT

A. O. Smith is proud to be a participant in the Customs-Trade Partnership Against Terrorism (“C-TPAT”) program, initiated by the U.S. Customs and Border Protection to strengthen importers’ supply chains and increase border security. Maintaining security throughout our worldwide supply chain is crucial to the safety of our employees, the security of our facilities, and the integrity of our products. We require our international suppliers to implement security procedures for packaging, containerizing, and shipping their products to our facilities. We also have security procedures that our employees follow when receiving incoming materials and components, packaging our finished products, and loading trucks for customer delivery. We expect each employee to follow these procedures to ensure our products are handled properly and securely. The company also has systems and procedures to help maintain the security of our facilities. These include visitor registration procedures, employee identification, and facility perimeter security. We expect you to share our commitment to a secure workplace. If you see anyone in our plant that you do not recognize or any suspicious activity, contact your supervisor or facility manager. The security of our supplier network, our company, and even our country may depend on each of us remaining vigilant and reporting suspicious activity.

Q:

“A representative of a customer says he or she will not accept any products with parts made in a certain country. How should I respond?”

A:

Do not take part in any such discussion. Report the conversation to the director of trade compliance or the Legal Department, which can advise you on how to proceed.

Q:

“I work in the shipping and receiving department and noticed a man with a package standing by our truck trailers. He was not wearing any employee identification or a visitor’s badge. Should I approach him and ask him what he’s doing?”

A:

Unauthorized personnel are prohibited from the area where trailers are stored and loaded. The package the stranger was carrying could have been drugs, weapons, or other contraband. While it is certainly okay to approach an unknown person and ask him who he is or what he is doing in the plant, it would be safer to immediately contact your supervisor concerning the situation. If your supervisor is not available, contact your facility manager or human resources manager as quickly as possible.

Supply Chain Integrity

A number of laws have been passed in the United States and other countries applying to manufacturers and suppliers (including laws on human trafficking, conflict minerals, and chemical and hazardous substances). A. O. Smith has a strong commitment to compliance with respect to these laws and regulations, and expects the same commitment from its suppliers. If you have any questions in this area, please contact the Legal Department.

Conclusion

All of us are extremely proud of our reputation and proud to be associated with a company such as A. O. Smith.

But we must always be mindful that a reputation—even one as longstanding as our company's—can be destroyed overnight by carelessness. It is important to learn and understand our Guiding Principles and equally important to live by them every day. The company expects these principles to be followed by every employee, officer, and director. Any waiver must be approved by your plant or facility manager or human resources representative in advance in writing. For officers and directors, we have taken a further step. Any waiver of these principles for an officer or director must be reviewed and approved by the Board of Directors or a board committee and will be disclosed promptly on the company's website, www.aosmith.com.

Remember, it is in everyone's best interest to live by the A. O. Smith Guiding Principles. If someone inadvertently or willfully chooses to disregard our standards, we all suffer. If you see what you think is an illegal or unethical situation, let us know. Or contact the Integrity Help Line. We have worked too hard to build a reputation for excellence to have it damaged or destroyed by an isolated act of carelessness.



BUSINESS LOCATIONS

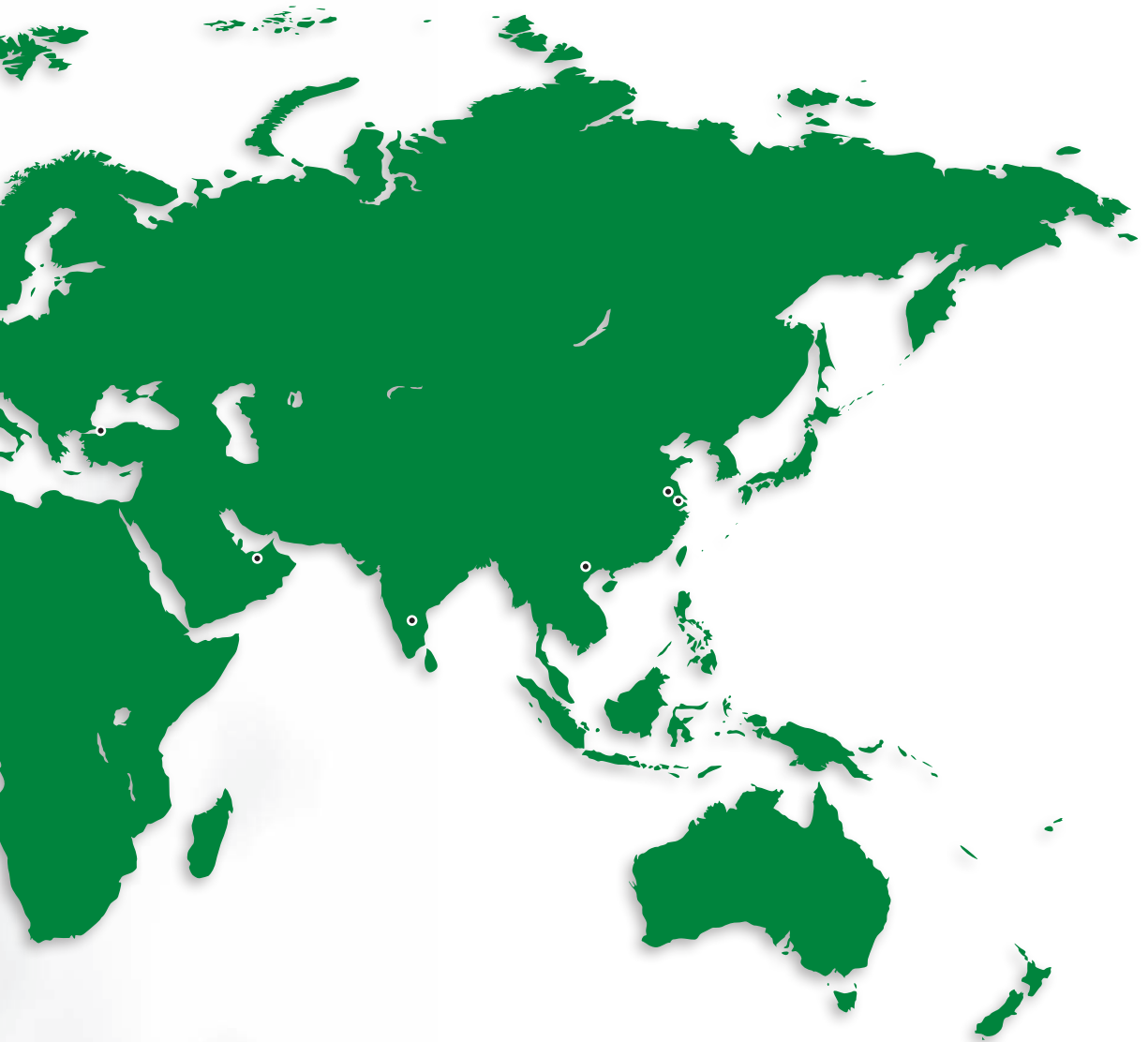
- Ashland City, Tennessee
- Austin, Texas
- Bangalore, India
- Banbury, United Kingdom
- Charlotte, North Carolina
- Cookeville, Tennessee
- El Paso, Texas
- Fergus, Ontario, Canada
- Florence, Kentucky
- Franklin, Tennessee
- Haltom City, Texas
- Hanoi, Vietnam
- Hong Kong, China
- Irvine, California
- Istanbul, Turkey
- Johnson City, Tennessee
- Juarez, Mexico
- Knoxville, Tennessee
- Lebanon, Tennessee
- McBee, South Carolina
- Nanjing, China
- Renton, Washington
- Shanghai, China
- Stratford, Ontario, Canada
- Jebel Ali, Dubai, United Arab Emirates
- Veldhoven, the Netherlands

CORPORATE OFFICES

- Milwaukee, Wisconsin
- Nanjing, China

CORPORATE TECHNOLOGY CENTER

- Milwaukee, Wisconsin



**“A man is judged
by his **deeds**,
not by his words.”**

- Unknown

The logo for AC Smith, featuring the letters 'AC' in white inside a green circle, followed by the word 'Smith' in a black sans-serif font with a registered trademark symbol.

AC Smith®





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