



## Conflicts of Interest Policy

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<b>Scope: All Locations Globally</b>	<b>Effective Date of this Version of Policy: October 2015</b>
<b>Name of Policy: Conflicts of Interest</b>	<b>Document Control #: Global Policy 03</b>

### **Purpose**

The purpose of this policy is to explain what constitutes a conflict of interest, and describe how to proceed if a conflict of interest, or potential conflict of interest, is identified.

### **Scope**

This policy applies globally to all employees of A. O. Smith Corporation (“A. O. Smith” or “Company”) and its subsidiaries, joint ventures, and other affiliates. It also applies to other individuals and entities that A. O. Smith may require to adhere to this policy.

### **Definitions**

For the purposes of this policy, the following definitions apply:

- ***Employee.*** An employee is any director, officer, manager or other employee who is in a position to influence or control decisions concerning the choice of individuals or businesses with whom the Company may have business relationships, or the price of goods or services involved in such transactions.
- ***Business Relationships.*** Business relationships are transactions involving the sale or exchange of goods or services. Commonly recognized types of business transactions in which there may be conflicts of interest include: purchase of materials, supplies, equipment, transportation and services; purchase and lease of real estate; purchase of advertising space and time; the investment or borrowing of funds; the purchase of insurance; the selection of consultants; the sale of Company products. These are only some examples of transactions that may involve conflicts of interest.

### **Policy Requirements**

Each employee owes a duty of loyalty to the Company – this duty carries with it the obligation to act in good faith, to act in the Company’s best interests, and to refrain from exercising a Company position for private or personal advantage or gain, other than regular salaries or emoluments. A conflict of interest arises when the employee’s personal interests interfere, or appear to interfere, with the Company’s interests.

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.
- Operate a business or work as an employee, officer, or director of another company under circumstances detrimental to A. O. Smith.
- Accept a gift of more than token value from a current or potential customer, supplier, or competitor. Simple business entertainment, such as buying meals or taking a customer to a routine sporting event, is a normal part of a business relationship; larger forms of entertainment, such as paying for or accepting a trip are prohibited.

Various countries have differing laws and customs with respect to gifts and entertainment involving government officials. Do not offer to, or give or receive gifts or entertainment from, a government official until you take steps to ensure the gifts or entertainment are not prohibited by law or A. O. Smith policy. As indicated in the A. O. Smith Anti-Bribery policy, gifts and entertainment should never be offered, given or received with the intent of improperly influencing the recipient. In certain countries where A. O. Smith does business, there are Addenda to the A. O. Smith Anti-Bribery Policy, which provide more specific guidance on the amounts that are allowable, if any, as well as the approval process. Contact the Legal Department if you have any questions.

To avoid conflicts of interest, each employee must abide by the following:

A. Report in writing to the employee's supervisor and to the Corporate General Counsel any direct or indirect financial interest which the employee or an immediate family member may have with an individual or business with which the Company currently has a business relationship, is considering a business relationship, or that is considered a competitor of A. O. Smith. There is an exception where the employee owns publicly-traded stocks acquired in a normal investment program. However, it is the policy of A. O. Smith that no employee shall own a substantial interest in a company with whom A. O. Smith or its subsidiaries has a business relationship. For that reason, an employee reporting such an interest may be requested to divest himself of such holdings unless the facts warrant making an exception to this policy.

B. Report in writing to the employee's supervisor and to the Corporate General Counsel any connection between the employee or the employee's immediate family member and an individual or business with which the Company currently has or is considering a business relationship. These connections include, but are not limited to, the employment of a family member by a current or proposed customer or supplier. The employee must avoid even the appearance of a conflict. Some connections may involve no conflict of interest or it may be that appropriate measures can be implemented to avoid a conflict. The Company will evaluate each situation on a case-by-case basis.

C. A. O. Smith does not prohibit small gifts and entertainment expenses that: are infrequent, customary and reasonable in amount; do not violate local gift and hospitality laws or the recipient's code of conduct; are not offered or given with the intent of improperly influencing the recipient; and comply with the processes and limits established by A. O. Smith. Unless approved in advance by the Corporate General Counsel of A. O. Smith, you are not to accept any gifts, entertainment, or other favors, either directly or via an immediate family member, of more than token value in connection with a current or proposed business relationship. Acceptance of such gifts might place the employee under obligation to the gift donor, which might affect his or her objectivity and impartiality in representing the Company in its

business relationships. Employees must avoid even the appearance of a conflict in connection with giving or receiving gifts. Any such gifts should be reported in writing to the employee's supervisor and the Legal Department.

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

**Violations**

Violators of this policy will be appropriately disciplined, up to and including termination of employment.

**Policy Owner/Contact**

The Corporate General Counsel of A. O. Smith 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.

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