



A. O. Smith Corporation

GUIDING PRINCIPLES

2 A. O. Smith Statement of Values

4 Guiding Principles Concerning Employee and Business Conduct

Compliance with All Applicable Laws
Observance of the Ethical Standards of Society
Non-Retaliation Policy

5 The Workplace

Equal Employment Opportunity
Confidentiality, Privacy, and Personal Employee Information
Harassment
Conflict of Interest
Corporate Opportunities
Director Positions with Public Companies
Product Safety
E-Mail, Internet and Voicemail Usage
Safety, Health, and Environment
Protection and Proper Use of Company Assets

9 The Market

Patents, Trademarks, Copyright, and Intellectual Property
Inside Information and Securities Trading
Competition and Fair Dealing
Antitrust
Bribery
Business Gifts
Political Contributions
Accurate Documentation and Taxes

14 Global

International Practices
International Boycotts and Trade Restrictions
Supply Chain Security

16 Conclusion

17 The Integrity Help Line

JANUARY 2009

One of the characteristics that makes A. O. Smith Corporation unique is our values. This company has 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. 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 in how to conduct yourself in complex or confusing 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.



Paul W. Jones

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.

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. The following pages describe standards of conduct that represent the best of our values and an ethical way to conduct business.

GUIDING PRINCIPLES CONCERNING EMPLOYEE AND BUSINESS CONDUCT

WHAT ARE MY RESPONSIBILITIES?

It is your responsibility to read and study these Guiding Principles carefully. Keep in mind that your employment at A. O. Smith depends on your complying with these principles.

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

You also are responsible for reporting any violation of these principles or any illegal or unethical act you may witness.

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.

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.

Observance of 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 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. This would involve interests or business relationships you might have. In addition, you must 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.

Non-retaliation policy

Any individual who in good faith reports a suspected violation of our guidelines or policies must do so without fear of retaliation. A. O. Smith's policy is to discipline (up to and including termination) any employee who retaliates against a person reporting a violation.

Equal employment opportunity

A. O. Smith values employee excellence. We will seek and hire the best-qualified men and women without regard to their race, color, religion, sex, age, national origin, marital status, disability, or other legally protected status. We will strive to create a workplace where men and women from diverse backgrounds can thrive and achieve their fullest potential. As part of our goal of being a good place to work, we will provide training opportunities for employees to prepare them for positions of greater responsibility and skill.

Confidentiality, privacy, and personal employee information

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.

In the course of business, A. O. Smith must collect information about employees or prospective employees to make employment or promotion decisions. The only information we retain is that which 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 will not release any information about you from your official file, other than routine employment verification information such as dates of employment and occupation, to anyone outside of A. O. Smith (unless required by law) without first obtaining your permission.

Throughout this booklet, you will find examples of complex 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, bring it to the attention of your supervisor or human resources representative immediately.

QUESTION:

“When my supervisor asks me to do something, he calls me ‘darlin’ or ‘honey’ or ‘sweetheart.’ This makes me very uncomfortable, and I’ve told him so, but he continues to use those names. Is this sexual harassment?”

ANSWER:

This type of conduct might be sexual harassment – or it might not. Each case must be decided on its own facts and circumstances. The law states that if this bothers you, you should either tell your supervisor that this bothers you and ask him to stop, or contact your human resources representative immediately.

QUESTION:

“My brother-in-law works for a company that could supply our unit with raw materials. Are we prohibited from having that company as a vendor?”

ANSWER:

Not necessarily. You would not be able to be involved in the relationship, but your brother-in-law could contact your purchasing department directly. As long as he does not use your name to influence the negotiations and you don’t attempt to get involved either directly or indirectly, it is not a conflict of interest. However, if you do have any involvement in the decision, you must tell your supervisor about your relationship to that company.

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, officer, or director 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. All harassment reports will be treated confidentially, and information you provide will not be released without your permission.

Conflict of interest

In any business activity, your first obligation as an employee, officer, or director is to your company. 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, or 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 competitor;
- Operate a business or work as an employee, officer, or director of another company under circumstances detrimental to A. O. Smith.

Disclose any personal interests that may constitute a conflict of interest or even an appearance of a conflict of interest. Employees and officers should alert their supervisor; directors should clear any potential conflict with the Board of Directors. If there is a conflict, we will work with you to solve it in a way that is in the best interests of both you and A. O. Smith.

Corporate opportunities

Employees, officers, and directors are prohibited from taking for themselves opportunities that are discovered through the use of company property, information, or position, or using company property, information, or position for personal gain. 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.

Director positions with public companies

A. O. Smith restricts non-officer employees from holding a position as a director of any company whose stock is traded on the NYSE, NASDAQ or another recognized stock exchange. Non-officer employees must have the written approval of the Chief Executive Officer before accepting such a position; officers must follow the approval process in the A. O. Smith Corporate Governance Guidelines, posted on our web site, www.aosmith.com.

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.

E-Mail, internet and voicemail usage

Technology plays an ever increasing role in our daily lives. Please remember that when you use any of the company's communications systems, you are expected to conduct yourself in a manner that complies with company policies and procedures, as well as these Guiding Principles. Whether you are working from your workplace, home or off-site, remember that the information you generate, send, receive and store using our communications systems, including voicemail, is company property. This means that the company has a right to access and review this information at any time as we deem appropriate.

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.

QUESTION:

"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?"

ANSWER:

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.

QUESTION:

"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?"

ANSWER:

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.

QUESTION:

"A new supplier is offering us a significant discount to handle our entire waste disposal. Should we give them the job?"

ANSWER:

Not without fully investigating their credentials. A. O. Smith is responsible for all waste removed from its plants. If the disposal company improperly or illegally disposes of the waste, A. O. Smith can be liable and could be fined. In some instances, individual employees, such as you, could also be fined or jailed.

QUESTION:

"We are looking at trying a new coating on our paint line. We asked the sales representative for a Material Safety Data Sheet (MSDS), and she told us not to worry, as their products conform to federal laws. Should we pursue the matter?"

ANSWER:

Yes. Our policy is to never introduce a new material into our manufacturing operations without an MSDS. This allows us to determine if we need to provide employees with protective devices, such as respirators, how to dispose of wastes, and other critical information. It's simple: no MSDS, no sale.

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 in your area, such as safety 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.

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.

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 U. S. government (or in foreign countries by the appropriate government agency), 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, videotapes, computer programs, and related works from being copied.

Anyone working in new product or process development should coordinate his or her activities with their unit'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 and the Corporate Patent Committee 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.

QUESTION:

"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?"

ANSWER:

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.

QUESTION:

"I visit company 'chat rooms' on the internet 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?"

ANSWER:

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.

QUESTION:

"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?"

ANSWER:

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

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 A. O. Smith Legal Department or e-mail info@aosmith.com or visit the "Policies and Procedures" section of the Legal Department on AOSNET.

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 ethical standards and all applicable laws when dealing with this source.

In a similar vein, never make false, misleading, or negative 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.

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 foreign countries are based on the same principles: that the public benefits most if businesses compete vigorously, free from agreements and understandings with competitors 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 not 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.

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.

QUESTION:

"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?"

ANSWER:

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.

QUESTION:

"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?"

ANSWER:

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.

QUESTION:

"A potential supplier that has been unsuccessfully calling on A. O. Smith offers me four Super Bowl tickets for free. Can I accept them?"

ANSWER:

No. The potential supplier is attempting to improperly influence the company. The answer would still be "No" even if you paid the potential supplier the face value of the tickets, for Super Bowl tickets always are more valuable than face value.

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. A good approach to take, especially in countries outside of the United States, is to insist on a purchase order or contract for every business transaction.

In some countries, you may be expected to tip or pay a "facilitation payment" for routine business services, such as having a telephone installed or expediting a shipment through customs. If you find yourself in such a situation, pay the fee, obtain a receipt, and forward the receipt and a written explanation to your supervisor. If you have any questions, contact the Legal Department.

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. These guidelines extend to holiday gift-giving as well.

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.

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. The purpose of the A. O. Smith Political Action Committee is to follow issues that have a direct impact on the company and its operations and to communicate the company's position on those issues to our elected representatives.

Accurate documentation 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, 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 records 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.

QUESTION:

"One of my co-workers consistently fails to record customer credit memos in a timely-manner. I brought it up to my supervisor, but the practice continues. Should I call the Integrity Help Line?"

ANSWER:

Yes. The accuracy and reliability of the company's financial records are crucial to our success. If you have a concern that goes remedied, you should report it to the Integrity Help Line.

QUESTION:

“Our local representative in a foreign country indicates that our building permit application can be expedited by an additional filing fee to be paid to the clerk. Can we pay it?”

ANSWER:

Depends. If the expedited fee is a part of the local ordinance and goes to the government agency, the fee may be paid. If there is concern that the fee will go to the clerk or to a government official, it cannot be paid.

International practices

As A. O. Smith continues to expand its global reach, you will be confronted with many new and unique ways of doing business. While we want to make every effort to conform to local customs and practices, certain activities are prohibited to you as an A. O. Smith employee, officer, or director.

Among those:

- Political contributions on behalf of A. O. Smith, to either an individual or a party;
- Offering to pay a bribe or accepting a bribe;
- Promising, offering or making any payment of money, products or services, either directly or indirectly, to any foreign government employee in order to induce favorable treatment or to effect government decisions in violation of the Foreign Corrupt Practices Act or the anti-bribery laws of foreign countries;
- Altering purchase orders or shipping documents regarding the quantity or types of products being supplied or destination of products.

In many countries, gift-giving is a major part of the business relationship, and the gifts may be of higher value than would be considered normal in the United States. While you may be uncomfortable receiving such a gift, not accepting it could cause embarrassment or resentment. In these cases, accept the gift, and report it to the company.

International boycotts and trade restrictions

The question of international boycotts is a highly technical issue, but as the company expands globally, it is an issue you may confront. United States laws prohibit companies from participating in foreign country boycotts of nations that are friendly to the United States. One example is the Arab League boycott of Israel.

Some of the activities that are covered under these laws include refusing to do business with a person or company because of a boycott, supplying information that can help further a boycott, or acting in a way that discriminates against U.S. firms or citizens on the basis of race, color, religion, sex, or national origin. These laws also may apply to non-U.S. companies owned or controlled by A. O. Smith, such as joint ventures. The law also requires us to report any request that the company, or any employee, receives to participate in such a boycott. These requests may be in contracts, requests to bid, letters of credit, purchase orders, or other documents. If you receive any documents like this, contact the Legal Department immediately.

If your job requires you to transact business in countries that may be using boycotts, you should consult with the Legal Department prior to transacting any business.

If your assignment requires doing business outside of the United States, it is also important that you be aware of international trade restrictions. The export or re-export of U.S. goods or technology is regulated by a number of very complicated laws. Further, other U.S. laws restrict or prohibit trade with certain countries, such as Cuba and Iran. A. O. Smith adheres to all trade restrictions mandated by U.S. law. If you are uncertain of the trade status of any country, or the export of any goods, contact the Legal Department.

Supply chain security

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.

QUESTION:

“I work in the shipping and receiving department and noticed a man with a package looking around 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?”

ANSWER:

Unauthorized personnel are prohibited from the area where trailers are stored and loaded. The package the stranger is carrying could be 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.

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, AOSMITH.com.

If you ever have a question or concern, ASK. Ask your supervisor or your human resources representative. In those rare circumstances where it is not possible to talk to your supervisor, the company provides a confidential service called the A. O. Smith Integrity Help Line. The A. O. Smith Integrity Help Line is staffed with trained communications specialists who will listen to your concern. The service is available 24 hours a day, seven days a week.

The Integrity Help Line is staffed with communications specialists 24 hours a day, seven days a week. It also offers multi-lingual communications specialists for non-English-speaking callers.

1-800-350-1325

The Integrity Helpline is here to help

The Integrity Help Line 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.

We are committed to upholding 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 (and your) best interest.

If you are uncertain...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. Not only does your human resources representative understand the A. O. Smith Guiding Principles, he or she is familiar with many of the rules and regulations that govern the workplace.

Occasionally, you may feel uncomfortable about discussing a matter with your supervisor or your human resources representative. In those rare instances, you can turn to the Integrity Help Line.

Here's what you can expect when you call the Integrity Help Line:

- 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 Help Line 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 Integrity Help Line communications specialist will send the company a confidential report. If the concern you report requires immediate action, your Integrity Help Line communications specialist will contact the appropriate company representative(s);
- If your concern is related to financial improprieties or accounting irregularities, your Integrity Help Line communications specialist will refer the matter directly to the Audit Committee of the Board of Directors;
- Your request for information will be handled promptly, discreetly, and professionally;
- A. O. Smith will investigate the situation and report back to the Integrity Help Line;
- You may follow up with the Integrity Help Line 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 Help Line. We have worked too hard to build a reputation for excellence to have it damaged or destroyed by an isolated careless act.



ELECTRICAL PRODUCTS COMPANY

Tipp City, Ohio
Acuña, Mexico
Changzhou, China
Dubai, United Arab Emirates
El Paso, Texas
Gainsborough, England
Juarez, Mexico

LaVergne, Tennessee
Monterrey, Mexico
Mt. Sterling, Kentucky
Shenzhen, China
Suzhou, China
Winchester, Kentucky
Yueyang, China

CORPORATE OFFICES

Milwaukee, Wisconsin
Nanjing, China

WATER PRODUCTS COMPANY

Ashland City, Tennessee
Bangalore, India
Charlotte, North Carolina
Cookeville, Tennessee
El Paso, Texas
Fergus, Ontario, Canada
Florence, Kentucky
Franklin, Tennessee

Johnson City, Tennessee
Juarez, Mexico
Knoxville, Tennessee
McBee, South Carolina
Nanjing, China
Renton, Washington
Stratford, Ontario, Canada
Veldhoven, the Netherlands

CORPORATE TECHNOLOGY CENTER

Milwaukee, Wisconsin



A. O. Smith Corporation
P.O.Box 245008

Milwaukee, Wisconsin 53224-9508
<http://www.aosmith.com>