

Code of Business Conduct: Government Contracts Supplement

COMMITMENT TO GOVERNMENT CONTRACTS COMPLIANCE

Watts Water Technologies, Inc. (“Watts”) is committed to conducting business with federal, state and local governments in accordance with the letter and spirit of the law, the high standards of ethical business conduct, and in accordance with our values. This Government Contracts Supplement to Watts’ Code of Business Conduct establishes and affirms standard expectations for employees of any Watts company that are involved in any aspect of Watts’ contracts with federal, state and local governments. Similar to all of its commercial customers, Watts’ policy regarding our government customers is that our employees observe the highest standards of conduct, honesty and integrity when performing these types of contracts and/or interacting with government officials.

This Supplement is intended to complement and work in conjunction with the policies and procedures included in the Code of Business Conduct. This Supplement contains many similar rules and requirements that appear in the Code of Business Conduct, and also addresses the unique rules and situations encountered in the government contract context. Though these rules and requirements focus on activities associated with doing business with the U.S. government and its agencies, these policies also apply more broadly to our business relationships with any government entity in the United States, including state and local governments.

KEY RESOURCE FOR DOING BUSINESS WITH THE GOVERNMENT

This Supplement applies to all employees of a Watts company that perform work under government contracts and subcontracts and/or communicate with government entities in the United States. You are responsible for seeking advice when needed, raising concerns, and reporting potential violations of this Supplement to management so that we can improve the way we conduct our business. If you believe that any provision of the Supplement may be interpreted as differing from an applicable law, regulation, or other company policy, please consult an appropriate Company resource, such as the Watts Legal Department or Human Resources Department. When in doubt, ask for help.

OUR GOVERNMENT CONTRACTING VALUES

Ethics, integrity and accountability are core values at Watts and form the basis for how we conduct business – particularly in dealings with the government. We conduct ourselves in accordance with the highest standards of integrity and honesty, and take responsibility for our actions. As such we fully adhere to our Code of Business Conduct, this Supplement, and the following core principles:

- *We are honest, fair and open in our communications and dealings with the government and its agencies;*
- *We comply fully with the requirements of our government contracts;*
- *We ensure that our employees understand the requirements of the contracts on which they are working;*
- *We make certain that all statements, disclosures, invoices, certifications and other representations made to the government are accurate, current and complete; and*
- *We take appropriate action and report suspicions of fraud or deception.*

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Though it is impossible to describe every government regulation and contract requirement imposed by our government contracts, employees involved in Watts' government contracts and subcontracts are expected to understand and comply with the requirements and policies in this Supplement as well as the requirements of the contracts on which they work.

VIOLATIONS AND THEIR CONSEQUENCES

Anyone who violates the policies in this Supplement, including the reporting requirements, may be subject to disciplinary action, up to and including termination of employment. The specific type of disciplinary action will be based on specific circumstances and severity of each case, and will be consistent with local regulations and any governing labor agreements.

RAISING CONCERNS AND REPORTING MISCONDUCT

The Code of Business Conduct requires you to raise concerns and report misconduct for any possible violations of the Code or its underlying policies, as well as violations of laws and regulations. This duty to report fully applies to work performed under government contracts and subcontracts. In addition to your normal reporting obligations, you **MUST REPORT** any suspicion or knowledge that there has been an act of misconduct, an ethical violation, a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuities, or a violation of the Civil False Claims Act. This reporting requirement remains in effect for three years after final payment of any government contract.

When contemplating whether to report any violation or suspected violation, do not assume that Watts is aware of the issue. It is your responsibility to bring the suspected act or acts to the Company's attention so that management may take the appropriate steps to timely report the conduct to the Government. You should raise any questions, concerns, and suspected violations to your supervisor or someone up the chain of command, or to a specialized resource or subject matter expert within the Company, such as Human Resources or the Legal Department. You may also report concerns confidentially through the Watts Hotline by calling 877-792-8878, or by using the Hotline's website www.wattswater.ethicspoint.com. The Code of Business Conduct contains additional details and resources regarding how to report violations and suspected violations.

If you fail to report these types of violations or suspected violations, you will be subject to discipline for non-disclosure, up to and including termination of employment.

NO RETALIATION

Watts' policy is to encourage reporting of all misconduct, particularly misconduct related to a government contract. We prohibit retaliation against anyone who, in good faith, reports a concern or participates in an investigation, even if the allegation ultimately is not substantiated.

Anyone, regardless of position or tenure, found to have engaged in retaliatory conduct against someone who has raised a business conduct concern in good faith, will be subject to disciplinary action, up to and including termination of employment. If you feel you have been subjected to retaliation, contact the Hotline for assistance, but please keep in mind that our policy against retaliation does not exempt you from discipline if you yourself have engaged in improper conduct.

ORGANIZATIONAL CONFLICTS OF INTEREST IN GOVERNMENT CONTRACTS

Our conflict of interest rules are addressed in detail in Watts' Code of Business Conduct. These rules prohibit employees from serving in conflicting roles that might bias their judgment, create an unfair competitive advantage, or impair objectivity in their performance. In addition to these requirements and prohibitions, government contracts require Watts to recognize and avoid organizational conflicts of interest ("OCIs"). An OCI arises in the context of

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doing business with the Government when a company is unable to render impartial assistance or advice to the Government because of other activities it is engaged in, cannot perform Government contract work in an objective manner, or has an unfair competitive advantage compared to other entities seeking Government contract opportunities.

Watts employees should be especially cautious of potential OCIs if a particular government contract opportunity will:

- *Include work for which Watts has previously provided technical direction or prepared statements of work for the government;*
- *Require setting or influencing the requirements or terms for a future opportunity in which Watts might have an interest in bidding;*
- *Put Watts in the position of a consultant that evaluates or recommends its own products and services or those of its competitors for a future Government business opportunity; or*
- *Afford Watts access to proprietary or other nonpublic information about its competitors.*

If you suspect that a potential OCI exists, or you suspect that a potential OCI could arise in the future as a result of our work with the government, you should immediately notify your supervisor and the Legal Department for further direction.

HIRING GOVERNMENT EMPLOYEES

There are specific laws and regulations governing communications and negotiations with current and former government employees (civilian and military) to discuss their potential employment with Watts or their retention as consultants or representatives. These restrictions include limitations on the type of employment-related discussions that certain current government employees and military personnel may have with Watts. Employees must never solicit or engage in discussions with government employees or military personnel about potential employment opportunities at Watts unless it has been approved in advance by the Watts Legal Department or Human Resources Department. This policy applies not only to formal discussions involving resumes but also to informal discussions that take place in hallways, cafeterias, and conferences.

FORMER GOVERNMENT EMPLOYEES

If you previously served in, or were employed by, the federal, state, or local government, the law may restrict your interaction with government agencies on behalf of Watts for a period of time. Consult with your prior government entity to ensure that you comply with any restrictions, and notify the Legal Department and your supervisor of those restrictions.

PROHIBITION ON BUSINESS COURTESIES TO GOVERNMENT EMPLOYEES

Watts' guidelines for Business Courtesies are described in the Business Courtesies Guidelines and the Code of Business Conduct, both of which prohibit Business Courtesies, including gifts, to any government officials unless they have been pre-approved in accordance with such policies. Government employees are subject to strict restrictions on gifts that they can accept, and therefore commonly decline any Business Courtesies they are offered. In order to ensure compliance with these rules, Watts employees may not offer any Business Courtesies to any government employees without express pre-approval from the Watts Legal Department.

Business Courtesy means anything of value, a favor, or a benefit provided free of charge or at a charge less than fair market value in the context of a business relationship. A Business Courtesy may be a tangible or intangible benefit, including, but not limited to, such items as nonmonetary gifts, meals, drinks, entertainment, hospitality, recreation, door prizes, transportation, discounts, tickets, passes, sporting events, side excursions or outings, promotional items, or use of a donor's time, materials, or equipment.

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If a government employee declines acceptance of an offered Business Courtesy for which you have obtained the required pre-approval from the Legal Department, do not encourage the employee to accept. If a government employee actually requests any kind of Business Courtesy – even those that the Legal Department might approve in advance – you must respectfully decline, explain that Watts policy requires you to obtain advance authorization before offering such a Business Courtesy, and immediately report any such request to the Legal Department.

BRIBES AND KICKBACKS

The Code of Business Conduct and the Watts Anti-Corruption Policy and Guidelines prohibit Watts employees from offering or accepting bribes or kickbacks. Watts employees therefore may not provide any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind to any government official or third party to receive favorable treatment in connection with a government contract or subcontract.

Watts employees are also prohibited from engaging in fraudulent behavior in any of its dealings with the United States or any state or local government or any commercial entity. This prohibition includes soliciting or accepting kickbacks from customers, vendors, or subcontractors doing business in any capacity with Watts and making any material misrepresentations to customers, vendors, or other third parties. Any other intentional behavior or activity that violates Watts' ethical standards or any applicable law or regulation is expressly prohibited.

POLITICAL CONTRIBUTIONS

Watts encourages its employees to become involved in civic affairs and to participate in political activities. Watts employees must recognize, however, that their involvement and participation must be on an individual basis, on their own time, and at their own expense. Further, when an employee speaks on public issues, it must be made clear that comments or statements made are those of the individual and not of Watts. Watts employees must never make a political contribution with the intent to influence the award or retention of any Watts business or contract.

As stated in Watts' Community Relations Policy, Watts does not make political contributions. If your work as a Watts employee involves contacts with legislators, public officials or others to influence legislation or administrative actions, you must contact the Watts Legal Department to determine whether disclosure or other rules apply and comply with all approval, reporting and other requirements.

PROCUREMENT INTEGRITY

The federal government seeks to protect the integrity of the procurement process by prohibiting conduct by contractors or subcontractors that could improperly influence the decisions of government contracting officers and other government employees. It is Watts' policy to avoid even the appearance of improper influence by strictly adhering to the government's policies intended to ensure integrity in the procurement process, including the prohibitions of the Procurement Integrity Act.

Watts employees may not:

Obtain bid, proposal, or source-selection information related to a current or future federal procurement; or
Disclose bid, proposal, or source-selection information to which Watts has received access in the course of providing support or advice to a federal agency.

Employees are responsible for seeking guidance from their supervisors and from the Legal Department if they are uncertain about their obligations regarding the integrity of any procurements or Watts' obligations under the Procurement Integrity Act.

PRICES AND BIDDING

As set forth in the Code of Business Conduct and the Company's U.S. Guide to Antitrust Compliance, Watts strictly adheres to the requirements of "antitrust" laws that promote economic competition among businesses. Our employees are prohibited from engaging in activities that limit competition, restrict trade, or otherwise dominate a market. These rules and prohibitions apply equally to employees performing government contracts. In particular, Watts employees must never fix prices, engage in bid rigging, or discuss with competitors any non-public information related to our prices, pricing policy, contract terms or conditions, costs, inventories, marketing strategies, capacity plans and capabilities, territorial agreements, or any other proprietary or confidential information.

Our prices, discounts, and other terms and conditions must be determined independently, without communication with any other potential supplier or competitor. Our knowledge of competitors' prices, capabilities, etc. should come from legitimate sources, such as published price lists and industry surveys. No one acting for or on behalf of Watts should seek, accept or disclose to others any information regarding prices submitted by competitors in pursuit of a common opportunity, other than through official channels open to all.

PROHIBITION ON CONTINGENT FEES

Watts prohibits payment of a fee contingent on the degree of success a representative has in securing government contracts. Government contracts obtained through contingent fees (e.g. a commission) can be viewed as being the result of, or giving the appearance of, improper influence on the government procurement process. Watts is generally required to certify under its government contracts that it has not paid a contingent fee to obtain the contract. Therefore, we prohibit the payment of contingent fees to any employee, contractor, or independent agent in connection with obtaining a government contract.

RECORDS MANAGEMENT

Watts' record management requirements are fully addressed in the Code of Business Conduct and the Company's Records Retention and Destruction Policy. In addition to these requirements, employees working on government contracts and subcontracts should retain all records relating to the performance of government contracts for the required statutory or regulatory period. For any questions about any record retention obligations imposed by Watts' government contracts, you should contact your supervisor or the Legal Department.

REQUIRED TRAINING / LEARNING

Watts provides periodic compliance training, including training on the contents of this Supplement, as well as specialized government contracts compliance training to employees whose job responsibilities require compliance with government contracting laws and regulations. This training will ensure that such employees are aware of the current laws and regulations that apply to Watts as a result of its government contracts.

INTERNAL CONTROLS

Watts will periodically review this Supplement and the related training courses to ensure that all information is current regarding laws and regulations, and that the information effectively reaches all employees involved in Watts' government contracts and subcontracts.

Watts will periodically review these internal controls.

CONTACT INFORMATION

There are numerous federal statutes and regulations outlining the standards of conduct for government contractors and setting the penalties for failure to adhere to these requirements. The policies discussed above are a small subset

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of the rules that potentially apply to a government contract. Should you have any questions or concerns about the policies described in this Supplement, Watts' Code of Business Conduct, or any government contract requirement or ethical issue, you should contact your supervisor or the Watts Legal Department.