



## Anti-Bribery Policy

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### STATEMENT OF POLICY

A. O. Smith Corporation and its worldwide affiliates (“**A. O. Smith**” or the “**Company**”) are committed to maintaining the highest level of ethical standards in the conduct of its business. The A. O. Smith Anti-Bribery Policy (the “**Policy**”) commits A. O. Smith in all operations throughout the world to conducting business ethically and with the utmost integrity. The Policy requires compliance with the A. O. Smith Guiding Principles (“**Guiding Principles**”) and all relevant laws and regulations against bribery and corruption such as the U.S. Foreign Corrupt Practices Act (“**FCPA**”), the U.K. Bribery Act (“**UKBA**”), the anti-bribery laws of Canada, China, India, Mexico, Netherlands, Turkey and Vietnam, and other applicable anti-bribery statutes and implementing rules and regulations. This Policy should be reviewed in connection with the A. O. Smith Policy on Engaging and Retaining Third Parties, **Global Policy 01A**.

This Policy specifically prohibits A. O. Smith’s directors, officers, managers, and employees (collectively, “**Employees**”), and all “**Third Parties**” (as defined below) retained by the Company, from engaging in any corrupt activity and directly or indirectly offering, promising, providing, or authorizing anyone to provide money or “**Anything of Value**” (as defined below) to a “**Government Official**” (as defined below) or any private individual or entity for the purpose of obtaining or retaining any “**Improper Advantage**” (as defined below). A. O. Smith will not authorize or tolerate any business practice that does not comply with this Policy. Additionally, all Employees are required to review their respective business practices on a periodic basis and, if inconsistent with this Policy in any way, work with the A. O. Smith Legal Department to make the appropriate practice adjustments to ensure compliance.

This Policy is not designed to provide answers to all issues and considerations pertaining to bribery and related matters that may arise in the course of the Company’s business. Also, the examples provided in the Policy are intended to help the reader understand the subject matter and the critical importance of compliance; they do not reflect an exhaustive list of circumstances covered by the Policy. Therefore, whenever there is any uncertainty about whether this Policy applies, or if you have any questions or suspicions about the propriety of any conduct, you must promptly seek advice from the Legal Department.

All Employees, as well as all A. O. Smith Third Parties, are expected to become familiar with, and comply with, this Policy, and to recognize and report potential anti-bribery compliance-related issues in time for them to be appropriately addressed by the Legal Department. See **Appendix A** to this Policy for

examples of anti-bribery red flags and indicators of non-compliance with this Policy. These examples may help you identify and recognize potential anti-bribery compliance-related issues that must be reported to the Legal Department.

## **PURPOSE**

The purpose of this Policy is to promote A. O. Smith's ongoing commitment to compliance with all applicable anti-bribery laws, and to assist you in meeting your responsibility to comply with all applicable anti-bribery laws. These laws include U.S. laws that apply worldwide because A. O. Smith is a U.S. company, such as the FCPA, and laws of other countries that apply to A. O. Smith's operations inside and outside of the United States. The laws that apply to A. O. Smith also apply to its officers, directors, employees and "Third Parties," which may include advisors, agents, consultants, contractors, customers, dealers, distributors, intermediaries, joint venture partners, service providers, subcontractors, suppliers, vendors, and other individuals or entities with whom A. O. Smith conducts business.

As a global company, A. O. Smith must comply with the anti-bribery and anti-corruption laws and regulations of every country in which it operates. Generally, these laws prohibit the payment of bribes and other illegal payments to Government Officials, and/or private individuals or entities anywhere in the world. Moreover, as a company registered in the U.S. market, A. O. Smith is subject to the stringent requirements of the FCPA, the anti-corruption statute most actively enforced against U.S.-registered companies operating globally.

Enforcement standards around the world are generally a derivative of the FCPA. Accordingly, this Policy is designed to meet the high expectations of U.S. enforcement officials. Nevertheless, it is important to understand that violating any applicable anti-bribery law potentially exposes A. O. Smith and Employees and/or Third Parties involved (regardless of nationality or location of residence) to significant criminal, civil, and/or administrative liability, and related fines and/or penalties. Along with this Policy, therefore, the Company will employ robust anti-bribery training, as discussed below, to help Employees and Third Parties understand the FCPA and applicable local anti-bribery laws in the jurisdictions where those Employees and Third Parties operate.

This Policy should be read in conjunction with the Guiding Principles and related policies and procedures, specifically including **Global Policy 01A, "Engaging and Retaining Third Parties."** In the event of a conflict between this Policy and other A. O. Smith policies, or in a situation where the provisions of this Policy are more specific than the Guiding Principles or other policies, Employees must apply the more restrictive policy or procedure. In such a circumstance, please notify the Legal Department so that it can promptly address the conflict, advise you about any appropriate steps to take and, if necessary, update the relevant policy or procedure.

## **SCOPE**

This Policy applies globally to all Employees of A. O. Smith in all of the Company's international operations around the world. Every Employee is required to become familiar with, and abide by, this Policy. Moreover, this Policy applies to the Company's affiliates, direct or indirect subsidiaries, joint venture partners, distributors, agents, representatives, consultants, independent contractors, and any other Third Parties engaged by the Company. The specific requirements of the Policy are set forth in detail below. In certain countries where A. O. Smith does business, there are Addenda to this Anti-Bribery Policy, which provide more specific guidance on the Policy requirements and procedures. Contact the Legal Department for more information.

## **DEFINITIONS**

The term “**Government Official**” means:

- Any officer or employee, appointed or elected, of a local, state, regional, federal, or multi-national government or any department, agency, or ministry of a government;
- Any individual who, although temporarily or without payment, holds a public position, employment or function;
- Any officer or employee of a public international organization such as the United Nations or the World Bank;
- Any individual acting in an official capacity for or on behalf of a government agency, department, ministry, or public international organization;
- A political party, political party official, or any candidate for political office;
- Any officer or employee of a state-owned or state-controlled entity, as well as entities that perform a government function (such as air or seaport, utility, energy, water, or power); or
- Any member of a royal family (note that such individuals may lack formal authority but may otherwise be influential in advancing A. O. Smith’s business interests either through partially owning or managing state-owned or state-controlled companies).

Note that family members of any of the individuals listed above may also qualify as Government Officials if Employee or Third Party interactions with them are intended or have the effect of conferring Anything of Value on a Government Official. Any questions relating to whether an individual or an entity is a Government Official should be directed to the Legal Department.

The term “**Anything of Value**” is broad and can include any item of monetary value, including, but not limited to, the following:

- Cash or the equivalent (including gift cards);
- Benefits and favors (such as special access to a government agency);
- Performing services that would otherwise have to be paid for or purchased;
- Gifts;
- Contracts or other business opportunities awarded to a company in which a Government Official has an ownership or other beneficial interest;
- Employment or consultancy opportunities;
- Charitable donations;
- Political contributions;
- Medical, educational, or living expenses; or

- Travel, meals, lodging, shopping, or entertainment expenses.

The term “**Improper Advantage**” covers almost any payment made in a business context, such as paying or giving Anything of Value to a Government Official or private individual or entity, directly or indirectly, in order to:

- Influence or prevent a governmental action, or any other action, such as the awarding of a contract, imposition of a tax or fine, or the cancellation of an existing contract or contractual obligation;
- Obtain a license, permit, or other authorization from a government entity or Government Official that the Company is not otherwise entitled to;
- Obtain confidential information about business opportunities, bids, or the activities of competitors;
- Influence the award of a contract;
- Influence the termination of a contract that is disadvantageous to A. O. Smith; or
- Secure any other Improper Advantage.

The term “**Third Party**” means any individual or entity with whom the Company conducts business or who may act for or on the Company’s behalf, including but not limited to advisors, agents, consultants, contractors, customers, dealers, distributors, intermediaries, joint venture partners, service providers, subcontractors, suppliers, vendors.

## **POLICY REQUIREMENTS & PROCEDURES**

This Policy specifically prohibits A. O. Smith’s Employees and all Third Parties retained by the Company, from engaging in any corrupt activity and directly or indirectly offering, promising, providing, or authorizing anyone to provide money or “Anything of Value” to a “Government Official” or any other Third Party for the purpose of obtaining or retaining any Improper Advantage. A. O. Smith will not authorize or tolerate any business practice that does not comply with this Policy.

### **A. Prohibited and Restricted Payments**

This Policy specifically prohibits:

- The **offer, promise, authorization, or payment of money** or Anything of Value, either directly, or indirectly through a Third Party, to a Government Official or private individual or entity, in order to secure an Improper Advantage; and
- The **offer, promise, authorization, or payment of** facilitating, expediting, and grease payments

that are made to expedite or secure performance of routine governmental action.<sup>1</sup>

Importantly, key anti-bribery statutes, including the FCPA, **prohibit these offers or payments of money or Anything of Value whether they are made directly or indirectly through Third Parties and regardless of whether they are accepted by the intended recipient.** Also, this prohibition includes the provision of Anything of Value in response to a solicitation or related request from a Government Official or private individual or entity. Any Employee receiving such a solicitation must refuse the request and promptly report the incident to the Legal Department.

## **B. Guidelines for Permissible Payments and Expenses**

This Policy permits Employees to provide modest gifts, meals, entertainment, travel benefits, or other things of value to Government Officials and other Third Parties, as long as the provision of such items is legal and directly related to:

- The promotion or demonstration of A. O. Smith's products and services; or
- The performance of a particular A. O. Smith contract with a government or state-owned or state-operated entity.

Below are A. O. Smith's specific guidelines for certain types of payments/expenses under this Policy.

### **1. Gifts and Entertainment Expenses**

A. O. Smith's business decisions and those of its partners must be made objectively, without influence by gifts or favors. A small, reasonably priced gift or gesture of respect or gratitude may sometimes be an appropriate way for business people to display respect for each other. Nevertheless, regardless of value, the giving or receipt of a gift, meal, entertainment, or other hospitality benefit must not be done with the intent to improperly influence a Government Official or any other Third Party.

Accordingly, under certain limited circumstances, A. O. Smith allows for the provision of gifts, meals, entertainment, A. O. Smith promotional items, and other items of nominal value, to Government Officials or any other Third Party. However, the **provision of any gifts, meals, or entertainment must meet all of the below requirements.**

#### Requirements for the Provision of Gifts, Meals or Entertainment

- It is not made with the intent to influence the recipient in order to obtain or retain any improper business advantage for A. O. Smith or any other individual or entity, or as an explicit or implicit exchange for favors or benefits, or for any other corrupt purpose;
- It is not given to a Government Official, commercial entity, or related individual when an A. O. Smith contract or regulatory decision is pending with that official, entity, or individual;
- It does not include cash or a cash equivalent (such as gift certificates or vouchers);

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<sup>1</sup> Although certain facilitating, expediting or grease payments may not violate the FCPA, these payments often violate the laws of the countries where the Corporation does business. A. O. Smith strictly prohibits facilitating or expediting payments.

- It is not lavish or extravagant – rather, it must be of reasonable/modest value (e.g., insignificant compared with average local salaries);
- It is provided on an infrequent basis;
- It does not include expenses for any of the recipient’s relatives;
- It is provided openly and transparently;
- It is given in connection with the promotion, demonstration, or explanation of Company’s products or services;
- It is in accordance with the local laws and culture of the country in which you are operating;
- It is fully documented and supported by receipts and corresponding paperwork; and
- It is timely and accurately recorded in A. O. Smith’s books and records.

Under certain limited circumstances, A. O. Smith allows its Employees to receive gifts, meals, entertainment, promotional items, and other items of nominal value, from Government Officials or any other Third Party. However, the **acceptance of any gifts, meals, or entertainment must meet all of the below requirements.**

Requirements for Accepting Gifts, Meals or Entertainment

- It is not made with the intent to influence A. O. Smith or its Employees in order to obtain or retain any improper business advantage;
- It is not accepted with a promise or expectation that A. O. Smith will pursue a business relationship or enter into a business engagement with the individual or entity;
- It does not include cash or a cash equivalent (such as gift certificates or vouchers);
- It is not lavish or extravagant (e.g., insignificant compared with average local salaries);
- It is offered and received on an infrequent basis;
- It is offered directly to the A. O. Smith Employee or Employees, and does not extend to an Employee’s family or relatives;
- It is provided and accepted openly and transparently;
- It is given in connection with a promotion, demonstration, or explanation of the individual’s or entity’s products or services;
- It is in accordance with the local laws and culture of the country in which you are operating; and
- It is reported to your Supervisor.

**2. Travel, Education, and Related Payments and Expenses**

A. O. Smith may receive requests to host Government Officials or other Third Parties for training, inspecting, operational meetings, project meetings, or for other business related reasons, either at A. O. Smith facilities, or at Third Party sponsored events. A request to pay the travel expenses of any Government Official or other Third Party, within or outside his or her home county, must be carefully reviewed to ensure consistency with this Policy, applicable regional policies, and the applicable laws of the official's or individual's country. Please contact the Legal Department prior to paying for any such expenses of Government Officials or other Third Parties to ensure appropriate review.

### **3. Promotions and Marketing**

A. O. Smith uses promotional and marketing activities as a means to conduct business. Marketing and promotional expenses involving Government Officials or other Third Parties may be allowed with appropriate approvals. If Government Officials or any other Third Party will be involved in the receipt of gifts, meals, entertainment, or expense reimbursement as part of a promotional activity, please observe this Policy and consult the Legal Department for appropriate guidance.

Any approved promotional or marketing expenses must be paid by A. O. Smith directly to the provider, should be directly related to the promotion of A. O. Smith or its products/services, and be properly documented and recorded.

### **4. Political Contributions**

A. O. Smith does not make contributions to political parties, politicians or candidates. Even where political contributions are legal, such contributions by or on behalf of the Company are prohibited. The Company does sponsor the A. O. Smith Corporation Political Action Committee ("PAC"). However, this PAC is supported by voluntary employee contributions, and is not funded by the Company. This Policy is not intended, however, to prevent Employees from participating in the political process in their home countries (or where they may be located), or from making personal political contributions.

### **5. Charitable Contributions**

A. O. Smith supports making charitable contributions, including money, services or Anything of Value, to the communities in which it does business and permits reasonable donations to charities. However, A. O. Smith must always take reasonable steps to verify that any such contribution is not an illegal payment to a Government Official or other Third Party in violation of this Policy and in violation of applicable anti-bribery laws or regulations.

A. O. Smith makes charitable contributions only to legitimate charities and only as authorized by applicable law. Charitable contributions offered or given in return for any improper favorable treatment are prohibited. Donations are permitted, as long as they adhere strictly to internal procedures and any applicable laws and regulations in force, and cannot be used as a means to improperly influence business decisions.

Any A. O. Smith Employee making a request for a charitable donation must submit appropriate supporting documentation to ensure that the donation will not be used to promote illegal payments or to fund illegal activities, and the appropriate documentation for accurate recording in A. O. Smith's books and records. Please direct any questions about donations or sponsorships to the Legal Department.

### **C. Policy Requirements for Conducting Business with Third Parties**

A. O. Smith can be held liable for the actions of Third Parties with whom it conducts business, particularly where a Third Party is performing services or otherwise conducting dealings, discussions, or negotiations for or on behalf of A. O. Smith with public or private organizations (and/or their officials, officers, or other employees).

Under applicable law, A. O. Smith may be held responsible for the actions of such Third Parties in giving or accepting bribes, for example, and/or failing to take sufficient steps as a Company to prevent Third Parties from participating in bribery or related conduct, whether or not A. O. Smith was actually aware of the alleged improper conduct.

Therefore, an A. O. Smith Employee must never ask a Third Party to engage in (or condone) any conduct that the employee is prohibited from engaging in himself or herself under this Policy. Also, an Employee must never turn a “blind eye” to suspected violations of this Policy by Third Parties or disregard otherwise suspect circumstances. **Any actual or suspected inappropriate conduct must be promptly reported to the Legal Department.**

A. O. Smith retains only reputable and qualified Third Parties and all Third Parties conducting business with, for, or on behalf of A. O. Smith are required to act with the highest level of business, professional, and legal integrity. **Any A. O. Smith Employee seeking to establish a business relationship between A. O. Smith and a Third Party must, prior to engaging the Third Party, carefully review and follow A. O. Smith’s Policy on Engaging and Retaining Third Parties, Global Policy 01A.**

Any issues or Red Flags (as discussed below) raised during the course of the due diligence review must be addressed to the satisfaction of the Legal Department before formally entering into, or continuing, the relationship. Where necessary, based on risk, A. O. Smith will utilize the services of external vendors to research the ownership, expertise, experience, and other qualifications of the Third Party under consideration to perform under a proposed or existing agreement with A. O. Smith.

A. O. Smith’s due diligence efforts are conducted under the leadership of the Legal Department in conjunction with the rules, guidance, and process described **Global Policy 01A**. If you have any questions about the need for due diligence or how to properly perform your role in the due diligence process, please consult the Legal Department.

#### **D. Policy Requirements for Merger, Acquisition and Joint Venture Activities**

A. O. Smith is committed to undertaking appropriate and reasonable due diligence on the reputation and integrity of any business in which it invests. Accordingly, reasonable, documented due diligence must be conducted on entities it acquires and on potential joint venture business partners, and in each case the management, officers and directors of such entities and partners. Agreements with these entities must be in writing and must contain appropriate anti-bribery provisions. Appropriate anti-bribery compliance mechanisms must be implemented at acquired entities and in Company joint ventures.

#### **BOOKS, RECORDS AND ACCOUNTS**

A. O. Smith makes and keeps accurate books, records and accounts in reasonable detail to reflect transactions involving the Company’s assets. A. O. Smith management is responsible for ensuring that Employees comply with the following anti-bribery-related requirements:

1. The use of any funds or other assets, or the providing of any services, for any purpose which is unlawful under any law, including the laws of the United States, any state thereof or any U.S. or non-U.S. jurisdiction is strictly prohibited.



2. No undisclosed or unrecorded accounts, funds or assets shall be established for any purpose.
3. No false or artificial entries shall be made or significant information be omitted in any books or records for any reason and no employee shall engage in any arrangement that results in such prohibited act.
4. No payment shall be approved or made with the intention or understanding that it is to be used for any purpose other than that described by the document supporting the payment.
5. Any employee having information or knowledge of any unrecorded account, fund or asset or any prohibited act shall promptly report such matter to the Controller of the Company.

### **TRAINING AND REPORTING VIOLATIONS**

A. O. Smith hires only reputable and qualified employees. Reasonable anti-bribery and anti-corruption due diligence must be conducted prior to retaining an employee. A. O. Smith Employees will periodically be required to certify compliance with this Policy and otherwise complete comprehensive anti-bribery training, as necessary and appropriate, and as determined by the Legal Department.

All Employees are required to report any actual or perceived violations of this Policy to the A. O. Smith Legal Department, the Integrity Help Line, a supervisor, human resources representative, or facility leader. The **Integrity Help Line** is staffed with trained communications specialists from an outside service who will listen to your concern. The service is available 24 hours a day, seven days a week. You have the option to remain anonymous when you use the Integrity Help Line.

Pursuant to **A. O. Smith's Non-Retaliation Policy, Global Policy 09**, retaliation against an individual who in good faith reports a suspected violation of the law or our policies is prohibited.

### **IMPLEMENTATION**

A. O. Smith's General Counsel will direct periodic risk assessments and reviews of the Company's operations and the effectiveness of this Policy. This Policy and the corresponding procedures are subject to audit by the Company's internal audit function and as directed by the board of directors. They are also subject to amendment, as determined by the Corporate General Counsel.

### **VIOLATIONS**

Violation of this Policy could result in both civil and criminal penalties, including fines and jail sentences for you, and for the Company. In addition, violators of this Policy will be appropriately disciplined, up to and including termination of employment.

### **POLICY OWNER/CONTACT**

The General Counsel of A. O. Smith Corporation is responsible for implementation of this Policy. Please contact him/her if you have any questions regarding this policy, or to report a concern or violation of this Policy. The General Counsel's contact information is as follows:

James F. Stern  
Phone: (414) 359-4031  
jstern@aosmith.com

The Assistant General Counsel of Compliance's contact is as follows:

Kimberly A. Murphy – Assistant General Counsel of Compliance  
Phone: (414) 359-4046  
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Local Legal contacts are as follows:

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NOTE: THIS POLICY MAY ONLY BE REVISED IF APPROVED BY THE GENERAL COUNSEL OF A. O. SMITH CORPORATION.

# **APPENDIX A**

## **RED FLAGS AND EXAMPLES OF NON-COMPLIANCE WITH POLICY**

While each proposed business transaction, engagement, or related payment must be evaluated on its specific facts, particular attention must be given to bribery and corruption-related “Red Flags.” Red Flags will be deemed to exist whenever some fact or circumstance suggests that the particular transaction, relationship, or engagement involves a likely risk of bribery and/or corruption. When a Red Flag is identified, careful consideration must be given to the steps that should be taken to mitigate or eliminate the bribery or corruption risk the particular relationship may present, including possible termination of the relationship.

The following are examples of the “Red Flags” that may suggest non-compliance with this Policy, or represent common areas of corruption-related compliance risks. **This list is not intended to be exhaustive.** If you become aware of the existence of any of these circumstances, or are suspicious in any way relating to such circumstances, you must promptly inform the Legal Department or report the concern through the A. O. Smith Integrity Help Line.

- Transactions involving a country known for corrupt payments;
- Payments offered or made in cash;
- Extravagant or lavish gifts or hospitality involving a Government Official;
- Offshore payments or payments made to countries traditionally known as tax havens;
- Inadequately documented payments or expenses;
- Over-invoicing or lack of standard invoices;
- Unusual credits granted to new customers;
- Managers of foreign operations who have been paid unusual bonuses;
- Unreasonably large discounts given to distributors;
- Employee or Third Party requests that a transaction be structured in a manner to disguise material facts or to evade local laws;
- Third Party requests payment in a country other than the country in which it has its registered headquarters or senior management offices, or in which it has a permanent establishment directly involved in the performance of the business for which it was retained;
- Third Party is not qualified or lacks the necessary experience and resources to perform the functions for which the Third Party has been hired or retained;
- Third Party “consulting agreements” that include only vaguely described services;
- Third Party was recently created, is a shell company incorporated in an offshore jurisdiction, or otherwise lacks any historical information;

- Third Party refuses to certify to anti-bribery compliance, or objects to anti-bribery representations, warranties, covenants, audit rights, and related language in agreements with A. O. Smith;
- Third Party with current or previous cases of corruption or other legal violations;
- Third Parties recommended by a Government Official and/or that become part of a transaction at the specific request or insistence of the Government Official;
- Third Parties who have a personal or business relationship with a Government Official; or
- Third Party's commissions or fees exceed the customary rate for similar services in the geographic area, or unreasonably exceed rates paid by A. O. Smith for similar services elsewhere.