



Sustainability Report




Watts is committed to achieving success and delivering value for customers and shareholders. The following Sustainability Report highlights the company's longstanding commitment to Environmental Sustainability, Social Stewardship and Governance.

1. OUR COMMITMENT TO SUSTAINABILITY

2. COMPANY PROFILE

3. ENVIRONMENTAL SUSTAINABILITY

- 
- ▶ Environmental Management
 - ▶ Conserving Natural Resources
 - ▶ Sustainable Products
 - ▶ Supplier Management

4. SOCIAL STEWARDSHIP

- ▶ One Watts Performance System
- ▶ Safety
- ▶ Health and Wellness
- ▶ Talent and Diversity
- ▶ Human Rights
- ▶ Employee Engagement
- ▶ Corporate Citizenship

5. GOVERNANCE

- ▶ Code of Business Conduct
- ▶ Compliance Training and Communication
- ▶ Global Compliance Approach
- ▶ Reporting Concerns
- ▶ Governance Structure

1. Our Commitment to Sustainability



For more than 140 years, Watts has been committed to improving the comfort, safety, and quality of life for people around the world through our expertise in a wide range of water technologies.

Our mission encompasses the development and manufacture of high-quality products, systems and solutions for the conveyance, conservation, control and safe use of water. Everything we design is made to keep the Earth's most precious resource safer, cleaner, and more useful for our customer.

With more than 50 locations around the world, we are also dedicated to continually increasing energy efficiencies and reducing waste in our manufacturing and distribution facilities.

Giving Back

For Watts, corporate responsibility includes giving back to our employees as well as to the communities we serve. Our employees are the driving force in our business, and we are committed to enhancing their experience, safety, and satisfaction in the workplace. In the cities and neighborhoods where we serve, we are proud to give back locally to those in need and globally through clean water initiatives such as Planet Water.

Customer Focus

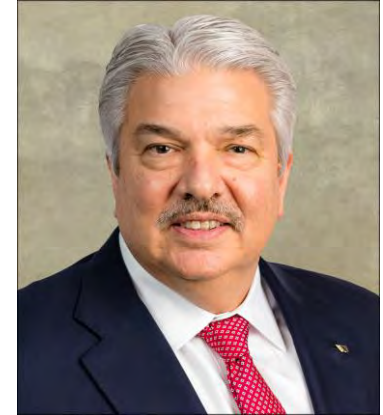
Our customers rely on our products and services to help them remain competitive and environmentally responsible in the marketplace. We are proud that our family of companies provides a wide range of solutions that address plumbing, heating, and water quality needs across the globe.

In early 2019, we introduced our Smart and Connected strategy which is anchored by a powerful customer promise: Connect. Control. Conserve. This strategy outlines our goal to deliver customer value by connecting them to smart systems, controlling systems for optimal performance and conserving critical resources by increasing efficiency and safety.

As a global leader, we remain committed to our employees, customers, and partners in the innovation, development, and manufacturing of water technologies, systems and solutions that protect our natural resources.

Sincerely,

Robert J. Pagano, Jr.
CEO and President



*Everything we design is
made to keep the
Earth's most precious
resource safer, cleaner,
and more useful for our
customers.*

2. Company Profile



Mission	<p>To improve comfort, safety, and quality of life for people around the world through our expertise in a wide range of water technologies.</p> <p>To be the best in the eyes of our employees, customers, and shareholders.</p>	
Vision	<p>To be the global leader in providing innovative, high-quality products, systems, and solutions for the conveyance, conservation, control, and safe use of water through a focus on customers, innovation, and continuous improvement.</p>	
Values	<ul style="list-style-type: none"> ◦ Integrity & Respect—Doing the right thing in the right way, always ◦ Accountability—Focusing on results; doing what you say you are going to do ◦ Continuous Improvement & Innovation—Maintaining a customer focus; improving every day ◦ Transparency —Demonstrating candor and openly sharing information 	
Major Brands	<p>AERCO, Ames, Apex, bar, BLÜCHER, Dormont, FEBCO, HF scientific, Microflex, Mueller Steam Specialty, Orion, Powers, Premier, PVI, SOCLA, SunTouch, tekmar, valpes, Watts</p>	
Product Categories	<p>Plumbing & Flow Control, Water Quality & Conditioning, Drainage & Water Reuse, HVAC, Municipal Waterworks</p>	
Vertical End Markets	<p>Healthcare, Hospitality (lodging / food service), Institutional / Educational, Multi Family / Commercial, Sports Complex, Industrial, Marine, Residential</p>	
Customers	<p>Leading wholesalers and distributors, retailers, and Original Equipment Manufacturers (OEMs) worldwide</p>	



Headquarters	North Andover, MA
CEO & President	Robert J. Pagano, Jr.
2018 Revenue	\$1.6B (2018 Sales +7%)
NYSE Stock Symbol	WTS
Employees	4,800+
Website	www.watts.com



Environmental Sustainability

WATTS®



3. Environmental Sustainability

A. Environmental Management

- ▶ Industry Certifications

B. Conserving Natural Resources

- ▶ Environmental Data Reporting

C. Sustainable Products

- ▶ Safety and Regulation
- ▶ Energy Efficiency
- ▶ Water Conservation

D. Supplier Management



3. Environmental Sustainability

A. ENVIRONMENTAL MANAGEMENT

- ▶ The practice of environmental management at Watts is designed to identify risks and opportunities and to ensure compliance with applicable regulations and other obligations.
- ▶ Operating sites determine their respective obligations and they are periodically validated by corporate, third-party assessors and internal audit.
- ▶ The overall health and wellness of the company's environmental management practices is reviewed by executive management.



3. Environmental Sustainability

A. ENVIRONMENTAL MANAGEMENT

INDUSTRY CERTIFICATIONS

- ▶ Throughout our facilities, we maintain stringent quality control and testing procedures.
- ▶ 79% of Watts' manufacturing facilities are ISO 9001 certified by the International Organization of Standardization. Acquisitions also provide an opportunity to bring new plants up to ISO 9001.
- ▶ Watts also conducts routine internal audits to ensure its sites comply with related ISO standards, such as ISO 14001.
- ▶ Currently, of the 26 sites being measured:
 - 42% are either ISO 14001 certified or adhere to this standard
 - 19% plan to become ISO 14001 certified by 2020



3. Environmental Sustainability

B. CONSERVING NATURAL RESOURCES

ENVIRONMENTAL DATA REPORTING

- ▶ The scope of the collection and reporting of the following environmental data includes the below sites and represents 80% of the Watts employee population:

AMERICAS

United States

Export, PA
Groveport, OH
Franklin, NH
San Antonio, TX
St. Pauls, NC
Spindale, NC
Woodland, CA
Blauvelt, NY
Fort Worth, TX
Hudson, MI

Canada

Vernon, BC

Mexico

Nogales



EUROPE

Bulgaria: Plovdiv

Denmark: Vildbjerg

France: Hautvillers, Mèry, Moirans, Rosières, Sorgues, Virey le Grand

Germany: Landau

Italy: Biassono, Gardolo

UK: St. Neots

Tunisia: Monastir

APMEA[†]

China: Ningbo

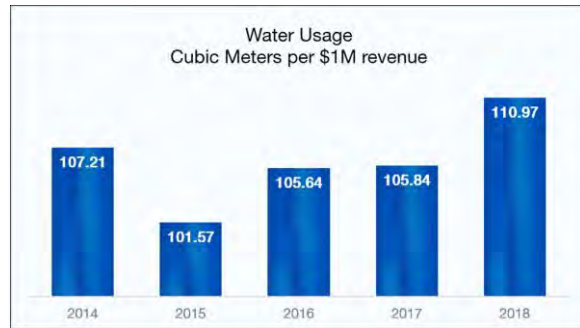
[†]Asia-Pacific, Middle East and Africa

3. Environmental Sustainability

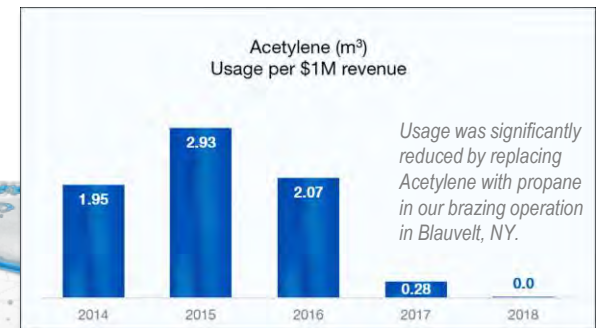
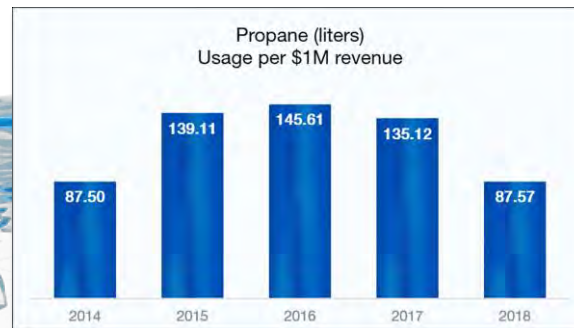
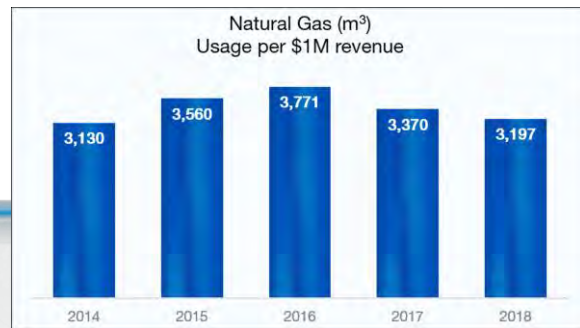
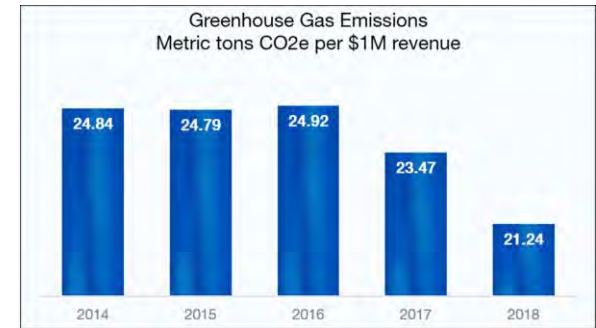
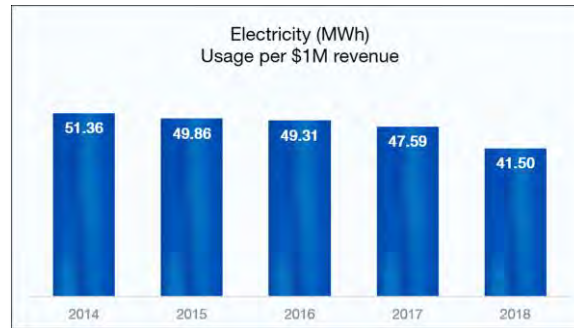
B. CONSERVING NATURAL RESOURCES

ENVIRONMENTAL DATA REPORTING

▶ Watts protects the environment, and the health and safety of the communities where we live and work.



Water usage in Ningbo, China in 2017 and 2018 reflected leaks that have been repaired. Daily monitoring and an intensive water usage reduction plan is now in place.



3. Environmental Sustainability

C. SUSTAINABLE PRODUCTS

- ▶ Our focus on water technology systems and solutions helps sustain a clean and healthy environment for future generations.
- ▶ Our goal is to help support our natural resources by delivering products and services that address the following:



3. Environmental Sustainability

C. SUSTAINABLE PRODUCTS

SAFETY AND REGULATION



Watts provides the highest levels of performance in the safeguarding of water systems. We are dedicated to long-term sustainability by developing innovative products according to strict practices that ensure manufacturing compliance, installation and operational safety, clean and toxin-free water supply, and client satisfaction.

Backflow Preventers



Watts Backflow Prevention Devices protect residential, commercial, and municipal drinking water by preventing chemicals and pollutants from contaminating drinking water systems. Watts has long been a leader in the development of codes related to backflow and other plumbing safety issues.



Protects potable water supplies from contamination or pollution.

Water Tempering Systems

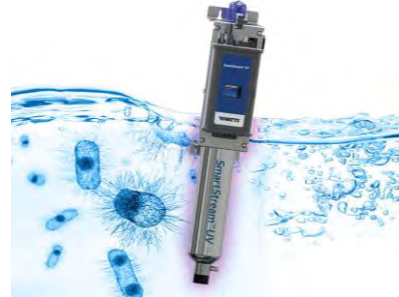


Powers IntelliStation™ is a digital mixing system used to efficiently monitor and control mixed outlet water temperatures in facilities. As a "smart" system, it provides safer, more efficient hot water delivery at point-of-source, as well as remote monitoring and control through a facility's building automation system.



Supports energy conservation through more efficient water temperature management, reducing energy costs.

UV Water Disinfection System



Watts SmartStream™ uses ultraviolet lamp technology to inactivate microorganisms such as cysts, bacteria, viruses, and parasites in water sources to prevent serious illnesses. Used in residential and commercial applications, it can disable up to 99.9999% (6-log) of harmful organisms.



Environmentally friendly. Dimming feature reduces energy consumption during low-demand periods.

Automatic Control Valves



Watts Pressure Reducing Valves reduce a higher inlet pressure to lower consistent outlet pressure. Maintaining water supply pressures in high-rise buildings, commercial applications, and in water mains. Lower water pressures reduce water consumption and minimize water lost via leakage.



Reduces a community's waste water treatment load, saving consumers up to 30% on hot water.

3. Environmental Sustainability

C. SUSTAINABLE PRODUCTS

ENERGY EFFICIENCY



Watts is developing critical components that support and enhance the operation of environmentally sustainable and energy-efficient plumbing, heating, and cooling systems. Customers choose Watts for the most efficient conversion of energy sources into useful heat and hot water.

Condensing Boilers



AERCO Benchmark Platinum Boiler improves energy efficiency by increasing condensing in the heat exchanger, which provides increased energy savings, lower emissions, and seasonal efficiency gain.

Smart Home Management



Watts Vision® electronics enables you to control both hydronic and electric underfloor and radiator heating, lighting, and other electrical appliances from a touchpad, a smartphone, via the internet anytime, anywhere.

Anti-Scale Systems



OneFlow® prevents hard water scale in water heaters, pipes, and fixtures without the need for salt required by traditional water softeners. Simple flow-through design offers significant space-savings and the need for external power.

Water Balancing Valves



Watts Balancing Valves ensures an even flow distribution of water in HVAC water systems to provide the intended indoor climate at optimum energy efficiency and minimal operating cost.



AERCO Boiler owners typically enjoy 30% to 40% energy cost reduction as compared to typical non-condensing boiler applications.



Saves energy by monitoring energy consumption.



Saves water and electricity by eliminating regeneration cycles.



Can reduce energy consumption by 25%~35%

3. Environmental Sustainability

C. SUSTAINABLE PRODUCTS

WATER CONSERVATION



For more than 140 years, Watts has developed products, components, and systems that conserve water, reduce waste, and exceed conservation requirements. End users, architects, and engineers choose Watts for our ability to meet the design challenges of a water-scarce world.

Water Pressure Regulators



Watts Water Pressure Regulators are a primary water conservation control. They save water and energy by regulating incoming water pressure in buildings and homes.



Saves up to 30% on water consumption per year.

Stainless Steel Drains



BLÜCHER HygienicPro® drains and channels are designed for the Food & Beverage industry and other markets where sanitary conditions are critical. Their unique construction cleans drains faster and better, significantly reducing wasted water and improving food safety conditions.



HygienicPro drains use 95% less water than standard drains.

Hot Water Recirculating System



Watts Instant Hot Water Recirculating System provides instant hot water at every faucet or shower in the home, avoiding the need to run water until it's hot.



Saves an average of 12,000 gallons per household per year and up to 10% on water bills.

Rainwater Harvesting Systems



Watts RainCycle™ capture, store, pump, and treat rainwater for non-potable reuse, and reduce storm water runoff to sewers. Our systems contribute to LEED green building certification.



Conserves water, saves natural resources, and helps meet sustainability objectives.

3. Environmental Sustainability

D. SUPPLIER MANAGEMENT

- ▶ Sourcing materials from responsible suppliers that share our values is a priority for our company.
- ▶ We maintain compliance with all applicable laws and reporting requirements in the United States and other countries in which we operate, including, but not limited to, laws on human trafficking, conflict minerals and chemical and hazardous substances.
- ▶ We also comply with all expectations for trade compliance that are required of a global corporation. We are committed to compliance with these laws and regulations and expect the same from our suppliers.

- ▶ Evidence of this commitment can be found on the Supplier Site on our website at: <https://www.watts.com/supplier>.
- ▶ Additional materials of interest on this site, include:
 - Anti-Human Trafficking Policy
 - Conflict Minerals Policy / Report
 - Supplier Quality Manual *(which calls out the requirements of Watts' Code of Business Conduct, including anti-corruption policy prohibitions)*





Social Stewardship

WATTS®



4. Social Stewardship

Watts is committed to the occupational health and safety of its more than 4,800 dedicated and focused employees who are located on 5 continents, in more than 24 countries and collectively speak more than 18 languages.

A. One Watts Performance System

B. Safety

- ▶ Practices and Programs
- ▶ Key Metrics
- ▶ Milestones

C. Health and Wellness

- ▶ Compensation and Benefits
- ▶ Work / Life Balance

D. Talent and Diversity

- ▶ Talent Acquisition
- ▶ Training and Development
- ▶ Global College Partnership Program
- ▶ Strategic Talent Review

E. Human Rights

- ▶ Fair Employment
- ▶ Equal Opportunity
- ▶ Collective Bargaining

F. Employee Engagement

- ▶ Annual Surveys
- ▶ Global Recognition Programs
- ▶ Local Events

G. Corporate Citizenship

- ▶ Planet Water Foundation
- ▶ In the Community
- ▶ Educating the Industry

4. Social Stewardship

A. ONE WATTS PERFORMANCE SYSTEM

- ▶ At Watts, we believe that a business performance system is critical to a company's success.
- ▶ That's why in 2014 we launched several initiatives aimed at improving how the company operated under the umbrella of the "Watts Performance System" (WPS).
- ▶ It became apparent over the years, the collection of tools, processes and behaviors that keeps us ahead of its competition was what "One Watts" was all about.
- ▶ In 2018, we introduced the rebranded **One Watts Performance System (OWPS)** – defining our **Strategy** (how we win), **Culture** (how we act) and **Process** (how we work), so that we can deliver value to our customers.



4. Social Stewardship

B. SAFETY

PRACTICES AND PROGRAMS

- ▶ At Watts, we engage in occupational, health, and safety management practices across our sites, encouraging employee involvement, and by applying a systematic risk reduction methodology. Through these practices and programs, we work together toward achieving “world-class” safety.
- ▶ **Zero Hazards = Zero Injuries** is the philosophy we follow to ensure
 - Zero Injuries
 - Employee Engagement
 - Risk Reduction *and*
 - Operational Excellence.



ZERO HAZARDS = ZERO INJURIES

4. Social Stewardship

B. SAFETY

PRACTICES AND PROGRAMS

- ▶ Watts engages all employees in identifying and eliminating safety risks and hazards through several programs and initiatives.



Job Hazard Analyses help employees engage in and identify job-related hazards through a systematic risk assessment process. In doing so, JHAs enable sites to prioritize, reduce and eliminate risks.



Safety Stand-Downs are conducted globally where sites meet multiple times per year to reflect on safety performance and identify ways to improve. These meetings are led by operational leadership at each site.



Safety Awareness Campaigns help reinforce the importance of safety at Watts. In 2018, Watts launched its “Safety Starts With You” campaign. More than 170 posters, translated into nine languages were distributed to Watts sites across the world.

4. Social Stewardship

B. SAFETY

KEY METRICS

- ▶ At Watts, we believe that employee wellbeing and safety are essential in the workplace. We maintain that occupational injuries and illnesses are preventable, and that activities can be performed safely without compromise.
- ▶ Our Safety Performance Scorecard focuses on both leading and lagging indicators. **Lagging** measures include total recordable (TRIR) and lost time rate (LTIR). **Leading** measures include employee engagement, training, risk reduction actions and closure rate.
- ▶ Over the past 5 years, we have seen a favorable downward trend in our workplace injury rates. In 2018, Watts reduced its total recordable injury rate (TRIR) by 54% and lost time injury rate (LTIR) by 61% compared to 2014.



4. Social Stewardship

B. SAFETY

MILESTONES

- ▶ In 2018, several sites celebrated notable safety milestones, reflecting their commitment to promoting a safety culture.



2018

1 YEAR | NO INCIDENTS

- San Antonio, TX, USA
- Moirans, France
- Export, PA, USA
- Nogales, Mexico
- Hautvillers, France

2 YEARS | NO INCIDENTS

- Spindale, NC, USA

1,000 DAYS | NO INCIDENTS

- Gardolo, Italy
- Biassono, Italy

4 YEARS | NO INCIDENTS

- Peoria, AZ, USA

5 YEARS | NO INCIDENTS

- Dattenberg, Germany

OTHER

- 1 Million Hours Worked | No Incidents – Export, PA, USA



C. HEALTH AND WELLNESS

COMPENSATION AND BENEFITS

- ▶ Watts provides benefits for its employees and their dependents through a mix of plans designed to meet their health and wellness needs.
- ▶ We offer a standard benefits package in the United States to our eligible employees. In other countries where we operate, government-sponsored programs provide for the health, disability, retirement, parental leave and unemployment benefits for our employees as a matter of legislative or national practice in support of their social system.
- ▶ In addition to these government-sponsored programs, we provide supplemental coverage or benefits in certain countries where we have large employee populations.


-
- Medical care
 - Pharmacy program
 - Dental care
 - Vision care
 - Life insurance
 - Supplemental life insurance
 - Short-term and long-term disability coverage
 - Dependent care spending accounts
 - Pre-tax healthcare spending & savings accounts
 - Voluntary Accident & Critical Illness coverage
 - Retirement savings (401k) plans with generous employer matching funds
 - Employee wellness program
 - Paid time off
 - Business travel and accident insurance
 - Relocation programs
 - Employee discounts
 - Fitness Reimbursement

4. Social Stewardship

C. HEALTH AND WELLNESS

WORK / LIFE BALANCE

We also understand that our employees have commitments outside of work. Recognizing this, we offer programs that provide work / life balance to our employees.

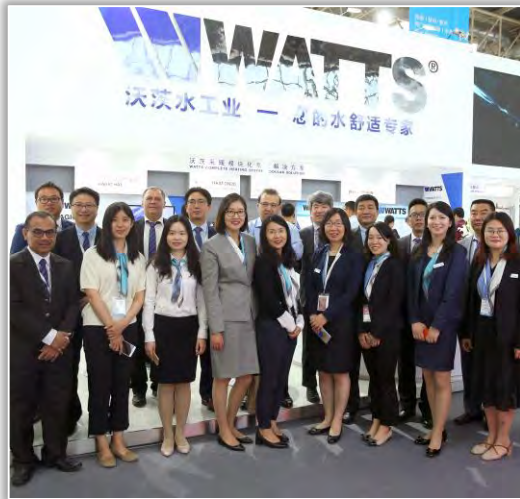
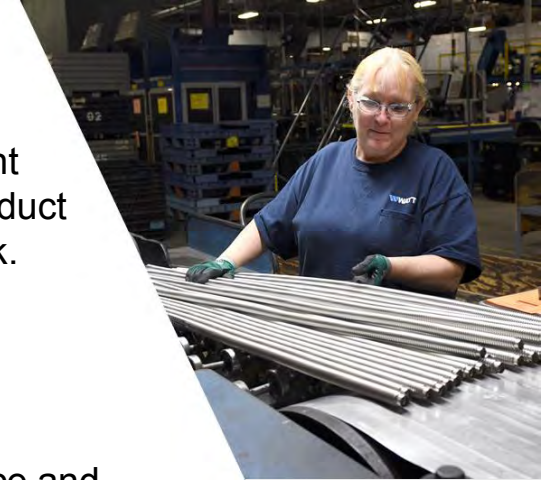
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- ▶ Depending on the job and location, these options may include:
 - Flexible work schedules and / or compressed workweeks;
 - Reduced hours, including part-time or telecommuting; and
 - Parental leave to enable new mothers and fathers to spend time with additions to their families.
 - ▶ Additionally in the U.S., Watts provides its employees with access to our **Employee Assistance Program (EAP)** to support employees' and their families' emotional, behavioral, financial and work/life balance needs. It also can assist employees and their family members with securing child or elder care, substance abuse counseling, smoking cessation programs and bereavement support.
 - ▶ The **Family and Medical Leave Act (FMLA)** in the U.S. provides employees with parental or medical leave if they have worked for Watts for at least 12 months and have accumulated 1,250 hours of qualified service over the prior 12 months. Certain states where we operate also provide greater protections or have eligibility rules that vary from the federal law.

4. Social Stewardship

D. TALENT AND DIVERSITY

TALENT ACQUISITION

- ▶ Talent acquisition at Watts is based on business needs and is an important investment in our employer brand. Our values and Code of Business Conduct serve as our compass, guiding us how to act and behave in our daily work.
- ▶ This means we focus on attracting present and future employees who are experienced, competent and recognize themselves in our values.
- ▶ As an equal opportunity employer, we believe that competence, experience and diversity are all equally important factors.



WOMEN AT WATTS

- ▶ 36% of employees are female
- ▶ 22% hold management positions
- ▶ 22% representation on the Board of Directors
- ▶ 16% hold top executive management positions

4. Social Stewardship

D. TALENT AND DIVERSITY

TRAINING AND DEVELOPMENT

At Watts, we understand the importance of supporting our employees' professional development by providing them with opportunities to learn new skills. We offer a variety of programs at all levels and regions – from the factory floor to executive management – in an effort to attract, build and retain a strong workforce:

- ▶ **360° Leadership Assessments** provide executive leaders with feedback and tools to help them continually develop in their careers and improve their effectiveness.
- ▶ **CONNECT Leadership Conference** is a biennial gathering of the company's top 100 business leaders from around the world to learn about cross-cultural collaboration and deepen their business acumen.
- ▶ **Manager as Coach (MAC)** is an intensive and highly-interactive hands-on training program that helps managers develop their leadership and management skills. A total of 46 managers completed this training in 2018.

Continuous Improvement Training helps employees learn about lean strategies and how to apply continuous improvement tools in their day-to-day work. A total of 192 employees completed Blue Belt training in 2018. Additionally, 22 employees completed Green Belt training and five employees completed Black Belt training.



4. Social Stewardship

D. TALENT AND DIVERSITY

GLOBAL COLLEGE PARTNERSHIP PROGRAM

- ▶ The **Global College Partnership Program** at Watts provides opportunities for college / university students around the world to gain experience and learn on-the-job skills through internships, co-ops / apprenticeships and our leadership rotational program.
- ▶ In 2018, of the 88 college / university students who participated:
 - 55 completed an internship
 - 21 completed a co-op / apprenticeship
 - 12 were enrolled in our leadership rotational / management trainee program
 - 6 were hired as full-time employees

Participation in 2018 increased by 75% compared to the prior year



D. TALENT AND DIVERSITY

STRATEGIC TALENT REVIEW

- ▶ The **Strategic Talent Review (STR)** covers employee performance / potential (Calibration), and how employees fit into future positions (Succession) and development needs required (Development Plans).

- ▶ Leaders are asked to determine two key factors during the meeting for each position:
 1. Is the position critical, meaning operations would halt if someone doesn't fill the position immediately *and*
 2. Is the employee a flight risk?

- ▶ The STR also gives leaders an opportunity to consider the company's future growth. They can discover new positions that need to be filled to advance future business improvement.
 - **CEO Succession Planning** is discussed annually with the Board of Directors.

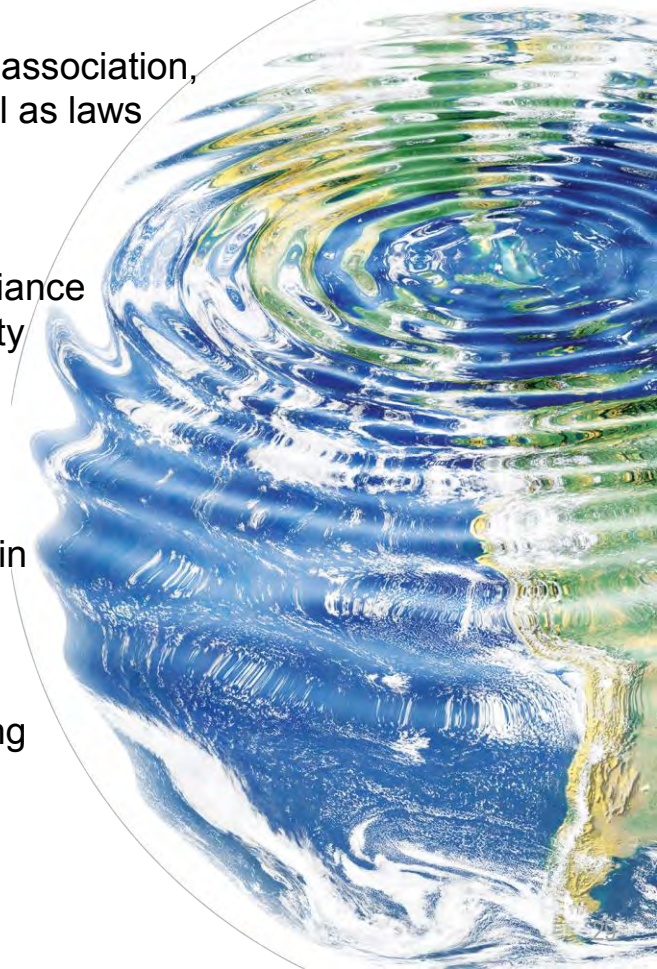
- ▶ **Talent Reviews** are conducted quarterly for specific functions and business lines, which are also shared with the Board.

4. Social Stewardship

E. HUMAN RIGHTS

FAIR EMPLOYMENT

- ▶ Watts and our employees and workforce respect and protect internationally recognized laws and standards for human rights, and strive to ensure that we do not abuse any part of the human rights principles.
- ▶ We are committed to complying with all laws pertaining to freedom of association, collective bargaining, immigration, wages, hours, and benefits, as well as laws prohibiting forced, compulsory, and child labor. To that end, Watts acknowledges and respects all reputable human rights treaties.
- ▶ Fair employment practices do more than keep the Company in compliance with applicable labor and employment laws. They distinguish our ability to attract and retain the best talent for our workforce.
- ▶ In addition, our employees are expected to contribute by respecting, protecting and promoting human rights, not only within the workplace but also when representing Watts outside of the workplace, including in relations with distributors, agents, vendors, suppliers and other third parties which form part of our product offering and business.
- ▶ Watts adheres to local employment laws and statutes when conducting restructuring activities and ensures its employees are treated fairly.



4. Social Stewardship

E. HUMAN RIGHTS

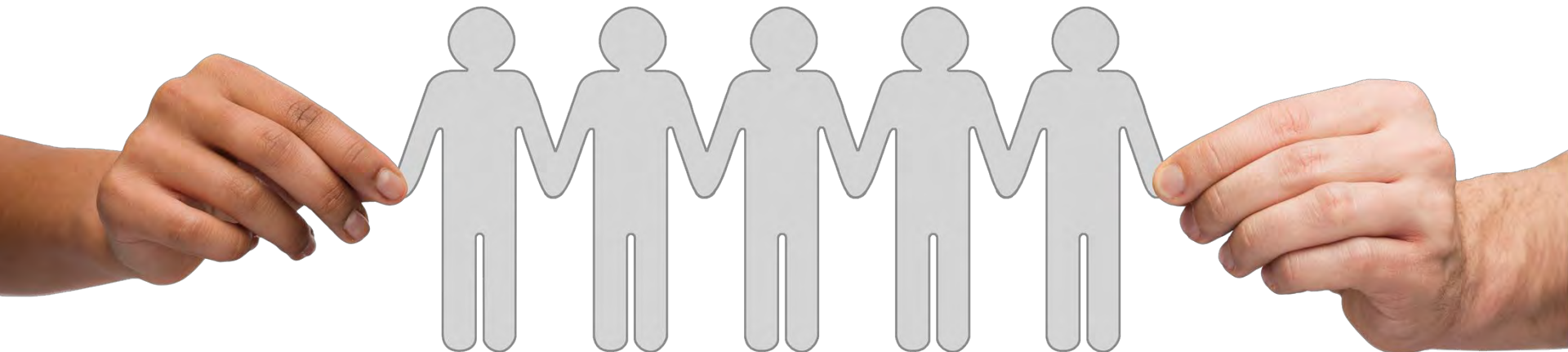
EQUAL OPPORTUNITY

- ▶ As an equal opportunity employer, we will recruit, hire, compensate, train, promote, and terminate individuals in accordance with all applicable laws and regulations, and without regard to a person's race, color, religion, age, gender, national origin, citizenship status, marital status, sexual orientation, disability, veteran status, or other protected status.
- ▶ As part of our commitment to having a diverse and inclusive workplace, we have zero tolerance towards discrimination, harassment and bullying. Victimization at work, such as recurring negative actions directed against individual employees, is not permitted. Consistent with our values, all employees shall treat one another with respect, dignity and common courtesy.
- ▶ Grievance procedures and avenues for issue escalation are in place as outlined in our **Code of Business Conduct**, **Sexual and Other Unlawful Harassment Policy** and **Ethics Hotline** process for raising concerns.

E. HUMAN RIGHTS

COLLECTIVE BARGAINING

- ▶ Watts is committed to ensuring freedom of association and collective bargaining. In fact, 44% of our employees are represented by unions, collective bargaining agreements or works councils.
- ▶ At Watts, all employees have the right to form or join associations of their own choice concerning the relationship between the employer and the employees, and to bargain collectively.
- ▶ We do not accept disciplinary or discriminatory actions against employees who choose to peacefully and lawfully organize or join an association.
- ▶ Employees are forbidden to use intimidation of any kind to obstruct other employees' right to freedom of association or right to be organized or unorganized.



4. Social Stewardship

F. EMPLOYEE ENGAGEMENT

ANNUAL SURVEYS

- ▶ Talented, engaged and dedicated employees are Watts' greatest assets. Employees are actively involved in the process of identifying solutions to help Watts drive employee satisfaction and engagement.

- ▶ **2018 Global Employee Engagement Pulse Survey**

- 80% response rate
- Collaboration scores significantly increased
- Focus groups and skip-level meetings are ongoing and drive action plans and execution

- ▶ **2017 Global Employee Engagement Survey**

- 91% response rate from all employees
- 83% of employees are clear on how their job links to Company's strategic goals (2% above manufacturing benchmarks)
- 84% of employees indicated they are working in a safe area (3% above manufacturing benchmarks)
- Following survey, Executive Management conducted additional feedback meetings with 200+ employees at all levels



4. Social Stewardship

F. EMPLOYEE ENGAGEMENT

GLOBAL RECOGNITION PROGRAMS

► Way to Go! Employee Recognition Program

- Recognizes significant team efforts that help advance Watts' mission and embody our values in the areas of Safety, Continuous Improvement, Big Wins, Innovation and Collaboration.
- Any employee can nominate a team and submissions are reviewed and approved by members of the Global Leadership Team.
- Way to Go feature stories are promoted widely throughout the company, including the company intranet, *CONNECT* quarterly newsletter, *CONNECT* Weekly global email digest and bulletin boards.



4. Social Stewardship

F. EMPLOYEE ENGAGEMENT

GLOBAL RECOGNITION PROGRAMS

▶ Inventor Recognition and Award Program

- Recognizes an “invention” – whether patented or not – that advances the business and / or research and development efforts at Watts.
- Any employee can participate and receive a monetary award for invention disclosures, patent applications and issued patents; recognition and awards are also provided for trade secrets and prolific inventors.
- If patents are issued, inventors receive patent plaques and are recognized via the above communication channels. To date, over 40 employees have received awards totaling more than \$100,000.



4. Social Stewardship

F. EMPLOYEE ENGAGEMENT

LOCAL EVENTS

▶ Quarterly Town Hall Meetings

- Watts' Quarterly *CONNECT* Meetings or “QCMs” help employees stay informed about the company's performance and progress on key initiatives.
- QCMs are live, in-person local events that are hosted at Watts sites all over the world. Local leadership provide key business updates, and employees are recognized for service anniversaries and other achievements.
- Attendance is strongly encouraged as local site leaders are held accountable for holding such meetings and reporting on attendance

▶ “Celebrate You” Roundtables

- “Celebrate You” gatherings are held routinely throughout the year to recognize employees during the month of their anniversary hire date.
- Employees introduce themselves to each other and get exclusive access to our CEO — and other members of executive leadership — questions about the company, products and more.



4. Social Stewardship

G. CORPORATE CITIZENSHIP

PLANET WATER FOUNDATION



- ▶ Watts focuses on bringing clean water to the world's most disadvantaged communities through the installation of water purification systems in partnership with **Planet Water Foundation**.



- ▶ Since 2016, Watts and Planet Water have brought clean water to 13,000 people in Cambodia, China, Colombia, India, Indonesia, the Philippines, and Puerto Rico.
- ▶ In 2018, Watts launched a global fundraising campaign to raise money for Planet Water and continued to send employee volunteers to assist with various projects.
- ▶ On **World Water Day** (March 22, 2018), four Watts employees helped Planet Water install two AquaTowers in San Juan, Puerto Rico.

4. Social Stewardship

G. CORPORATE CITIZENSHIP

IN THE COMMUNITY



Watts Wows Children in Need with New Wheels

Watts volunteers from North Andover, MA, USA teamed up in July 2018 to purchase and build 40 bikes, as well as helmets and locks, for members of the Boys & Girls Club of Lawrence. Many of the children, ages 7-16, had never owned a bike, or needed a more reliable bike to get to school or work.



Watts Employees Help Restore Nature Reserve

Watts employees from the Netherlands came together in March 2019 to give some TLC to "De Mollenhof," a local nature reserve that hosts events and workshops for caregivers and local seniors who lack both access to green spaces and opportunities to socialize. The volunteers performed various tasks around the main house and surrounding green areas on the reserve, including building a brick patio and assembling a fence.



Watts Scrap Metal Donations Help Fuel the Future

Watts' manufacturing site in Hudson, Michigan, USA donates the scrap metal generated from its AERCO boilers to the welding technology centers at several area schools. The donations give students the opportunity to work with materials they don't typically experience and, in turn, the students gain experience that is valuable to AERCO. At least five graduates of local welding programs have gone on to work at Watts.

4. Social Stewardship

G. CORPORATE CITIZENSHIP

IN THE COMMUNITY



Watts Employees Get Down and Dirty to Clean Up Waterway

Employees from North Andover, MA, USA spent two days in October 2018 knee deep in other people's trash, all in the name of cleaner water. Employees waded through the weeds and muck of the Merrimack River to remove more than a dumpster full of junk, including an old couch, a water heater and bicycle. The event was part of the Clean River Project, a non-profit organization to which Watts also donated \$2,000 for gas, materials and waste disposal costs.



Women of Watts Run for Breast Cancer Awareness

Twenty-five women from the Watts Electronics site in Rosières, France participated in the 11th annual Girls' Race in Brives-Charensac, Haute-Loire to benefit the Breast Cancer League. The 5k race was held in September 2018 to raise awareness about the importance of breast cancer screenings.



Watts Continues a Tip-Top Turkey Tradition

As part of a longstanding annual tradition, Watts provided employees in Blauvelt, NY, USA with a turkey to enjoy over the 2018 Thanksgiving holiday. Many employees donated their turkeys to People to People, Rockland County's largest food pantry, which last year provided assistance to nearly 14,000 households.

4. Social Stewardship

G. CORPORATE CITIZENSHIP

IN THE COMMUNITY



Watts Organizes Blood Drive

Employees from Watts' Ningbo, China site participated in a blood drive in April 2019. In addition to giving blood, several employees registered for the sample collection of hematopoietic stem cells with the hope of further helping people in need.



Watts Raises Funds for Disabled American Veterans

As part of its 2018 recognition of Veteran's Day, Watts welcomed WWII Veteran and Purple Heart Recipient John Katsaros, now a local author who provides inspirational speaking engagements. At the event, North Andover, MA, USA employees raised \$4,000 for the D.A.V. Lawrence chapter, and donated hundreds of wish list items for D.A.V. hospice patients. The event also paid homage to Watts employees and their families who have served or are currently serving in the U.S. military.



Watts Makes Clean Drinking Water for Firefighters a Reality

When Watts employees in San Antonio, TX, USA learned that high levels of calcium, magnesium and dissolved solids had overcome the drinking water supply at a local volunteer fire department, the company stepped in to help. Employees performed additional water quality testing and a water usage study, then donated and installed a complete water treatment and filtration system.

4. Social Stewardship

G. CORPORATE CITIZENSHIP

EDUCATING THE INDUSTRY

- ▶ Watts® WorksSM is our comprehensive learning program designed to help plumbing professionals specify, install, use, and maintain products and solutions from the brands of Watts.
- ▶ In 2018, Watts delivered training to more than 24,000 customers in the Americas alone – a 90% increase from the prior year.



- ▶ In 2019, the company expects to train more than 30,000 worldwide. Of that number, an estimated 80% will be trained on our backflow devices and similar products that support safe water and resource sustainability.



WATTS® WORKSSM PROGRAM HIGHLIGHTS

- **Instructor-Led Classes** at eight state-of-the-art Watts® WorksSM Learning Centers around the world.
- **Accredited Course Offerings** help architects and engineers earn continuing education units (CEUs) through Watts partnership with the American Society of Plumbing Engineers (ASPE).
- **Watts® WorksSM Online** offers training modules / videos on Watts products and solutions available 24/7 on how to install, troubleshoot and maintain our products and solutions.



Governance

WATTS®



At Watts, we remain highly committed to ethical business practices. Our Vision, Mission and Values represent the common language that unites us, focuses our efforts, and drives us to continually do better for our customers, our shareholders and each other. The following information regarding Watts' governance and programs pertains to our offices and employees worldwide, and all of our wholly-owned subsidiaries.

A. Code of Business Conduct

B. Compliance Training and Communication

C. Global Compliance Approach

- ▶ Due Diligence
- ▶ Risk Assessment
- ▶ Management Oversight

D. Reporting Concerns

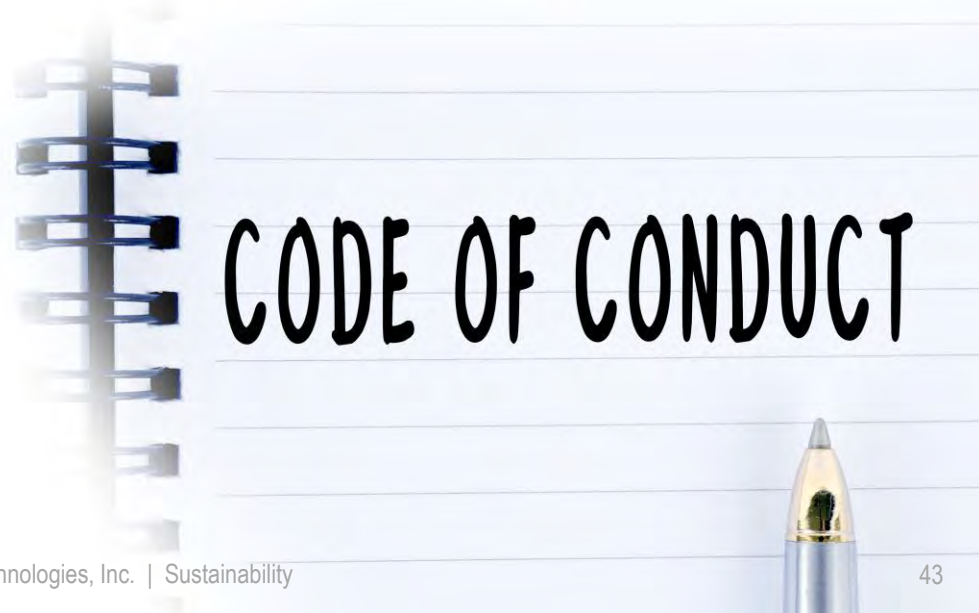
E. Governance Structure

- ▶ Audit
- ▶ Nominating and Corporate Governance
- ▶ Compensation



A. CODE OF BUSINESS CONDUCT

- ▶ Our Code of Business Conduct is our guide on how to apply our Values to our everyday actions in all our business dealings, including with our employees, suppliers, and business partners. The Code covers all Watts subsidiaries.
- ▶ It is our employees' responsibility to know the Code, ask questions, and say something if they are aware of conduct that violates it. When we follow our Code and our Values in our decisions and interactions, it allows us to Do the Right Thing, Always.
- ▶ Our Code is published in 15 different languages to encompass our global footprint so that our employees, agents, and third-parties can understand our standards and operate in an ethical manner, always.
- ▶ The Code is available and accessible 24/7/365 via the company's intranet and public website at www.watts.com/investors.
- ▶ In 2019, we are launching a refreshed Code of Conduct that is more dynamic and user friendly, with an annual confirmation and acknowledgment.



B. COMPLIANCE TRAINING AND COMMUNICATION

- ▶ To reinforce the importance of the Code and facilitate understanding of its guiding principles and our ethical standards, employees must participate in annual compliance and ethics training that focuses on Code topics and anti-corruption, again offered in multiple languages. In addition, new hires are required to complete Code and anti-corruption training.
- ▶ We provide additional ethics and compliance training during the year using a risk-based, regional, and position-specific approach, emphasizing business ethics areas covered in the Code, such as gifts and entertainment, prohibition on facilitation payments, conflict of interest, Ethics Hotline reporting, issue escalation, third-party due diligence, anti-corruption, and anti-competition, both in person and online.
- ▶ Select management and functional areas are also required to complete an annual conflict of interest certification and disclosure, after review and confirmation of the Conflict of Interest policy.
- ▶ To further awareness of the Code and operating ethically, the Compliance team contributes articles to the “Compliance Corner” column in CONNECT – the company’s quarterly newsletter. Four issues are published annually, and printed and digital copies are distributed to employees worldwide.
- ▶ Additionally, targeted messages on key compliance topics are featured at various employee meetings and town halls, and via email and the company intranet.

C. GLOBAL COMPLIANCE APPROACH

- ▶ As explained in our Code, Watts is committed to doing the right thing always. Because we have operations and serve customers globally, our policy is to comply with the laws, rules, and regulations in countries in which we operate.

- ▶ Consistent with our Code, we also are committed to promoting our Values and compliance with laws such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other anti-bribery laws, rules and regulations, even if that is contrary to local custom and practice.

- ▶ To mitigate international and any industry specific risks, we employ multiple tools to drive ethics and compliance through our global compliance organization, including our:
 - Code of Business Conduct;
 - Third-party due diligence reviews and denied party monitoring;
 - Gifts and entertainment, business courtesy and anti-corruption policies, specifically prohibiting among other things, facilitation payments; and
 - Ethics Hotline and issue escalation processes.



C. GLOBAL COMPLIANCE APPROACH

DUE DILIGENCE

- ▶ Before entering into new business relationships with third-parties acting on our behalf, we conduct a risk-based due diligence review utilizing a multi-factor questionnaire, anti-corruption law notification and certification, and international denied parties search.
- ▶ Based on those responses, automated risk-ranking through our third-party due diligence tool, the industry at issue, and the region, we determine whether to further supplement the review with risk-based open source investigations.
- ▶ Legal counsel in each region then determines approval to go forward with the relationship, and/or escalation for further review and approval. Using a centralized tool, we maintain a global database of due diligence status, results, and approvals to facilitate ongoing monitoring and auditing of these third-party relationships.

C. GLOBAL COMPLIANCE APPROACH

RISK ASSESSMENT

- ▶ Management and Internal Audit conduct annual risk assessments that include corruption and bribery related risks.
- ▶ Utilizing multiple factors, risks, and business developments, the assessments determine areas of audit focus and site visits, during which select compliance processes are reviewed for evidence of fraud or deficiencies.
- ▶ In addition, the global compliance team conducts regular audits of its policies and programs, including:
 - Bi-annual due diligence policy review
 - Quarterly business courtesies policy review
 - Ethics Hotline viability and availability
 - Compliance-focused site visits utilizing site-visit specific checklists for compliance policy and process review, sampling, and training.
- ▶ Further, in 2018, external audit resources completed health checks of the compliance program's structure to help assess current status and future enhancements to the programs.



C. GLOBAL COMPLIANCE APPROACH

MANAGEMENT OVERSIGHT

- ▶ The Ethics and Compliance Steering Committee is a cross-functional team made up of business leaders in executive management and internal audit.
- ▶ This group conducts regular meetings to monitor compliance matters, business ethics and corruption issues, Ethics Hotline reporting, and other compliance and business ethics developments for review and action.
- ▶ Each quarter, the full Board receives a report on key compliance developments and initiatives, and business ethics and corruption issues with the Audit Committee receiving additional reporting on compliance and business ethics developments, including Ethics Hotline reports and review status.



D. REPORTING CONCERNS

- ▶ We expect and encourage employees to raise concerns about compliance, ethics, or business conduct. We emphasize in our Code that our policy prohibits retaliation for good faith reporting of any concern, so that all employees can feel comfortable escalating issues without fear of negative consequences.
- ▶ We provide, and regularly inform employees of, the multiple avenues to report concerns including expressing concerns with their immediate supervisor or manager, Human Resources, the Legal Department or the Compliance team.
- ▶ Concerns can also be reported anonymously, confidentially, and without retaliation by employees, suppliers, customers and other external parties, using our Ethics Hotline at 877-792-8878 or online at www.watts.ethicspoint.com.
- ▶ Both resources are monitored by an independent third-party, with 24/7 availability and full multi-lingual support. All matters are investigated promptly. Violations of the Code, including its non-retaliation provisions, are subject to discipline up to and including termination.



D. REPORTING CONCERNS

- ▶ Because we rely on employees to feel comfortable using the Ethics Hotline to help to keep our work environment open, honest, and transparent, in 2017 and 2018, we conducted an Ethics Hotline awareness campaign and audit.



- ▶ We provided training on the purpose of the Ethics Hotline, the basics of how to utilize it, what happens when a matter is submitted to the Hotline, and its importance to our compliance program.
- ▶ To further transparency, all Ethics Hotline matters are reported on a quarterly basis to the Ethics and Compliance Steering Committee, and the Audit Committee of the Board of Directors.
- ▶ In addition, the Chair of the Audit Committee has full access and notification of any matters submitted through the Ethics Hotline.

E. GOVERNANCE STRUCTURE

Watts Water Technologies, Inc. currently has three committees within its Board of Directors structure:

- ▶ Audit
- ▶ Nominating and Corporate Governance
- ▶ Compensation



E. GOVERNANCE STRUCTURE

AUDIT

The purpose of the Audit Committee of the Board of Directors is to assist the Board in its oversight of:

- ▶ The integrity of Watts' financial statements
- ▶ Watts' compliance with legal and regulatory requirements
- ▶ The qualifications, independence, and performance of Watts' independent auditor
- ▶ The performance of Watts' internal audit function
- ▶ The effectiveness of the Watts' internal control structure



E. GOVERNANCE STRUCTURE

NOMINATING AND CORPORATE GOVERNANCE

The Nominating and Corporate Governance Committee of the Board of Directors on behalf of the Board of Directors is responsible for:

- ▶ Identifying individuals qualified to become board members, consistent with criteria approved by the Board
- ▶ Recommending that the Board select the director nominees for election at each annual meeting of stockholders
- ▶ Developing and recommending to the Board a set of corporate governance guidelines applicable to Watts, periodically reviewing such guidelines, and recommending any changes thereto
- ▶ Overseeing the evaluation of the Board and management



E. GOVERNANCE STRUCTURE

COMPENSATION

The Compensation Committee discharges the Board of Director's responsibilities relating to compensation of Watts' directors and its executive officers.

- ▶ The primary objective of the Compensation Committee is to:
 - Develop and implement compensation policies and plans that are appropriate for Watts in light of all relevant circumstances
 - Provide incentives that further Watts' long-term strategic plan and are consistent with its culture
 - Enhance enduring stockholder value



Compensation



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