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CORPORATE GOVERNANCE GUIDELINES
OF
A. O. SMITH CORPORATION

Updated
2010

Corporate Governance Guidelines of
A. O. Smith Corporation

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The following principles have been approved by the Board of Directors ("Board") and along with its committees' Charters, provide the overall framework for the governance of A. O. Smith Corporation (the "Company"). These Guidelines will be reviewed and modified as circumstances warrant.

I. Role of the Board and Management

The Company's business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer ("CEO") and with the oversight of the Board, to achieve its objectives and enhance the long-term value of the Company for its shareholders. The Board is elected by shareholders to oversee management to attempt to assure that the Company is managed in such a way as to achieve its objectives, and thereby serve the shareholders' interests. Accordingly, management is responsible for managing the Company; the Board acts as an advisor and counselor to management, and ultimately monitors its performance.

II. Functions of the Board

The Board will hold at least four scheduled meetings each year at which it will review and discuss reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled board and committee meetings. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

a. selecting, evaluating and compensating the CEO and overseeing CEO succession planning;

b. providing counsel and oversight on the selection, evaluation, development and compensation of senior management;

c. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

d. assessing major risks facing the Company---and reviewing options for their mitigation; and

e. ensuring processes are in place to maintain the integrity of the Company's financial statements, compliance programs, and relationships with customers, suppliers and others.

The Board in its discretion can delegate the performance of these functions to its committees.

III. Selection and Composition of the Board of Directors

Independence

Independent directors will constitute a majority of the Board. A director is "independent" if he or she has no relationship to the Company that may interfere with the exercise of his or her independence from management of the Company and otherwise is not disqualified from independence under the rules of the New York Stock Exchange or the Securities and Exchange Commission. The Nominating and Governance Committee will evaluate each director to assess his/her independence under the rules at the time the director is nominated and on an annual basis thereafter, and recommend to the Board such finding for its determination.

Selection Criteria for Board Members

The Nominating and Governance Committee will develop guidelines for selecting candidates for election to the Board, including minimum qualifications, and periodically review and amend such guidelines as the Committee deems necessary or appropriate. The Company will disclose such guidelines as "Criteria for Selecting Board of Director Candidates" on the Company's website.

Process and Procedure for Identifying Director Candidates

The Nominating and Governance Committee is responsible for evaluating recommended candidates for election to the Board. The Committee will consider candidates recommended by shareholders, directors, officers, third party search firms, and other sources for nominations as a director. The Committee considers the needs of the Board and evaluates each recommended candidate in light of, among other things, the candidate's qualifications, including those qualifications identified in these Corporate Governance Guidelines and the Criteria for Selecting Board of Director Candidates.

A shareholder recommendation of a director candidate should be sent by mail to the Chairperson, Nominating and Governance Committee, c/o James F. Stern, Corporate Secretary, A. O. Smith Corporation, 11270 West Park Place, P.O. Box 245009, Milwaukee, Wisconsin 53224-9509. To enable the Nominating and Governance Committee to consider the recommendation in connection with the next annual meeting of shareholders of the Company, a shareholder recommendation must be received no later than the date under applicable Securities and Exchange Commission rules for submission of shareholder proposals generally for inclusion in the proxy statement for that annual meeting.

The recommendation letter must, at a minimum, provide the shareholder's name; address; number and class of shares owned; the candidate's biographical information, including name, residential and business address, telephone number, age, education, accomplishments, employment history (including positions held and current position), and current and former directorships; and the shareholder's opinion as to whether the recommended candidate meets the definitions of "independent" and "financially literate" under the NYSE rules. The

recommendation letter must also provide information that would be required to be disclosed in the solicitation of proxies for election of directors under federal securities laws. The shareholder must include the recommended candidate's statement that he/she meets the requirements and those identified on the Company's website; is willing to complete the Questionnaire required of all officers, directors and candidates for nomination to the Board; will provide such other information as the Committee may reasonably request; and consents to serve on the Board if elected.

Upon receipt of the recommendation letter with appropriate information, the Committee will forward the Questionnaire to the recommended candidate for completion. Following receipt and verification of Questionnaire responses, the Committee will review the recommended candidate's qualifications and make a recommendation. All candidates will be reviewed in the same manner, regardless of the source of the recommendation.

Orientation

The CEO, Chief Financial Officer and the General Counsel shall be responsible for providing an orientation for new directors, and for periodically providing materials for briefing sessions for all directors on subjects that would assist them in discharging their duties. Each new director shall, within a reasonable time of his/her election to the Board, visit the corporate headquarters and business units for a personal briefing by senior management on the Company's strategic plans, its financial statements, and its key policies, risks and practices.

Continuing Education

The Board believes that each director should (a) maintain leadership and expertise in the areas that caused the Board to select that director for membership; (b) develop and maintain a broad, current knowledge of all of the Company's businesses and critical issues affecting the Company; and (c) develop and maintain a broad, current knowledge about corporate directors' responsibilities, including general legal principles applicable to directors' activities in fulfilling those responsibilities.

The Board encourages directors to obtain a current understanding of best practices and procedures. Accordingly, on at least an annual basis the Company will provide to the independent directors a list of appropriate educational opportunities for their consideration. The Company will reimburse a director's reasonable expenses incurred in taking advantage of educational opportunities.

Director Stock Ownership

Effective July 11, 2006 for incumbent directors, and upon election for new directors, each director shall within three years of the applicable date acquire beneficial ownership of A. O. Smith Corporation Common Stock having an aggregate market value equal to not less than three times the cash component of the annual retainer fee paid to the director. For purposes of

this requirement, restricted stock, but not stock options, shall be counted toward the ownership requirement.

Length of Board Service

The Board believes it is advantageous to have the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. Accordingly, the Board does not believe that arbitrary term limits on directors' service are appropriate.

Retirement

It is the policy of the Board that no individual who would be age 70 or older at the time of his or her election will be eligible to stand for election to the Board. The Board, at its discretion, may waive the age limitation or establish a greater age limitation from time to time.

Conflicts of Interest / Affiliations Involving Directors and Immediate Family Members

Each director is expected at all times to adhere to the A. O. Smith Corporation Guiding Principles with respect to conflicts of interest. It is the responsibility of each director to promptly advise the Nominating and Governance Committee chairperson and CEO of any personal, business or immediate family member affiliation with the Company or with public or privately held commercial enterprises that may create a potential conflict of interest, potential embarrassment to the Company or possible inconsistency with Company policies or values. The Nominating and Governance Committee will evaluate and be required to approve any transaction or arrangement that would be reportable by the Company under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, if such transaction or arrangement involves a potential conflict of interest of a director, the CEO or any of their respective immediate family members (as defined in Item 404 of Regulation S-K). In evaluating any such transaction or arrangement, the Nominating and Governance Committee shall consider the proposed terms and conditions of such transaction or arrangement, including the appropriateness, desirability and business purpose thereof, and will determine on a case-by-case basis whether to approve such transaction or arrangement. In appropriate circumstances, a director having a potential conflict that is a member of the Nominating and Governance Committee shall recuse himself or herself from the discussion and voting process at the committee meeting in question. The Board will take appropriate steps, after consulting with counsel, to ensure that transactions or arrangements that give rise to potential conflicts of interest are identified and referred to the Nominating and Governance Committee. In appropriate cases, the director with a conflict will recuse himself or herself from the discussion and the voting process at the Board or committee meeting in question. Potential conflicts of interest involving officers shall be handled in accordance with the Guiding Principles. If a significant conflict of interest cannot be resolved, the director, CEO or officer will be asked to resign.

Participation on Other Boards

Directors are expected to devote considerable time and attention to Company matters. Accordingly, directors of the Company should not ordinarily serve on more than three boards of public companies in addition to the Company's Board. Prior to agreeing to serve on more than three other boards, the director will advise the Nominating and Governance Committee, which will evaluate the additional demands upon the director and either approve or disapprove the director's request.

Change in Director Circumstances

Any director who experiences a significant change in business or personal circumstances during his or her tenure as a director will notify the Nominating and Governance Committee. Changes in circumstances within the scope of this requirement include any change in the director's employment or business association, including retirement, resignation, or material change in position; any change in business or personal circumstances that could present a conflict of interest or affect the director's independence, or any change in personal circumstances that could reflect adversely upon the Board or the Company. The Nominating and Governance Committee will recommend to the Board the action, if any, to be taken with respect to the notification by the director. The Board will act, if necessary, at its next meeting following the notification.

IV. Board Structure

Size of Board

The Company's By-Laws provide that the Board shall have no less than five directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the Board then in office. It is the Board's philosophy that boards of directors should not be so large as to be cumbersome, although the Board would be willing to increase its size in order to accommodate an outstanding candidate, to satisfy the staffing needs of its committees, or to facilitate a merger or other acquisition.

Board Leadership

The Board has no formal policy on separation of the position of Chairman of the Board and CEO, but generally believes that separation of the roles is unnecessary under normal circumstances. The function of the Board in monitoring the performance of the senior management of the Company is fulfilled by the presence of a majority of independent directors on the Board who have a substantive knowledge of the Company.

Board Committees

The standing committees of the Board will be the Audit Committee, the Personnel and Compensation Committee, the Nominating and Governance Committee, the Investment Policy Committee and such other committees as the Board deems appropriate. Board committees will receive their authority exclusively through delegation from the Board. Each committee will have a written charter that sets forth the responsibilities of, and other legal requirements applicable to, the committee. Each charter will be approved by the Board.

The Nominating and Governance Committee, in consultation with the Chairman of the Board and the CEO, is responsible for recommending to the Board the assignment of Board members to Board committees and the designation of each committee's chairperson. The Audit Committee, the Personnel and Compensation Committee and the Nominating and Governance Committee will consist of independent directors unless and to the extent the Board elects to utilize the "Controlled Company" exemption provided for in the rules of the New York Stock Exchange with respect to the Personnel and Compensation or the Nominating and Governance Committees. Any such election will be by formal resolution and indicated in the proxy statement.

The committee chairperson, in consultation with the committee members, will determine the frequency and length of committee meetings. Attendance at any committee meetings by persons other than the committee members shall be at the discretion of the committee chairperson.

In recognition of the demands that service on a committee of the Board places on a director, no member of the Board will serve on more than three committees.

V. Board and Committee Operations

Meeting Agenda

The Chairman of the Board, in consultation with the appropriate members of management, and subject to input from the other members of the Board, will establish the agenda for each Board meeting.

The chairperson of each committee, in consultation with the other members of the committee and the appropriate members of management, will establish the agenda for each committee meeting.

Unless otherwise provided in the charter of a committee, topics that are typically addressed by a committee may be addressed instead by the full Board, as determined by the chairperson of the relevant committee in consultation with the Chairman of the Board.

Advance Distribution of Materials

All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting will be distributed in writing or electronically to all members in advance, whenever feasible and appropriate. Each director is expected to review this information in advance of the meeting to facilitate the efficient use of meeting time. In preparing this information, management should ensure that the materials distributed are as concise as possible, yet give directors sufficient information to make informed decisions. The Board recognizes that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.

Meeting Attendance

Directors are expected to attend each regular and special meeting of the Board and of each committee of which the director is a member. Although the Company's By-Laws authorize members of the Board and members of any committee of the Board to participate in and act at a meeting through the use of telephonic or other communication equipment, the personal attendance of directors at such meetings is preferred. Any action to be taken at any meeting of the Board may be taken without a meeting, if all members of the Board consent thereto in writing and such writing or writings are filed with the minutes of the Board. All decisions of the Board shall be determined by an affirmative vote of the majority of members in attendance. A quorum of the Board shall be established when four or more members of the Board are present.

Independent Advice

The Board or any Board committee has the authority to seek independent legal counsel, advisors, or other advice and assistance as the Board or Committee deems appropriate, including the authority to approve the fees and terms of retention of the advisors providing such advice or assistance. The expense of such advice and assistance shall be paid by the Company.

Attendance of Non-Directors at Board Meetings; Access to Management and Employees

The CEO may invite members of senior management to attend Board meetings for the purpose of participating in discussions. Further, directors may contact the Company's management and employees as appropriate, provided that directors are expected to exercise good judgment so as not to disturb normal reporting procedures or work activities and to keep the CEO informed of such contacts.

Meetings of Non-Employee Directors

The Board will hold at least two regularly scheduled meetings per year of non-employee directors without management present. Commencing in April 2005, the responsibility to preside at such meetings shall rotate on an annual basis among the Chairpersons of the following Committees in the following order: Nominating and Governance Committee, Audit Committee, and Personnel

and Compensation Committee. Non-employee directors may meet without management present at such other times as determined by the presiding director.

Board Member Attendance at Annual Meeting

The Company has no formal policy as to whether directors are required to attend annual shareholder meetings. The Company will revisit its position on this matter from time to time. Ten directors attended the 2009 Annual Meeting.

VI. Board Performance

Evaluations

The Nominating and Governance Committee will be responsible for coordinating an annual evaluation of the performance of the Board, Board members and each of its committees. This evaluation will be discussed with the full Board. As part of this evaluation, the committee will report to the Board in writing as to the independence of directors as defined under these guidelines.

Board Compensation

The Nominating and Governance Committee shall have the responsibility for recommending to the Board compensation for non-employee directors. In discharging this duty, the committee will be guided by three goals: compensation should fairly pay directors for work required on behalf of the Company; compensation should align directors' interests with the long term interests of shareholders, and the structure of compensation should be easy for shareholders to understand. Directors may be compensated with stock and cash. Employee directors shall receive no additional compensation for their service on the Board or its committees.

Other Board Memberships

Directors should advise the Chairman of the Board and the chairperson of the Nominating and Governance Committee in advance of accepting an invitation to serve on another corporate board. The Board will review such commitments to ensure the effectiveness of the Director on behalf of the Company. If any Audit Committee member serves on more than three public companies' audit committees, then the Board will determine whether such Director's effectiveness as a member of the Audit Committee is impaired.

VII. Other Matters

Management Succession

The Personnel and Compensation Committee will be responsible for policies and principles for CEO selection, evaluation and compensation, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.

Executive Officer Participation on Other Boards

If the CEO is invited to serve as a director of another company and is interested in accepting the invitation, the CEO shall inform the Chairperson of the Nominating and Governance Committee of the invitation and identify the company involved. The Chairperson of the Nominating and Governance Committee will review the request with the Committee members. The Chairperson shall advise the CEO of the Committee's decision. Approval from the Nominating and Governance Committee is required before the CEO can accept the invitation. The CEO is limited to two directorships of companies other than the Company.

When a corporate officer, other than the CEO, is invited to serve as a director of another company and is interested in accepting the invitation, the corporate officer shall inform the Company's CEO and the Nominating and Governance Committee Chairperson of the invitation and identify the company involved. Approval from the CEO and the Chairperson of the Nominating and Governance Committee is required before the corporate officer can accept the invitation. A corporate officer is limited to one directorship other than the Company.

Non-officer employees of the Company will not be permitted to serve as a director of a public company except with the written approval of the CEO.

Periodic Review

The Nominating and Governance Committee will reevaluate these guidelines periodically and recommend to the Board any revisions that it deems necessary or appropriate for the Board to discharge its responsibilities more effectively.

Communications

The Board will make arrangements with Company management to regularly communicate the Corporate Governance Guidelines, information on the directors, chairpersons and members of committees, and the reports of such committees to shareholders and employees. Such information will be posted on the Company's website in accordance with the rules of the New York Stock Exchange.

The Company encourages communication with its directors. Any interested party may communicate with a particular director, all directors or the presiding director by mail or courier

addressed to him or her or the entire Board in care of the Corporate Secretary at the following address:

c/o James F. Stern, Corporate Secretary
A. O. Smith Corporation
11270 West Park Place
P.O. Box 245008
Milwaukee, WI 53224-9508

The Corporate Secretary will forward this communication unopened to the addressed director.