

**A. O. SMITH CORPORATION
INVESTMENT POLICY COMMITTEE CHARTER**

Purpose

The Investment Policy Committee (the “Committee”) under a delegation of authority from the Board of Directors, shall be responsible for (1) establishing, amending and terminating all employee pension plans, and (2) the general oversight of all such employee pension plans, that are maintained by A. O. Smith Corporation (the “Company”) or its subsidiaries and affiliated companies for which the Company has management responsibility.

Composition of the Committee

The Committee will be annually appointed by the Board and will consist of at least two directors. The directors appointed can be independent, employees, or non-management directors. The chairperson of the Committee shall be designated by the Board of Directors. The Board of Directors may at anytime remove one or more directors as members of the Committee.

Authority and Responsibilities

The Committee shall have the following authority and responsibilities:

1. Approve, amend or authorize termination of existing or new employee pension plans (as defined by ERISA) and any associated trust agreements.
2. Based on input from officers of the Company, recommend to the Board contributions to the employee pension plans referred to herein.
3. Appoint one or more individuals or committees to serve as the ERISA plan administrator, as provided for in the employee pension plans.
4. Appoint one or more individuals or committees to serve the following functions:
 - Review the level and quality of the services being performed by the plans’ service providers, as appropriate.

- Review with each investment manager that manager's policies and strategy to balance investment risk and return without excessive risk-taking in light of their investment strategy, as well as that manager's performance, at least annually.
 - Review with any investment consultant the Committee's investment policies and strategy to balance investment risk and return without excessive risk-taking for each employee pension plan, as well as the performance of the fund portfolio, at least annually.
5. Select, retain and terminate trustees, investment consultants, investment managers, and such other parties as the Committee deems appropriate to ensure the proper operation and administration of the employee pension plans.
 6. Select, retain and terminate consultants, advisors and legal counsel as the Committee deems appropriate.
 7. Adopt, review and amend investment policies with respect to each employee pension plan. In connection with its adoption or review of investment policies, the Committee shall seek to balance the risk and return associated with investment strategies, while avoiding excessive risk, as the Committee deems appropriate.
 8. Authorize the treasurer and other officers of the Company to execute financial transactions involving plan trust funds pertaining to employee pension plans necessary or advisable under law, contract, or as a result of the Committee's investment decisions. The Committee shall not be responsible, however, for approving individual employee pension payments or other appropriate expenditures approved by an appropriate plan committee.
 9. Authorize the treasurer and other officers of the Company to instruct investment managers to direct brokerage so long as the benefits of such direction accrue solely to the benefit of the appropriate plans.
 10. In discharging its responsibilities the Committee shall periodically:
 - Review the Company's actuarial assumptions and overall valuation of assets and liabilities of employee pension plans.
 - Review audit reports issued by the Company's internal auditors and independent auditors on the employee pension plans of the Company.
 - Review and approve the fees charged by the plans' service providers at least annually.

- Report to the full board no less frequently than annually on the activities of the Committee and present to the Board an annual performance evaluation of the Committee.
11. The chairperson may designate one or more individuals to perform administrative functions on behalf of the Committee related to the employee pension plans. Any trustee or other person, firm or corporation with whom such designated individual may act, shall be entitled to conclusively presume and rely upon such act as having been performed at the direction of the Committee.