



Watts Water Technologies, Inc.  
**Sustainability Report 2019**

# About this Report

This Sustainability Report is the 4<sup>th</sup> annual publication of its kind for Watts Water Technologies, Inc.

It highlights our company's commitment to sustainability, and provides information about the progress we are making at Watts to promote a sustainable future through responsible Environment, Social and Governance (ESG) business practices.

The sustainability disclosures we provide in each section of this report underwent internal quality checks and are factual to the best of our knowledge at the time of reporting.

As is standard practice at Watts, our 2019 Sustainability Report was formally reviewed by a cross-functional team of senior business leaders and subject matter experts from around the world.

Further, this report was reviewed and approved by our Executive Leadership Team, and Environment, Health and Safety, and Sustainability (EHS&S) Steering Committee prior to its official release.

## For More Information

Additional information about our ESG performance at Watts is available in our [2019 Annual Report, Form 10-K](#) and [Proxy Statement](#), and through future updates on our website at [watts.com/our-story/sustainability](http://watts.com/our-story/sustainability).

We welcome your feedback and questions about our sustainability efforts, so we can continue to improve our ESG reporting and provide the most relevant information to our stakeholders.

Please direct them to:

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Corporate Communications & Social Responsibility Manager  
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## A Message from our CEO

For more than 145 years, our company has built a reputation for protecting and sustaining the world's water supply through our diverse portfolio of water technologies and solutions.

At Watts, we recognize that the availability of this precious natural resource is limited, which is what keeps us inspired and focused on our mission.

As the world continues to grapple with the devastating social and economic impact of the coronavirus pandemic, Watts is committed now more than ever to endure the uncertain road ahead.

Financially and organizationally, we are strong. We will continue to adapt and manage the things that are within our control. We will persevere because we believe that challenging times are what make companies better, more resilient and positioned for future success.

### **Taking Care of our Employees**

Whether in the factory, at the office, on the road or from the lab, our employees know their contributions make a difference – not just for Watts, but also for our planet and its future.

The health and wellbeing of our employees is paramount to sustaining the vitality of our business.

We will continue to provide a safe and inclusive work environment that embraces diversity, protects human rights, promotes work-life balance, and supports career growth, development and advancement.

We also believe in empowering the collective voice of our employees through our annual employee engagement survey and other feedback mechanisms.

We are proud of our strong Employee Net Promoter Score (ENPS), which improved by 8 percentage points in 2019. We are confident this positive trend in employee satisfaction will continue.



### **Taking Care of our Customers**

We are committed to solving the most complex challenges our customers face to ensure water that flows into, through and out of their commercial or residential buildings is safe, controlled and consumed responsibly.

There was a time when we only manufactured components for our customers. To meet their needs today, we are leveraging more than a century of institutional knowledge, intellectual property and innovation to reimagine our products as smart and connected solutions.

We continue to deepen partnerships with our customers by delivering superior value and providing an exceptional customer experience.

### **Taking Care of our Environment**

Our manufacturing facilities, distribution centers and offices around the world continue to make significant strides to minimize the impact of our global operations on the environment.

In 2019, we reduced our overall consumption of natural resources – dramatically, in some cases. We also lowered our greenhouse gas (GHG) emissions and cut down on hazardous and non-hazardous waste.

We continue to identify opportunities to operate our business in an environmentally responsible manner, which includes partnering with suppliers who share our values, high ethical standards and commitment to sustainable business practices.

### **Taking Care of our Communities**

For millions of people who live in the developing world, water is either scarce, unsafe or inaccessible – and we are determined to change that.

In 2019, we continued our partnership with Planet Water Foundation to make clean water access a reality for our neighbors in need, funding and installing water purification systems in India and Thailand for almost 4,000 people.

Watts is dedicated to educating and supporting both experienced and next-generation plumbing professionals. We expanded our institutional partnerships with high schools, colleges and universities around the world, including skills programs to help military veterans transitioning into the workforce.

Our dedicated employees also donated their time, money and related goodwill to support charitable and social causes they care most about.

**Together with our employees, suppliers, business partners and customers, we look forward to improving the comfort, safety and quality of life for people around the world, and promoting a more sustainable future for us all.**

Sincerely,



Robert J. Pagano, Jr.  
CEO and President

# COVID-19 Update

As we were preparing our 2019 Sustainability Report, the COVID-19 outbreak quickly became a worldwide health crisis that has already claimed almost half a million lives.

We continue to operate as an “essential” business providing critical products and solutions to our customers who are on the front lines of the battle against the coronavirus.

Highlights from our COVID-19 response efforts include:

- ▶ **COVID-19 Task Force** to govern our pandemic response, ensuring the health and safety of our employees, while maintaining business continuity and service to our customers.
- ▶ **Health and Safety Protocols** to keep our employee safe and working, including social distancing guidelines, temperature monitoring, personal protective equipment and work-from-home policies, where practical.
- ▶ **COVID-19 Website** to keep our employees updated and informed, including guidance and resources from the CDC and other government protocols.
- ▶ **COVID-19 Customer Hotline** to support critical infrastructure projects in the U.S. and maintain dialog with our customers to support their business continuity efforts.
- ▶ **Cost Management Measures** to mitigate the impact of lower demand and volume declines, including merit deferrals, salary and incentive reductions, furloughs and reduced discretionary spending.

## For More Information

Learn more about our response to the COVID-19 crisis by visiting our website at [www.wattswater.com](http://www.wattswater.com).



## Company Overview

Watts Water Technologies, Inc. is a leading supplier of products and solutions that conserve water, and manage the flow of fluids and energy into, through and out of buildings in the commercial and residential markets of the Americas, Europe, and Asia-Pacific, Middle East, and Africa (APMEA).

For more than 145 years, Watts has designed and produced valve systems that safeguard and regulate water systems, energy efficient heating and hydronic systems, drainage systems and water filtration technology that helps purify and conserve water.





## WE ARE WATTS

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Watts Water Technologies, Inc. was founded by Joseph E. Watts as Watts Regulator Co. in 1874 in Lawrence, Massachusetts.

Since then, Watts has grown to become one of the world's leading providers of water technologies, and manufacturer of innovative products and solutions designed to promote safety, energy efficiency and water conservation.

**Headquartered in North Andover, MA, USA, Watts Water Technologies, Inc. was incorporated in Delaware in 1985 and trades on the New York Stock Exchange (NYSE) under the stock symbol WTS. Watts employs 4,800 employees on five continents, located in 24 countries.**



## ORGANIZATIONAL PROFILE

### Mission

To improve comfort, safety, and quality of life for people around the world through our expertise in a wide range of water technologies. To be the best in the eyes of our employees, customers and shareholders.

### Vision

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.

### Global Strategy

#### Growth

- ▶ Drive customer-focused innovation
- ▶ Focus on key, specific geographies for growth

#### Commercial Excellence

- ▶ Deliver a superior customer experience
- ▶ Build world-class commercial functions

#### Talent and Performance Culture

- ▶ Expect accountability at all levels
- ▶ Encourage innovative thinking and ongoing development

#### Operational Excellence

- ▶ Empower people with knowledge and tools to eliminate waste and continuously improve

#### One Watts

- ▶ Work as a unified organization
- ▶ Promote shared values, goals and processes

### Values

#### Integrity and 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

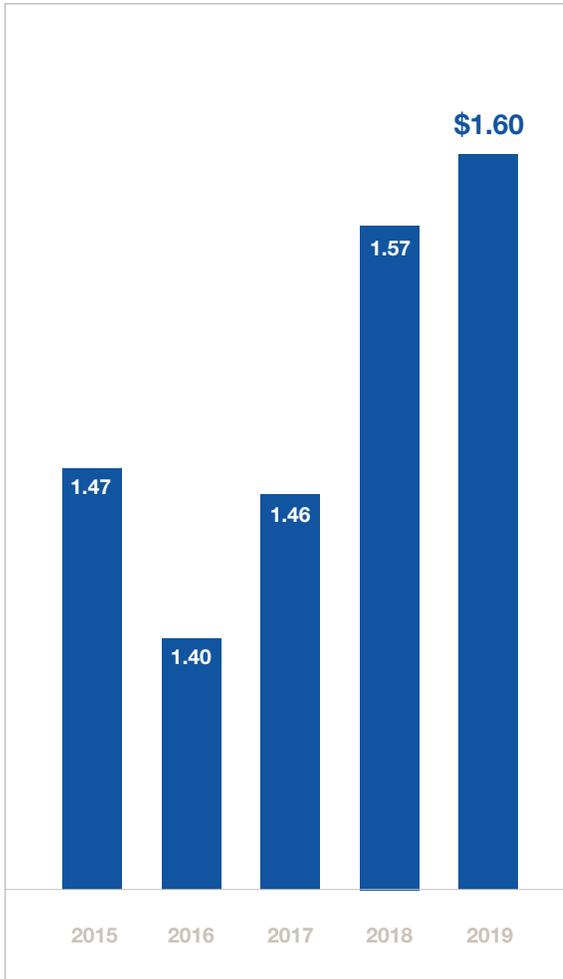
Maintaining a customer focus; improving every day

#### Transparency

Demonstrating candor and openly sharing information

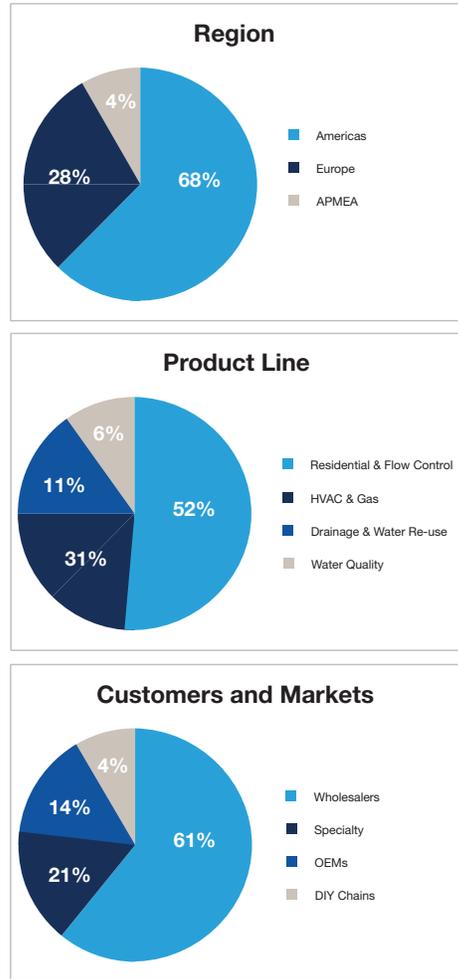
**Total Revenue**

(Total Net Sales \$ Billions)



**Total Revenue Breakdown**

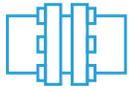
(% of Total Net Sales)



**Major Brands**



### Products



#### Residential and Commercial Flow

- ▶ Backflow preventers, water pressure regulators, temperature and pressure relief valves and thermostatic mixing valves



#### HVAC & Gas

- ▶ Commercial high-efficiency boilers, water heaters and heating solutions
- ▶ Hydronic and electric heating systems for under-floor radiant applications
- ▶ Custom heat and hot water solutions, hydronic pump groups for boiler manufacturers and alternative energy control packages
- ▶ Flexible stainless-steel connectors for natural and liquid propane gas in commercial food service and residential applications



#### Drainage & Water Re-use

- ▶ Drainage products
- ▶ Engineered rain water harvesting solutions for commercial, industrial, marine and residential applications



#### Water Quality

- ▶ Point-of-use and point-of-entry water filtration, conditioning and scale prevention systems
- ▶ Monitoring and metering products for commercial, marine and residential applications

### Customers and Markets



#### Wholesalers

- ▶ Wholesale distributors for commercial and residential applications



#### Specialty

- ▶ High-efficiency boilers and water heaters, water filtration and conditioning products, specialty floor and tile products, and food service products



#### Original Equipment Manufacturers (OEMs)

- ▶ Americas: Water heater manufacturers and equipment and water systems manufacturers needing flow control devices and other products
- ▶ Europe: Boiler manufacturers and radiant system manufacturers
- ▶ APMEA: Water heater, air conditioning and appliance manufacturers



#### DIY Chains

- ▶ Valves and a portion of our water quality products

# Environmental Stewardship

At Watts, our reputation for quality, safety and reliability is known worldwide from the vast portfolio of differentiated technologies we manufacture to meet the needs of our customers.

We are committed to minimizing the impact of our global operations on the environment, and the health, wellness and safety of our people, and protecting communities in which we operate.

**As a respectful environmental steward, we engage in business practices that reflect our values, and advance our efforts to promote an economically, socially and environmentally sustainable future.**





## OPERATIONAL SUSTAINABILITY

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We are committed to delivering superior value for our customers. With this promise comes a responsibility to balance the drive for continuous improvement, operational efficiency and productivity with the need to protect the environment and preserve its natural resources.

We focus on using, consuming and discharging water responsibly, conserving energy and reducing carbon emissions, and eliminating, minimizing and properly disposing waste.

**We are duly invested in maintaining the continuity of our business and operations through strong environmental leadership, effective supplier quality management and responsible sourcing of raw materials.**

### ENVIRONMENT, HEALTH AND SAFETY

We believe that protecting the environment is good business. Together, our Environment, Health and Safety (EHS) Management System, and EHS & Sustainability Policy set the standard for operational excellence at Watts.

Our **Environmental Management System (EMS)** is a key component of this global integration. It provides the framework from which we deliver best-in-class performance, while ensuring our facilities operate safely, efficiently, and in an ethical and environmentally responsible manner.

Through our EMS, we take a strategic, risk-based approach to proactively manage our environmental footprint. Such practices are anchored by lean manufacturing principles and methodologies, and serve to drive quality, continuous improvement and accountability.

**In 2019, seven sites retained ISO 14001 certification for Environmental Management Systems. In 2020, we plan to pursue certification of our EHS Management System to both ISO 45001 and ISO 14001.**





### Governance and Oversight

At Watts, environmental leadership starts at the top. We believe it sets an example for our employees, and reflects the commitment to sustainability that our customers, business partners and shareholders rightfully expect.

The **EHS & Sustainability Executive Steering Committee** meets quarterly with the company's most senior-ranking leaders for EHS and Quality. Together, they are charged with spearheading the Environmental, Social and Governance (ESG) program at Watts, which encompasses all geographies, brands and employees.

Led by our CEO and executive management team, committee members review the company's EHS and sustainability performance, and discuss trends and issues, key business drivers, progress on goals and targets, and actions for continued improvement. These same topics are also presented at meetings with our Board of Directors.

Periodically, the Board exercises its oversight duties to perform "health checks" to evaluate our EHS practices and performance at Watts.

**In 2019, external consultants completed an assessment of our ESG program at our CEO's request. Their review focused on the quality of our sustainability reporting and processes. The findings paved the way for recommended improvements – many of which have been integrated into this year's sustainability report.**

### Compliance

Watts follows stringent quality controls and testing procedures that conform to the highest standards of environmental stewardship. We comply with all applicable international declarations, and conventions and treaties, as well as all national, regional and local regulations, and require the same of our supplier partners.

As part of our commitment to environmental compliance, we routinely conduct environmental compliance audits and risk assessments at the corporate level, by third-party assessors and / or by our internal audit teams.

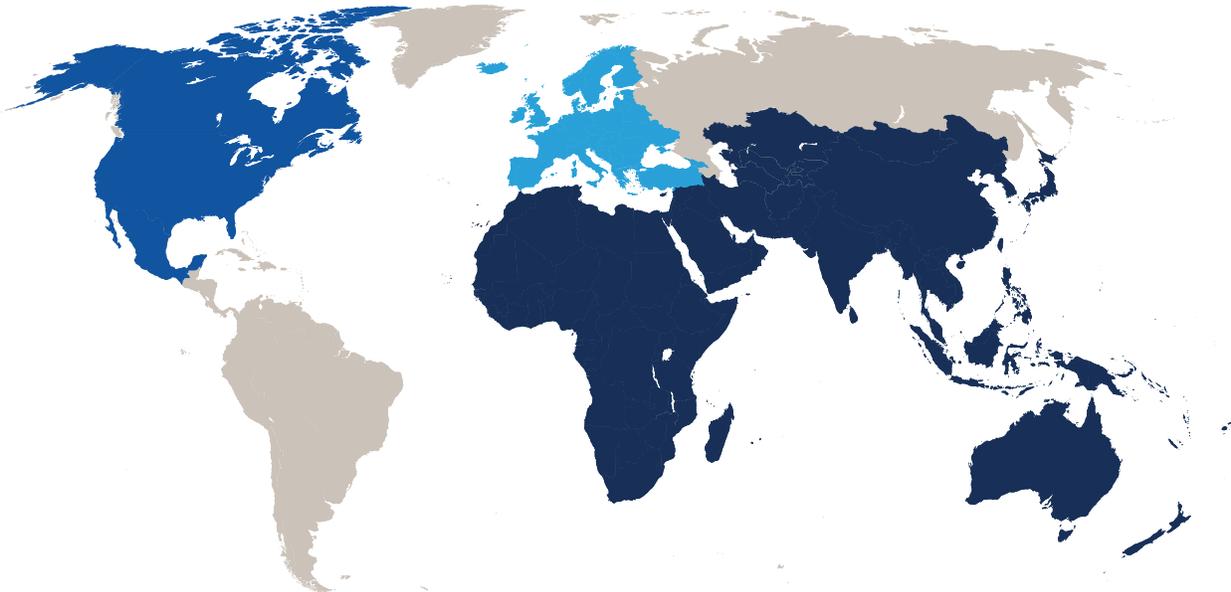
**In 2019, we audited 14 of our manufacturing facilities for environmental compliance and we plan to double that number in 2020.**

**ENVIRONMENTAL PERFORMANCE**

Environmental data collection, analysis and reporting play a critical role in supporting business decisions that help to advance our sustainability efforts at Watts. Each of the 40 facilities listed below are included within the scope of our annual reporting boundaries for environmental performance in 2019.

Collectively, 94% of our global workforce is represented – an 18% increase from 2018 (80%).

**Scope of Environmental Data Reporting for 2019**



**AMERICAS**

Andover, MA	
Blaauvelt, NY	
Burlington, ON, Canada	
Export, PA	
Fort Myers, FL	
Fort Worth, TX	
Franklin, NH	
Groveport, OH	
Hudson, MI	
Nogales, Mexico	
<b>North Andover, MA</b>	
Peoria, AZ	
Sparks, NV	
San Antonio, TX	
Spindale, NC	
St. Pauls, NC	
Vernon, BC, Canada	
Woodland, CA	

**EUROPE**

<b>Amsterdam, Netherlands</b>	
Biassono, Italy	
Dattenberg, Germany	
Eerbeek, Netherlands	
Gardolo, Italy	
Hautvillers, France	
Landau, Germany	
Mèry, France	
Moirans, France	
Monastir, Tunisia	
Plovdiv, Bulgaria	
Rosières, France	
Sorgues, France	
St. Neots, UK	
Vildbjerg, Denmark	
Virey-le-Grand, France	
Wingene, Belgium	

**APMEA**

Auckland, New Zealand	
Dubai, UAE	
Ningbo, China	
Ningbo, China	
Shanghai, China	

<b>Office</b>		<b>ISO 9001</b>	
<b>Manufacturing</b>		<b>ISO 14001</b>	
<b>Distribution Center</b>			
<b>Headquarters</b>			

## Environmental Data Reporting

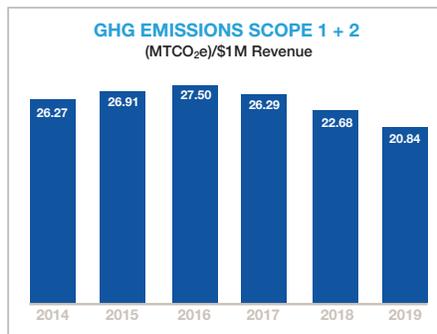
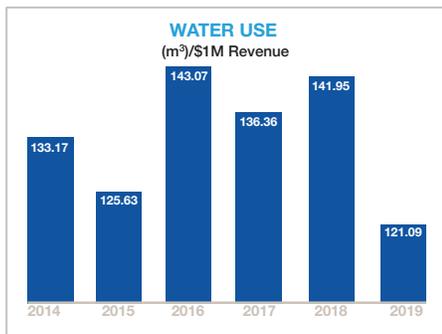
Throughout our operations and facilities, we continually take proactive measures to ensure the quality, integrity and security of our environmental data, and to promote consistency in our processes.

We recently upgraded to a new secure, web-based environmental data management system, which captures resource usage and utility costs. It provides a global view of our overall consumption, and is managed and audited by an independent third party.

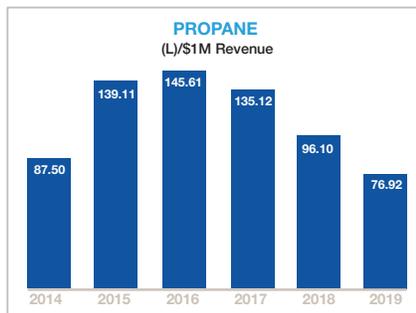
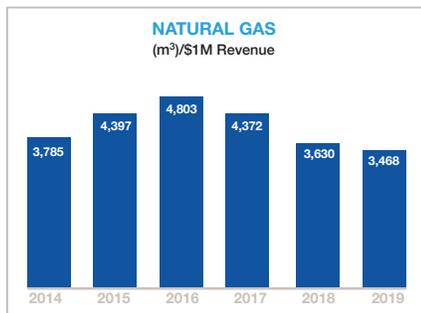
This investment has helped us collect and analyze environmental data more effectively, accelerating our ability to identify opportunities for improvement, operational efficiencies and related cost savings.

The below summary of our environmental performance in 2019 reflects our commitment to sustainability, and represents the progress we've made over time to reduce our environmental impact:

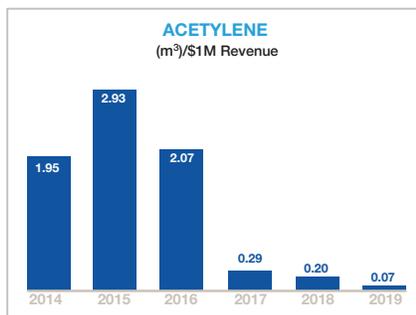
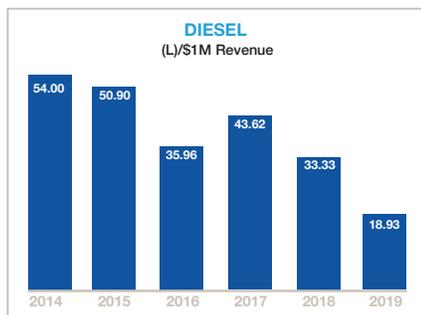
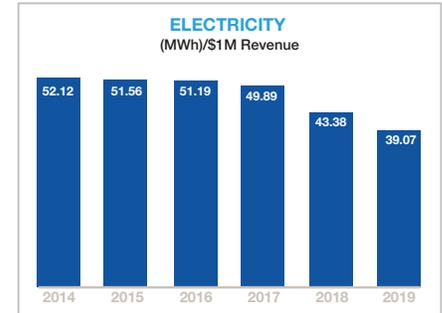
### Annual Volume of Resources Consumed Per Million Dollars in Revenue



### Direct Emissions



### Indirect Emissions



**Water**

In 2019, Watts reduced its annual water consumption by 13% and resource intensity by 15%. Our progress is largely the result of taking proactive measures to conserve water, and manage its flow and discharge responsibly:

- ▶ **Efficient, low-flow plumbing fixtures** are installed at nearly half of our manufacturing facilities, distribution centers and offices to promote efficiency and cost savings.
- ▶ **Test water is captured and re-used** via in-house designed collection, screening, disinfection and pumping systems at our large manufacturing plants in the Americas, Europe and APMEA.
- ▶ **Precipitation is captured and re-used** for toilet flushing year-round at our St. Pauls, NC, USA site using the Watts RainCycle™ Rainwater Harvesting System.

We work to mitigate the financial and environmental impact of our wastewater output in the communities where we operate. Though most operating plants generate little to no wastewater, permitted discharge is sent to authorized sewer districts.

We will continue to engage in responsible water management practices – particularly, where we have facilities located in water-scarce or water-stressed regions.

**In 2020, we set targets to reduce our fresh water consumption to further minimize our environmental footprint via on-site rainwater retention, test water regeneration and condensate capture for non-potable reuse.**

Water	2018	2019	%(+/-)
Annual Consumption (L)	222,138,839	193,812,312	-13%
Resource Intensity (L/\$1M)	141,951	121,094.85	-15%

**Water Consumption by Region (L)  
2018-2019**



Nogales, Mexico implemented a new recycling system, eliminating 70,000 gallons of water discharge per month into the local municipal water and sewer system.



Biassono, Italy reduced its annual water consumption by 12%.



Ningbo, China reduced its annual water consumption by more than 46 million liters – a 68% improvement from the prior year.

Water usage in the Americas represents a significant increase in new product development testing at one facility. Water reuse strategies are in place.

## Energy and Emissions

Energy consumption is the largest contributor to greenhouse gas (GHG) emissions, and we are actively working to minimize our carbon footprint.

For 2020, we are committed to reducing our overall GHG emissions by increasing energy efficiency, research and deployment of low-emission alternatives within our operations, and carbon-negative landscaping.

The progress we continue to make is due, in large part, to our ongoing efforts to generate energy savings and emissions reductions through investments in energy-efficient alternatives, continuous improvement initiatives, and responsible energy and emissions management:

- ▶ **Energy Hunts** educate employees on identifying low- or no-cost improvements that are relatively easy to implement, and help to optimize energy efficiency within their operations. During these events, cross-functional teams find ways to reduce energy use, costs and GHG emissions – which can free up additional capital for more advanced measures.
- ▶ **Green Energy Alternatives** are carefully considered when possible, when negotiating power purchase agreements to reduce our costs and lower our carbon footprint. We also recognize that, in many cases, environmental benefits outweigh reducing costs.
- ▶ **“Smart” Maintenance and Asset Management Systems** help to advance our preventative maintenance and upgrade strategies to optimize performance, reliability and cost of new equipment.
- ▶ **Cost Management Strategies** strengthen our ability to secure favorable pricing when working with third party energy suppliers and local utilities, which helps to reduce the cost burden on our customers. As a business, we also seek out energy efficiency and alternative energy rebate programs, tax credits and incentives at federal, state and local levels, where available.

Energy Consumption by Type	2018	2019	%(+/-)
Electricity Usage (kWh)	67,933,680	62,468,448	-8%
Natural Gas (m3)	5,697,142	5,546,331	-3%
Propane (L)	160,095	123,110	-23%
Diesel (L)	52,160	30,303	-42%
Acetylene (m3)	311	113	-64%
GHG Emissions & Intensity			
GHG Emissions Scope 1+2 MTCO <sub>2</sub> e	35,584	33,446	-6%
Resource Intensity MTCO <sub>2</sub> e/ \$1M	22.68	20.84	-8%

### GHG Emissions by Region (MTCO<sub>2</sub>e)<sup>1</sup> 2018-2019



<sup>1</sup> The GHG accounting and reporting principles used apply to all facilities included in the scope of this report and are consistent with the GHG Protocol Guidance for Corporate Standards from the World Resources Institute, and the GHG Inventory Guidance for Direct and Indirect Emissions from the Environmental Protection Agency (EPA). Together, direct and indirect emissions produce carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). GHGs are represented in metric tons of carbon dioxide equivalent (MTCO<sub>2</sub>e).



**Hazardous and Non-Hazardous Waste**

At Watts, we comply with all local, national and international laws and regulations for municipal solid and hazardous waste disposal, wastewater recycling, effluents and stormwater discharges. No significant spills were reported at any of our operations in 2019.

Throughout the year, we worked to reduce and eliminate waste in our facilities through recycling programs, employee-generated Quick Kaizens and related continuous improvement activities. We replaced paper goods with reusable dishware, cutlery and cups, and installed direct-line water refill stations to encourage reusable water bottle use as a safer and more sustainable alternative to disposable water bottles.

**In 2019, we discontinued production of our quarterly printed newsletter, saving the company \$100,000 in production-related costs and 600 hours of labor annually – sparing the environment from the ink and paper stock used to print more than 360,000 pages.**

Hazardous Waste Output	2018	2019	%(+/-)
Intensity (Kg/\$1M Revenue)	1,318	1,307	-1%

**Hazardous Waste by Region (Kg)  
2018-2019**





## RESPONSIBLE SUPPLIER MANAGEMENT

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Our supply partners play an integral role in helping us deliver value to our customers. They supply important materials that go into our products, and provide services that support the production of finished goods throughout our operations around the world.

**As responsible environmental stewards, we are committed to preventing and mitigating negative social and environmental impacts in our supply chain. We partner with suppliers who share our values and high standards of ethical business conduct, and operate in an economically, socially and environmentally responsible manner.**

**Concerns or violations regarding our supply chain or supplier quality may be reported at anytime via our Ethics Hotline or website.**

### SUPPLIER STANDARD

We expect our suppliers to adopt the guiding principles outlined in our [Code of Business Conduct](#) and [Supplier Quality Manual](#), ensuring their business practices – along with their suppliers and sub-contractors – serve to:

- ▶ **Safeguard human life** by providing safe working conditions for all employees, customers and contractors. We expect suppliers to support and respect the protection of international human rights laws, including child labor, forced labor, human trafficking and laws prohibiting discrimination.
- ▶ **Promote ethical standards** through compliance with anti-corruption laws, and by identifying and addressing potential conflicts of interest with customers and suppliers.
- ▶ **Protect the environment** by limiting the use of natural resources and engaging in sustainable business practices that minimize the environmental impact of their operations. Suppliers should also support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility, and encourage the development and use of green technologies.
- ▶ **Keep the supply chain intact** by complying with all applicable national, regional, state and local laws and regulations governing the environment, and health and safety in the countries in which they operate. We require each supplier location to have a quality management system that meets our quality standards, and all suppliers are subject to routine audits, quality process checks and corrective action plans, when necessary. Suppliers are also measured for performance via monthly scorecards issued by Watts.



### CONFLICT MINERALS

Our products are made using various purchased components and raw materials, including primarily bronze, brass, cast iron, stainless steel, steel and plastic. Many of our products contain tin, tantalum, tungsten and gold (3TG) also known as “Conflict Minerals.”

We are committed to ensuring compliance with our reporting and disclosure obligations regarding Conflict Minerals in our products to the U.S. Securities and Exchange Commission (SEC) under the Dodd-Frank act. We also comply with all trade laws and regulations that are applicable to a global corporation. We are committed to compliance with these laws and regulations and expect the same from our suppliers.

As part of our Conflict Minerals Policy, we expect our suppliers to:

- ▶ **Disclose use of Conflict Minerals** by cooperating with our requests for information and documentation concerning the presence and origin of conflict minerals in the materials or products they supply to us, and that they make appropriate inquiries of their suppliers.
- ▶ **Exercise due diligence** on the source and chain of custody of conflict minerals in their supply chains by working with their suppliers to develop an understanding of the origin of these metals.
  - ▷ We do not mine or directly purchase Conflict Minerals from Conflict Mineral smelters or refineries, nor do we have any direct suppliers that are located in the Democratic Republic of Congo (DRC) or any countries adjoining the DRC.
  - ▷ Our supplier due diligence measures conform with criteria outlined in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict -Affected and High Risk-Areas, 3rd Edition, 2016 published by the Organization for Economic Cooperation and Development (OECD) – including related supplements for tin, tantalum, tungsten and gold.
  - ▷ Suppliers also are expected to provide their due diligence results to us upon request.
- ▶ **Implement corrective action** if we identify a reasonable risk that a supplier is violating the commitments set forth in our Conflict Minerals Policy or Supplier Quality Manual.

We reserve the right to request that our suppliers contractually agree to comply with the requirements of our Conflict Minerals Policy. We also reserve the right to request that our suppliers use all commercially reasonable efforts to supply us with materials that are “DRC conflict-free” and certify to such designation whenever possible.

Failure of a supplier to comply with the requirements set forth in our Conflict Minerals Policy or implement a corrective action plan may result in termination of our business relationship. Concerns regarding potential violations of our Conflict Minerals Policy may be reported via our Ethics Hotline or website.



Depending on the results of a “Reasonable Country of Origin Inquiry (RCOI),” we may need to perform additional due diligence on our suppliers. Failure of a supplier to comply with the requirements set forth in our Conflict Minerals Policy or implement a corrective action plan may result in termination of our business relationship.

**Disclosure and Reporting**

As a publicly traded company, Watts is required under the Dodd-Frank Act to file a Conflict Minerals Report annually with the SEC relating to our prior year’s worldwide manufacture of products that contain Conflict Minerals.

This report describes our RCOI process and the due diligence we conducted on the source and chain of custody of these Conflict Minerals. Our [2019 Conflict Minerals Report](#) was filed with the SEC on May 27, 2020 and published in the Investor section of our company website.

With a focus on driving continuous improvement in our due diligence efforts for Conflict Minerals, we took the following actions during the calendar year 2019:

- ▶ **On-site audits** of the company’s Taiwan-based suppliers, which are representative of the entire supply base in Asia, were conducted with respect to the methods, volume and sources of 3TG material purchases, to review material purchase records and material certifications.
- ▶ **Employee training** was provided to internal sourcing staff at Watts to further improve questionnaire software utilization skillsets, data analytics capabilities and engagement with 3TG Suppliers in our RCOI process.
- ▶ **Supplier contacts database review** was completed to update supplier contact information to engage more fully with key personnel at our largest conflict minerals suppliers.

**Additional Links:**

- ▶ [Supplier Quality Manual](#)
- ▶ [CA Supply Chain Disclosure](#)
- ▶ [Global Anti-Human Trafficking Policy](#)
- ▶ [Conflict Minerals Policy](#)
- ▶ [Conflict Minerals Report](#)





## COMMERCIAL EXCELLENCE

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At Watts, we have a rich history of making differentiated products, solutions and systems that improve comfort, safety and quality of life for people around the world.

From our humble beginnings as a small machine shop supplying parts to New England textile mills in the late 1800s, we've become one of the industry's premiere water technology providers – generating global demand for our vast portfolio of products and solutions from a growing family of preferred brands.

**As a global leader, we are committed to designing products and technologies that are equitable, efficient and environmentally sustainable to protect our water resources, and our planet's future.**

**PRODUCTS AND CONNECTED SOLUTIONS**

At Watts, our goal is to be a solutions provider, not merely a components supplier. We strive to invest in product innovation that meets the needs of our customers.

While we remain focused on developing many of the same quality technologies that put us on the map over 145 years ago, we are committed to minimizing the impact of our product portfolio on society and the environment.

In recent years, we made a deliberate shift to deliver superior customer value by leveraging the Internet of Things (IoT), and transforming our traditional and mechanical products into smart and connected solutions.

Our strategy includes three dimensions: Connect, Control and Conserve. We've introduced new products that connect our customers with smart systems, control systems for optimal performance, and conserve critical resources by increasing operability, efficiency and safety.

**As we continue to invest in our smart and connected strategy, our goal is to derive 25% of our revenue from smart and connected products by 2023.**



### Safety and Regulation

We provide the highest levels of performance in the safeguarding of water systems. We are dedicated to ensuring our products comply with and, in many cases, set the standard for local and national plumbing codes.

Ensuring water is safely used and disposed of from a facility is a critical concern for our customers. We are committed to developing innovative products according to strict standards that ensure manufacturing compliance, installation and operational safety, clean and pollution-free water supply, and customer satisfaction.

Products and solutions in our **Safety and Regulation** portfolio are designed to address water contamination, scalding, legionella, water pressure and flow control:



**Backflow Preventers** protect residential, commercial, and municipal drinking water by preventing chemicals and pollutants from contaminating drinking water systems.

**Watts continues to be a leader in the development of codes related to backflow and other plumbing safety issues.**

**Safety and Regulation**



**UV Water Disinfection Systems** like the *Watts SmartStream™* use 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, SmartStream can disable up to 99.9999% (6-log) of harmful organisms without the use of chemicals. In addition, its auto shut-off and dimming features reduce energy consumption by up to 46% and eliminate heating of water during low-demand periods.



**Automatic Control Valves** from Watts 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.

By reducing overall water consumption, customers save up to an additional 30% on costs related to heating the water.

Safety and Regulation

# SAFE AND EFFICIENT TEMPERED WATER RECIRCULATION



Water Tempering Systems such as the Powers IntelliStation™ and IntelliStation® Jr. are digital mixing systems used to efficiently monitor and control mixed outlet water temperatures in facilities. These “smart” systems provide safer, more efficient hot water delivery at point-of-source, as well as remote monitoring and control through a facility’s building automation system.

Our tempering systems are designed to manage water temperature more efficiently, which helps our customers conserve energy, mitigate health risks and reduce energy costs.



Safety and Regulation



**Chemical Waste Drainage Systems** including *Orion* piping systems provide safe, innovative, and economical piping, neutralization, and monitoring systems that help check effluent before it enters the public drainage system.

Chemical waste pipes and fittings must meet stringent demands for laboratory waste requirements to ensure safety. Our line of chemical waste pipes and fittings delivers strength, superior chemical resistance, fire resistance and other essential characteristics. When combined with Orion neutralization tanks and monitoring systems, these products protect both sewer systems and the environment from water with harsh or corrosive properties.



**Lead Filtration Systems** like *Watts Pure H2O* and *Pure Water* provide protection from lead and other contaminants, and connect directly to most standard kitchen and bathroom faucets. The high capacity, single-stage Watts Pure H2O and Pure Water Lead Filtration System is certified to reduce cysts, chlorine, taste odor, lead and sediment for great-tasting, safer potable water.

Our Pure H2O and Pure Water Lead Filtration System is tested and certified to remove up to 99.7% of lead and up to 99.9% of cysts, providing a simple, low cost solution for protecting drinking water.

**Energy Efficiency**

Watts develops critical components that support and enhance the operation of environmentally sustainable and energy-efficient plumbing, heating and cooling systems. Customers rely on the products and solutions in our **Energy Efficiency** portfolio for the most efficient conversion of energy sources into useful heat and hot water:



**Anti-Scale Systems** including the *OneFlow*® prevent hard water scale in water heaters, pipes, and fixtures eliminating the presence of salt and other chemicals found in traditional water softeners.

With *OneFlow*®, its simple flow-through design offers significant space-savings and eliminates the need for external power – and it saves water by eliminating the need for backwashing, as well as electricity by eliminating regeneration cycles.



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

By balancing these systems to avoid wide temperature variations among rooms, these valves can reduce energy consumption by 25-35%.

Energy Efficiency

# SIMPLE AND INTELLIGENT CLIMATE CONTROL



**Smart Home Management with the *Invita*® WiFi Thermostat** simplifies upgrading to a smart thermostat by using the two wires found on older mechanical thermostats typically used for heat-only applications. The 2-wire solution reduces install time by re-using existing wires to connect to the included HVAC Interface Module (HIM) in the mechanical room while offering customers a modern, connected experience.

The *Invita*® WiFi Thermostat app and voice command features allow for simple and convenient control, optimizing indoor climate needs and thereby increasing energy efficiency.



Energy Efficiency

# SAVE ENERGY AND REDUCE EMISSIONS



**Condensing Boilers** like our *AERCO Benchmark Platinum Boiler* improve energy efficiency by increasing condensing in the heat exchanger, which provides increased energy savings, lower emissions and seasonal efficiency gain. The *Edge® Controller* makes startup and maintenance even easier with EZ Setup and Combustion Calibration Assist, while the Edge Mobile App enables full unit setup and control with enhanced diagnostics and configuration capabilities.

The efficiency ratings of AERCO gas fired boilers and heaters are consistently 90-99% as compared to the lower efficiency commercial models that peak at 80%. Additionally, these high-efficiency boilers require 15% fewer run hours per year. This for an average multifamily, commercial or industrial facility means running the equipment 300-500 hours less per year per unit.



**In 2019, our high-efficiency gas fired boilers and water heaters helped reduce over 110,000 tons of CO<sub>2</sub> – that’s three times more CO<sub>2</sub> than Watts itself generates.**

**Water Conservation**

For more than 145 years, Watts has developed products, components, and systems that conserve water, reduce waste and exceed conservation requirements. End users, architects and engineers choose the products and solutions that comprise our **Water Conservation** portfolio for their unique qualities and ability to meet the design challenges of a water-scarce world:



**Water Pressure Reducing Valves** from Watts are used in buildings and homes to reduce incoming water pressure to a lower predetermined level.

**Our Water Pressure Reducing Valves protect downstream plumbing system components and reduce water consumption by up to 30% annually.**



**Hot Water Recirculating Systems** from Watts provide instant hot water at every faucet or shower in the home, avoiding the need to run water until it warms up.

**Our Hot Water Recirculating Systems save an average of 12,000 gallons per household per year and up to 10% on water bills.**

**Water Conservation**



**CAPTURE RAINWATER AND  
PRESERVE NATURAL RESOURCES**

**Rainwater Harvesting Systems** including Watts RainCycle™ efficiently capture, store, and treat and deliver rainwater for non-potable reuse, and reduce storm water runoff to sewers.

**In addition to contributing to LEED green building certification, our Rainwater Harvesting Systems conserve water, save natural resources, and help our customers advance their sustainability objectives.**

Water Conservation

# SUPERIOR HYGIENIC DRAINAGE SOLUTIONS

**Stainless Steel Drains** such as *BLÜCHER HygienicPro®* drains and channels are designed for the food and 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 and help increase the life of floor coatings and concrete subfloors. These stainless-steel drains are made with recycled material, which significantly reduces energy used, CO<sub>2</sub> emissions and waste.**





## CUSTOMER EXPERIENCE

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At Watts, we are rethinking the real, everyday challenges our customers face. We are reinventing the solutions we develop and we are reimagining our potential.

In addition to increasing demand for connected product solutions, our customers are looking for smarter ways to work safely, efficiently and more effectively with digital tools, technologies and resources that:

- ▶ Promote safety and ensure data security
- ▶ Enable informed, data-driven decision making
- ▶ Deliver powerful, consumer-friendly experiences and
- ▶ Accelerate learning and development

**As a strategic business partner and solutions provider, we are committed to delivering superior value and exceptional customer experiences that pave the way for future growth and success.**



**CUSTOMER SAFETY AND PROTECTION**

Safety is a top priority at Watts. We are committed to developing quality products and solutions that perform as initially intended, and in a manner that does not pose a risk or threat to an individual’s safety or wellbeing.

Watts has consistently advocated for the development and enforcement of plumbing codes. The majority of our sales come from products that have been approved under regulatory standards incorporated into national, state and municipal plumbing, heating, building and fire protection codes all around the world.

We manufacture quality products that are safe, reliable and code compliant. We maintain stringent quality control and testing procedures at our manufacturing facilities in accordance with superior quality standards, and strict performance criteria outlined in local, national, and international codes and standards.

Our manufacturing facilities undergo routine audits for process and quality control procedures, ensuring that both our processes and products have consistent quality control throughout the product life cycle. We conduct product testing – and periodic re-testing for re-certification – in accordance with standard compliance methodologies and the following independent testing and certification organizations:

Americas	Europe
<ul style="list-style-type: none"> <li>▶ American Society of Mechanical Engineers (ASME)</li> <li>▶ America Water Works Association (AWWA)</li> <li>▶ Canadian Standards Association (CSA)</li> <li>▶ American Society of Sanitary Engineering (ASSE)</li> <li>▶ American National Standards Institute – Leadership in Energy &amp; Environmental Design (LEED)</li> <li>▶ University of Southern California Foundation for Cross - Connection Control and Hydraulic Research (USC FCCC &amp; HR)</li> <li>▶ FM Global (FM)</li> <li>▶ NSF International (NSF)</li> <li>▶ Underwriters Laboratories (UL)</li> <li>▶ National Board (NB)</li> <li>▶ Environmental Protection Agency (EPA)</li> <li>▶ Californian Energy Commission (CEC)</li> <li>▶ Plumbing and Drainage Institute (PDI)</li> </ul>	<ul style="list-style-type: none"> <li>▶ AFNOR (France)</li> <li>▶ DVGW (Germany)</li> <li>▶ UNI/ICIM (Italy)</li> <li>▶ KIWA (Netherlands)</li> <li>▶ SVGW (Switzerland)</li> <li>▶ SITAC (Sweden)</li> <li>▶ WRAS (United Kingdom)</li> <li>▶ CEN (Denmark)</li> </ul>
	International
	<ul style="list-style-type: none"> <li>▶ International Code Council (ICC)</li> <li>▶ International Association of Plumbing and Mechanical Officials (IAPMO)</li> <li>▶ SAI Global (Watermark Certification) Australia</li> </ul>

### Privacy and Data Security

At Watts, we believe that transparency is key to building and maintaining trust with all our stakeholders. We are dedicated to the protection of human rights, including an individual's right to privacy.

Through our [Privacy Policy](#), we take care to inform users who visit our websites, use our mobile technologies or interact with our services about the data we collect from them and how we use it.

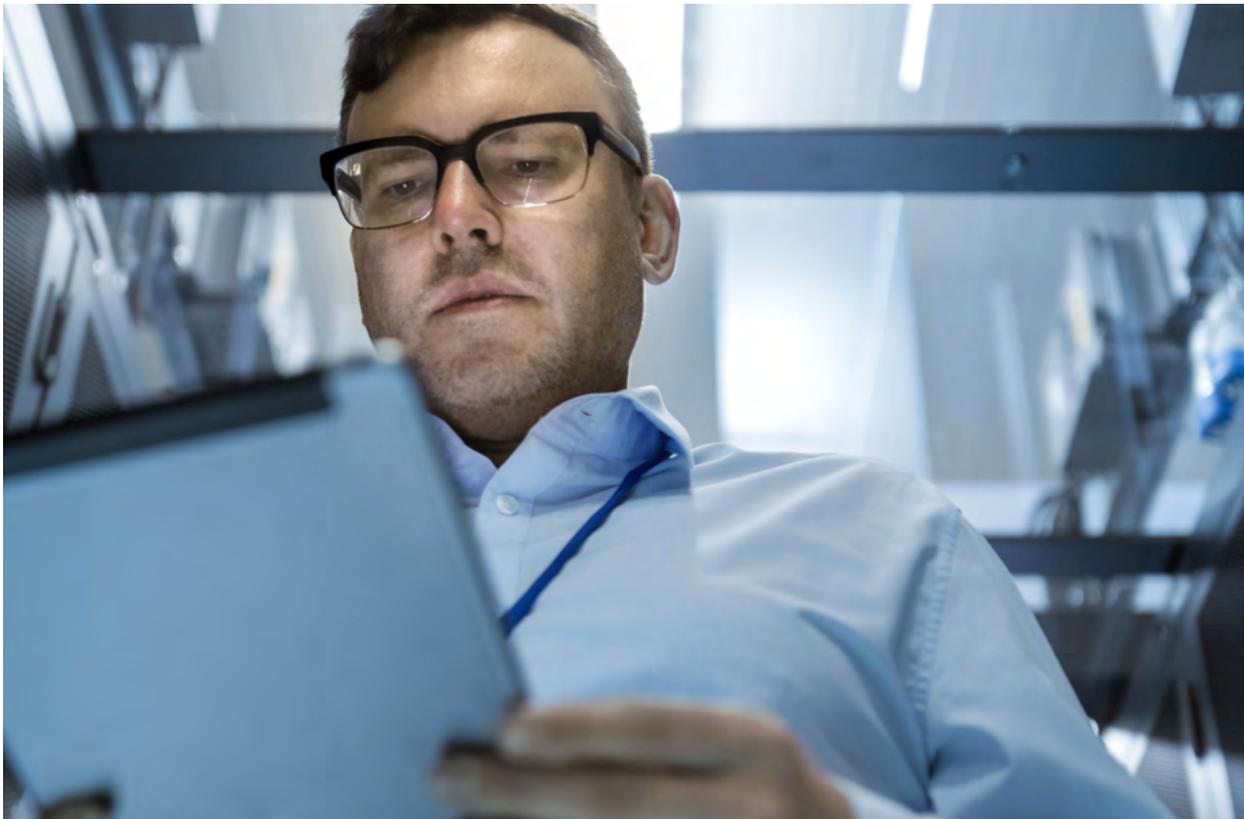
We take measures to protect consumer privacy through data de-identification, aggregating or anonymizing personal information used so it can no longer identify the person. We strive to give users choices that allow them to control the information they provide to us such as opting out of promotional emails, disabling cookies in their internet browser settings and optional product registration.

Also, we respect the privacy of children. For their safety and protection, individuals under the age of 18 are not permitted to use our products and services. Our products and services are not designed to attract anyone under the age of 18, nor do we collect a child's personal information.

Our Privacy Policy applies to Watts, and its affiliates, subsidiaries, divisions and companies. We update the policy regularly and ensure the most updated version is available on our website. Material changes to our Privacy Policy are communicated to users via our services and / or through email.

Data security is also important to Watts. We believe consumer data should be handled safely and responsibly, and we are committed to protecting it. All browser sessions on our websites are secured through an encrypted protocol to safeguard communications between the user's internet browser and our servers.

Users with questions or comments about our Privacy Policy and our privacy practices, can contact us by phone at (877) 689-6066 or via email at [privacy@wattswater.com](mailto:privacy@wattswater.com).



**Product Labeling and Marketing**

We strive to create transparency and a superior buying experience for our customers. We believe in providing information about our products and services that is accessible, and helps our customers make informed purchase decisions.

Watts only uses substantiated claims in its advertising, marketing and sales materials. We take care to include product use instructions and warnings that are clear and easy for the end user to understand. Our products are labeled appropriately and in accordance with legal, regulatory, or contractual requirements.

Our packaging also includes clear information about the product, including size, description, model number and if it is “lead free.” Many product labels also include QR codes, which allow customers to quickly access information and resources from their mobile devices.

Labels for products traditionally sold in the retail market in North America include translations in both Spanish and French, creating more equal access for our diverse audience of customers.

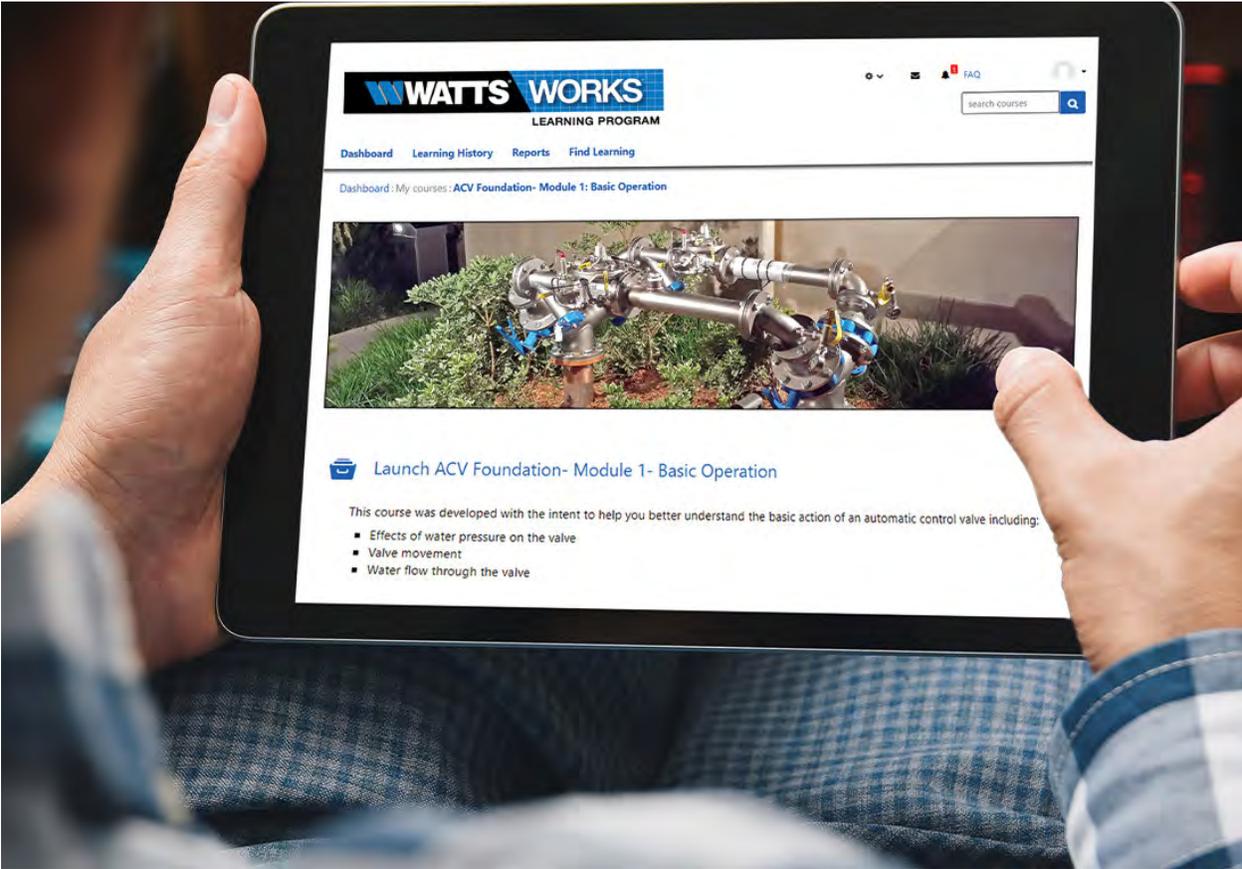
Also, we engage in responsible sales and marketing practices that are fair, transparent, and help to promote economic efficiency and sustainable growth. At Watts, we believe in promoting our services honestly, and educating our customers about the appropriate use of our products.

We expect our employees to be clear, accurate and truthful when representing the quality, features and / or potential hazards of our products. All of our marketing materials go through a standard review process with our Legal department prior to the release of facts or comparisons of our products alongside our competitors.

Also, we compete on the merits of our products and services, and make no attempts to restrain or limit competition. We strictly adhere to “antitrust” laws in the U.S. and “competition” laws in countries in which we operate our business.

At Watts, we operate within the boundaries of fair competition and antitrust laws, and we are committed to delivering value to our customers and suppliers by rejecting conduct that undermines fair, stable and open markets.





### CUSTOMER TRAINING AND DEVELOPMENT

The skills shortage is one of the biggest threats facing the plumbing industry. At Watts, we recognize this reality and are committed to narrowing the gap.

Through our **Watts® Works<sup>SM</sup> Learning Program**, we provide experienced and next-generation plumbing professionals with opportunities to gain knowledge and develop the skills needed to specify, install, use, and maintain the products and solutions that span our family of brands.

**In 2019, it was a banner year for our learning program at Watts. Each dimension of the program expanded. In all, we delivered training in person and online to more than 60,000 customers in North America alone, a 126% increase compared to the prior year. Most notably, course completions through Watts® Works<sup>SM</sup> Online – our enterprise eLearning system – surpassed 34,000, which is more than four and a half times the total in 2018.**

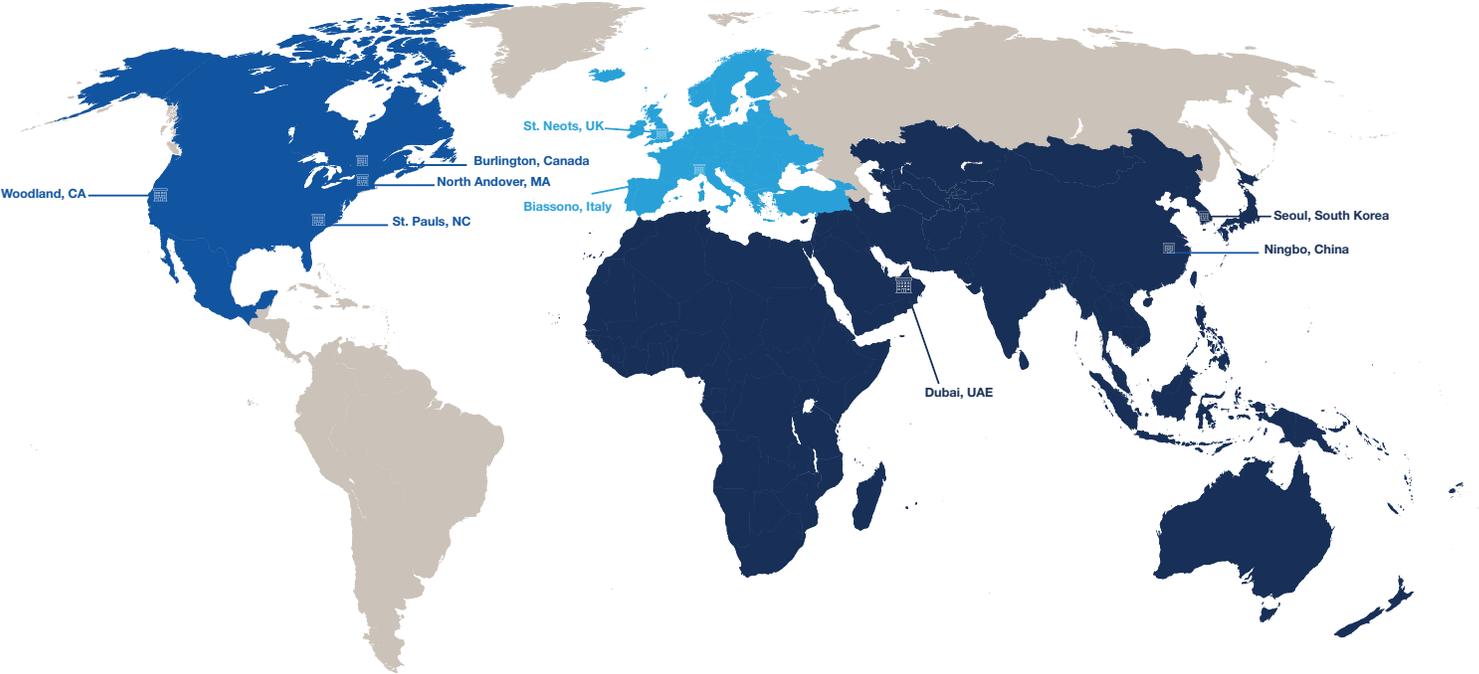
Watts Works Online offers on-demand training modules and videos on Watts products and solutions. More than 240 courses are available to our customers 24 hours a day / 7 days a week.



**Watts® Works™ Learning Centers** feature state-of-the-art classrooms and hands-on industrial labs to experience our products in real world environments.

In 2019, we continued to invest in our training capabilities, opening new Learning Centers in Ningbo, China and St. Neots, U.K. Watts now has nine Learning Centers worldwide, a 28% increase from 2018.

**Global Training Footprint: Watts Works Learning Centers**





**Instructor-Led Classes** from highly qualified professionals provide customers and sales representatives with the knowledge they need through classroom, and hands-on training and instruction.

In 2019, we conducted more than 1,000 in-person training sessions – up 25% from 2018.



**Accredited Course Offerings** help architects and engineers earn continuing education units (CEUs) through our partnership with the American Society of Plumbing Engineers (ASPE).

In 2019, our customers earned 75% more CEUs than in 2018 with over 5,400.

**Environmental Stewardship**



**Internal Growth Conferences** support education and training programs in emerging and developing economies around the globe. Wholesalers, engineers, contractors, distributors and government officials attend these gatherings to learn about best practices in establishing plumbing standards.

In 2019, we convened events in Kuwait, UAE, Jordan, China and South Korea.



**Thought Leadership** on key issues and related industry topics is driven by our cadre of subject matter experts from around the world. Throughout the year, Watts representatives author feature articles that regularly appear in trade publications and present as guest speakers at industry conferences.

In 2019, Watts hosted its 2<sup>nd</sup> annual Healthcare Symposium at our Corporate Headquarters in North Andover, MA, USA. Experts provided insights and shared best practices on emerging issues, including Legionella and other waterborne pathogens. Attendees toured our training facility and lab, and learned how our products and solutions help to mitigate these risks.

**CONNECTED CUSTOMER SOLUTIONS**

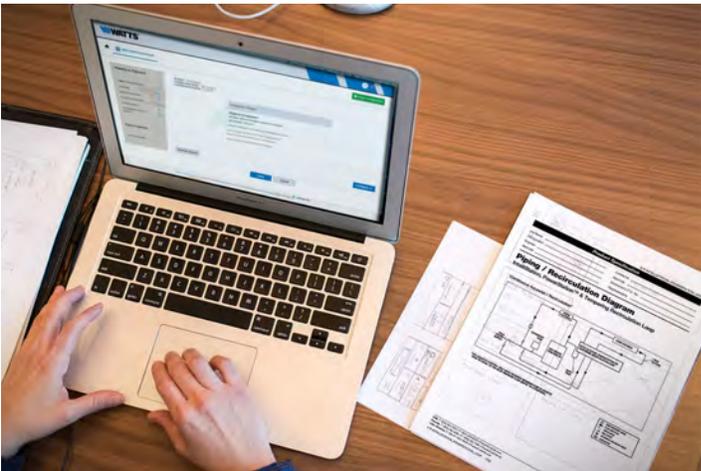
Connected solutions enable customers to monitor the performance of their products and systems allowing them to make real-time decisions, improve system performance, and save energy, resources and costs.

Watts is committed to providing connected customer solutions, and other digital tools and resources to support our customer’s energy and environmental goals, as well as their day-to-day needs:



**Watts® Pro Mobile App** provides instant mobile access to in-depth product resources, including specification sheets, installation instructions, instructional and troubleshooting videos, and part numbers. There is also the option for customers to register any installed products, even if the products are not purchased from Watts. Once products are registered, customers can keep track of projects, add service notes and installation assets, set maintenance and inspection reminders, and manage service history.

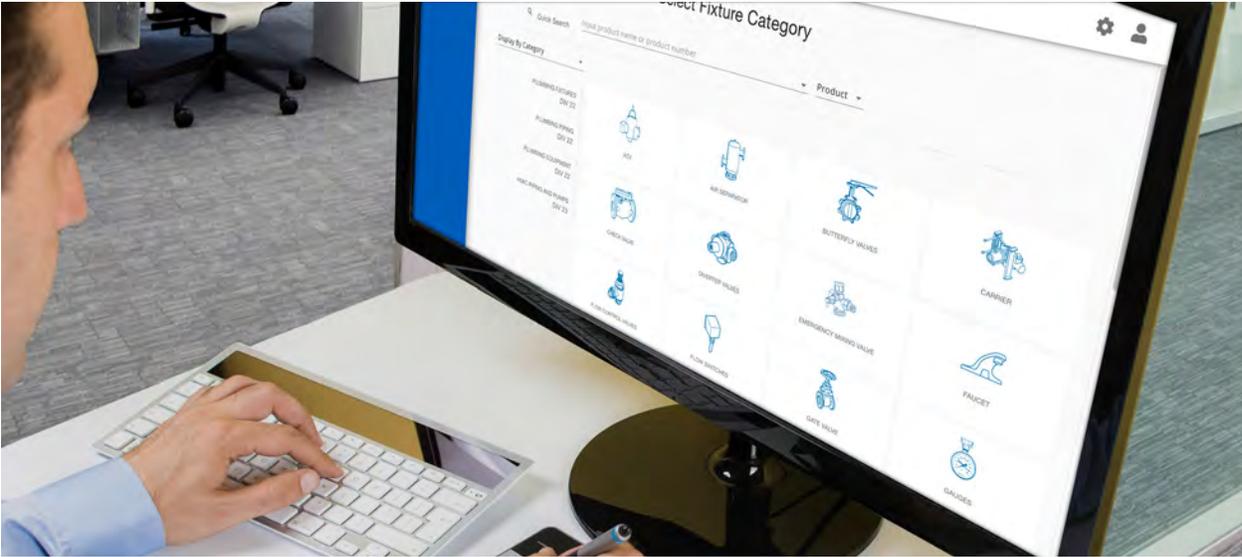
**Watts® Pro Mobile App provides a mobile solution for customers to learn more about our products, as well as ensure proper installation and maintenance practices in the field.**



**Selexit™ Product Configurator** is an online platform built to help streamline and accelerate our customers’ work by generating precise, optimal Watts system configurations. Once customers create an account, the process for sizing and selecting solutions is quick and efficient. Users simply select the product category they want to configure and enter in the required application information. Then, Selexit™ handles the configuration results, accurately sizing and configuring solutions like automatic control valves, mixing valves and snow melting systems.



**Syncta<sup>SM</sup> Backflow Test Management Software** is a cloud-based solution owned by Watts that makes backflow testing easier from initial inquiries to invoices. Our management software gives customers the opportunity to spend less time managing test reports and spend more time growing their businesses. With Syncta, customers can enter test results of registered backflow products by phone, tablet or laptop while on site. Then, in sixty seconds or less, a pdf report can be viewed, approved and submitted instantly, eliminating the need to submit printed paperwork. We also understand that most water utilities require unique backflow test reports from our customers, which is why we've gathered the largest collection of reports and resources available today. If customers can't find a specific form in our library, Syncta will create it at no charge. This software is truly molded by our user, whose changing needs drive our customer-centered software updates. Additionally, feedback received by customers is always integrated as quickly as possible, to keep them one step ahead of the competition.



**SpecHUB<sup>TM</sup> Project Specification Tool** is a comprehensive resource that allows engineers, architects and design build contractors to quickly generate specifications for projects by selecting Watts products, creating submittal packages and plumbing schedules, and sharing project information with colleagues. This project specification tool saves our customers time on research by providing instant access to relevant product information, giving customers the option to specify and select Watts products according to specific building requirements and codes. SpecHUB<sup>TM</sup> also saves our customers time by generating detailed written specifications, plumbing schedules, BIM files, submittals and more for their specific projects.



### ADDITIONAL CUSTOMER RESOURCES

We are dedicated to providing our customers with best-in-class product information, and a simple and consistent user experience. This allows our customers to create and choose the most optimal products and designs for their solutions, increasing efficiency, and reducing consumption and waste.

**In 2019, we continued our digital customer experience transformation. We added 15 Watts brands and regions to the new-and-improved Watts.com, and made additional improvements to strengthen our digital campaigns, social media presence and global website platform.**

### Design Tools

Our website is a treasure trove of useful information and customer resources, and we are committed to investing in its future growth. Our Design page makes selecting the right product, understanding compliance, and installing and maintaining products easy for customers:

- ▶ **BIM and CAD Drawings** provide customers with 2D and 3D design files in a variety of industry formats, including Revit. BIM files help streamline the building design process by helping to identify design conflicts before construction begins.
- ▶ **Design Stencils** help customers create their own mechanical and electrical drawings in Microsoft Visio® using a free library of shapes.
- ▶ **Product Specification Sheets** contain important information like materials, performance and associated agency approvals.
- ▶ **ASSE Reference Table** highlights which Watts products comply with various ASSE International product performance standards.

### Other Sizing and Selection

Tools that assist customers in sizing and selection include our Product Cross-Reference Tool, which matches Watts model numbers with other manufacturers' model numbers. Our Expansion Tank Sizing Calculator provides sizing recommendations for potable and non-potable tanks, along with our WPRV Sizing Calculator, which helps properly size water pressure reducing valves to prevent noisy operation or premature valve failure.

### Helpful Resources

We believe in providing our customers with a personalized user experience that supports them throughout the product life cycle. Our [Resources](#) page includes several unique landing pages specifically tailored for different types of customers, including contractors, engineers, wholesalers and facilities managers. Other educational material we make available to our customers includes an extensive library of how-to videos, installation manuals, case studies, product catalogs, price lists and FAQs.

## Social Responsibility

At Watts, our commitment to sustainability extends beyond reducing our environmental impact and preserving the welfare of our natural resources.

We care deeply about people. Our employees, customers, shareholders, business partners, suppliers, Board of Directors and the communities that surround us.

**Together they form the social ecosystem that gives our mission life. As human rights supporters and advocates, we are committed to protecting and enriching theirs.**





## OPERATIONAL EXCELLENCE

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Our track record of success is largely attributed to the way we operate our business around the world – what we often refer to as the “One Watts” way.

We achieve operational excellence through a combination of systems, standards and industry best practices, and a cultural mindset focused on safety, quality and continuous improvement.

**Through this integrated framework, our empowered employees produce a breadth of innovative technologies and solutions for our customers, return value to our shareholders and drive sustainable business growth for our future.**

### ONE WATTS PERFORMANCE SYSTEM

We believe that a business performance system is a key differentiator that separates good companies from the truly great ones.

The One Watts Performance System (OWPS) is powered by a collection of tools, processes and behaviors that feed our continuous growth and potential, and fuel our future performance and success.

Designed with our customer at the focal point, the OWPS serves as the foundation from which our operational journey is defined. Its three dimensions include **Strategy** (How We Win), **Culture** (How We Act) and **Process** (How We Work).

**In 2019, the OWPS continued to evolve, adding new initiatives and technologies to drive productivity and operational efficiencies, and generate significant cost savings – all of which contributed to our strong financial performance last year.**





### **Goodness Savings Initiative**

Last year, we launched our “Goodness Saving Initiative” (GSI) across the organization and it continues to deliver value. The large-scale continuous improvement effort focused mainly on identifying and generating cost savings in plant productivity, working capital, operational excellence and organic growth. All activities are captured in a cloud-based project portfolio management system, which allows us to track and monitor our progress globally.

**In 2019, our GSI campaign generated tens of millions of dollars in cost savings.**

### **Quick Kaizen Hub**

We also rolled out a fully automated online portal that centralizes the company’s smaller-scale, incremental continuous improvement efforts. The Quick Kaizen Hub is mobile friendly and captures all Quick Kaizen submissions from employees in one place. Submissions are tracked, and can be searched with ease using multiple filtering capabilities. Each month, the continuous improvement team announces the best submissions received and winners receive a branded “Official Wasteologist” shirt.

**In 2019, employees submitted 300 Quick Kaizens to the Hub and that number has since risen to more than 1,000. Additionally, we added “Sustainability” as a category for Quick Kaizen submissions in October last year, which continues to trend upward.**

### **Continuous Improvement Training**

Our continuous improvement training program helps employees learn about lean tools and strategies, and how to apply them in their day-to-day work.

**In 2019, nearly 1,000 employees completed Blue Belt, Green Belt or Black Belt training.**

### OCCUPATIONAL HEALTH AND SAFETY

At Watts, we believe that occupational injuries and illnesses are preventable, and that no activity is so important that it cannot be done safely.

We recognize healthy and safe working conditions as a human right, and are committed to protecting the health and safety of all our employees working at our facilities around the world. This commitment extends to contractors, visitors, customers, suppliers and any other business partners with whom we have business relationships.

Our **Occupational Health and Safety Management System (OHS)** is another critical element of our Environment, Health and Safety (EHS) Management System, and EHS & Sustainability Policy – which together – promote our standards of operational excellence at Watts.

Our OHS provides the framework from which we deliver best-in-class performance, while ensuring our facilities operate safely, ethically and responsibly, and with the highest regard for protecting human life, and providing safe and healthy working conditions.

Any Watts employee or outside contractor working on our behalf has the right to refuse or stop unsafe or unhealthy work, including removing themselves from situations they believe could cause them or another person injury or ill health.





### Safety Practices

Like any world class safety organization, we strive for a Zero Hazard: Zero Injury workplace. Our ZERO strategy is the engine that drives our safety culture. It empowers our employees with the knowledge, tools and resources they need to effectively identify hazards, mitigate risks and explore opportunities for continuous improvement, including:

- ▶ **Job Hazard Analyses** help employees 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 regularly throughout the year where employees and site leaders meet to discuss safety performance and related issues, and identify opportunities for improvement.
- ▶ **Safety Reporting** involves Safety Observations (“I think this is unsafe”) and Near Misses (“a safety event occurred, but nobody was hurt”). Employees use these safety reporting techniques to document potentially unsafe conditions, and escalate them to their manager, safety representative or HR representative.



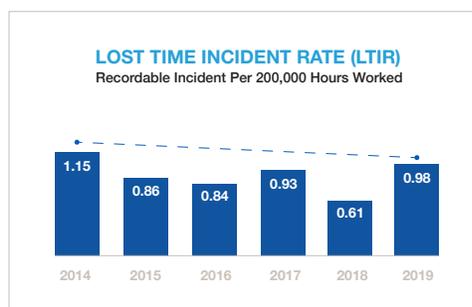
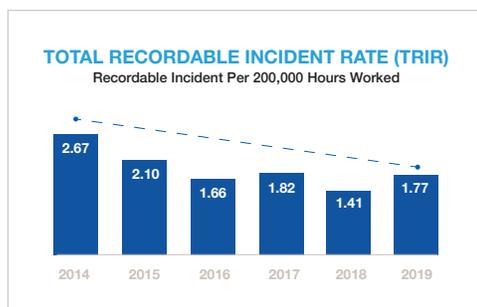
**Safety Awareness Campaigns** are typically launched each year at Watts to help employees keep safety top of mind in their day-to-day activities.

In 2019, we launched our “Safety Stand-Down” campaign. More than 2,200 shirts were shipped to 22 sites throughout the U.S., Canada and Mexico. Shirts were distributed locally to sites in Europe and APMEA.

## Safety Performance

As part of our EHS Management system, we evaluate progress made on safety goals each month. Our global Safety Performance Scorecard measures five indicators: Total Recordable Incident Rate (TRIR), Lost Time Incident Rate (LTIR), Near-Miss Reporting, Safety Observation Reporting and Risk Reduction Scores.

In 2019, we saw a modest increase in recordable injuries, most of which came from a small subset of the locations that encompass our global footprint. We continue to execute on a robust “Get well” strategy to reduce injuries at these sites by 50% throughout 2020.



## Safety Milestones

Since 2014, our collective efforts to reduce workplace injuries continues to trend favorably, and is a testament to our commitment to safety and continuous improvement at Watts. In 2019, many of our sites around the world celebrated safety milestones or related achievements:

- ▶ **Zero Injuries** – Ten sites recorded zero injuries with half of those sites marking two years of injury-free operations, including Fort Myers, FL, USA; Sparks, NV, USA; Sorgues, France; St. Neots, UK; and Dattenberg, Germany
- ▶ **Reduced Lost Time Incident Rates** – Seven sites reduced their year-over-year (YoY) incident rates, including two of our largest sites in Franklin, NH, USA and Vildbjerg, Denmark whose LTIRs decreased by 60% and 23%, respectively.
- ▶ **Combined Rate Reductions** – Our Heating and Hot Water solutions (HHWS) platform – which operates across four sites in the U.S. – improved its overall TRIR by 33% and LTIR by 71% in 2019 compared to the prior year. Of note, Fort Worth, TX, USA, reduced its TRIR by 45% and LTIR by 52%.
- ▶ **Industry Certifications** – Our manufacturing facilities in Rosières, France, Plovdiv, Bulgaria and Ningbo, China maintained the OHSAS 18001 certification – the British Standard for Occupational Health and Safety Management Systems.





## PEOPLE AND CULTURE

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No matter what industry you are in, the most successful companies unlock their true potential when their workforce is equipped, energized and empowered to realize their own.

Our dedicated employees are the lifeblood of Watts. Their unique talents, diverse backgrounds and meaningful contributions have enabled us to serve our customers for more than 145 years.

**No matter what job they do or from where, our employees continue to find ways to make Watts a great place to work, and the world an even better place to be.**

### TALENT MANAGEMENT

At Watts, we are committed to attracting, developing and retaining the best talent in the industry. We aim to provide a safe and inclusive work environment that powers a high-performance culture with opportunities to develop and grow, where the sharpest minds can thrive, and our legacy and future success can prosper.

In 2019, we made strategic investments in our employer value proposition and brand, including new partnerships with Glassdoor and a leading global e-learning solutions provider. Also, the global HR team made great strides to advance our talent management, diversity and inclusion, and operational excellence initiatives:

- ▶ **Glassdoor Rating** improved by 19% (from 2.7 to 3.2).
- ▶ **Diversity and Inclusion Training** helped select hiring managers improve their skills to identify bias and promote more inclusive hiring practices.
- ▶ **Employer Branding Affinity Group** formed to advance the company's employer branding efforts through workstreams focused on talent management, diversity and inclusion, and corporate social responsibility.
- ▶ **Global HR Dashboard Integration** with our HR information system strengthened our data, analytics and reporting capabilities for enhanced human resource management.

**HR Kaizen Event eliminated a dozen steps, accelerating the hiring and onboarding process by 38%, and improving the candidate experience.**





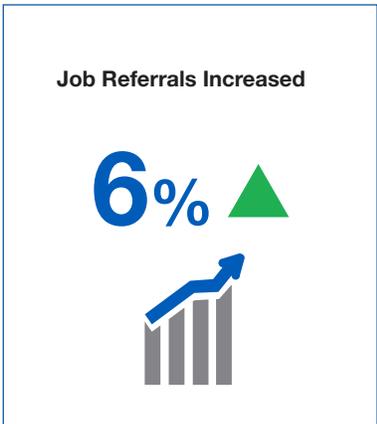
### Talent Acquisition

As an equal opportunity employer, we strive to recruit and hire a diverse slate of qualified candidates for every open position and across all levels within the organization.

Our recruiting activities focus on attracting prospective employees who identify with our mission, vision and values, and share our passion for making the world a better place with products and solutions that promote a more sustainable future.

We source talent through employee referrals, recruiting agency partnerships, college / university career fairs and events, and external job sites, as well as our own website.

**In 2019, Watts provided job openings to more than 100 minority, disabled and female-owned recruitment firms in the U.S.**





**Early-in-Career Program**

Our **Early-in-Career Program (EIC)** aims to recruit, develop and retain the next generation of top talent and future leaders at Watts.

**In 2019, more than 80 students and young professionals participated in our EIC program, representing all regions of Watts.**

**Leadership Rotationals** include recent college graduates who are hired as full-time employees for a three-year period. Typically, they serve in a specific role for one year before rotating to the next, which can span different business functions at Watts.



**In 2019, females represented 45% of our global contingent of Leadership Rotationals.**

**Interns** include college students who participate in a variety of training and development activities, as part of a 10-week summer program. At the end of their internship, participants present their learnings and experiences to our executive leadership team.

**Co-Ops and Apprentices** include college students who participate in key projects over a period of 6-8 months. Participants are paired with a mentor for guidance and support.

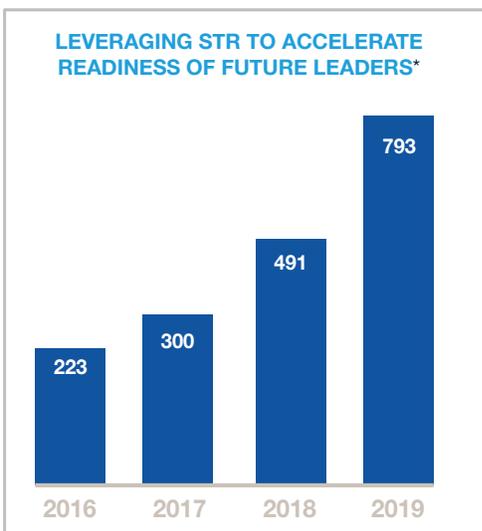


## Workforce Planning

Our approach to workforce planning provides a systematic framework that drives us to understand the current state of our global talent pool matched against business needs today and into the future, and how we can solve for the gaps that may exist.

**Strategic Talent Review (STR)** covers employee performance / potential (Calibration), how employees fit into future positions (Succession) and development needs required (Development Plans). Business 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 allows us to consider the company's future growth and identify new positions that need to be filled to advance future business improvement. Also, we discuss succession planning at the executive level annually with our Board of Directors. Additional STRs are conducted on a quarterly basis for specific functions and business lines, which are also shared with the Board.



*\*Numbers represent total employees included in our annual STR process.*

Since 2016, our STR process has matured considerably. In 2019, we accelerated our efforts to create greater succession depth throughout the organization by cascading this activity down by two levels – and reaching 62% more employees than the previous year.

We believe this will help us identify our high potential employees faster and sooner, so we can accelerate their readiness as future successors.

## Talent Management Scorecard

Talent Management Scorecards are produced monthly and quarterly, and presented to our Global Leadership Team for review. The scorecard highlights progress made on goals and initiatives across the HR business function. It also provides an at-a-glance view of key metrics that are essential to promoting a talented and diverse global workforce, including headcount, labor efficiency, turnover, internal fill rate, new hire diversity, recruiting, learning and development, employer branding and employee engagement.

**DIVERSITY AND INCLUSION**

Our success depends largely on a sustaining a diverse, multinational, multi-generational workforce. We recognize and value the breadth of diversity inherent within our ranks and are committed to embracing the cultural nuances that make us all unique.

We aim to promote a safe and inclusive workplace culture based on our values, mutual respect and dignity, and by ensuring measures are in place to safeguard an individual’s human rights. We 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, and hours and benefits, as well as laws prohibiting forced, compulsory and child labor. We acknowledge and respect all reputable human rights treaties.



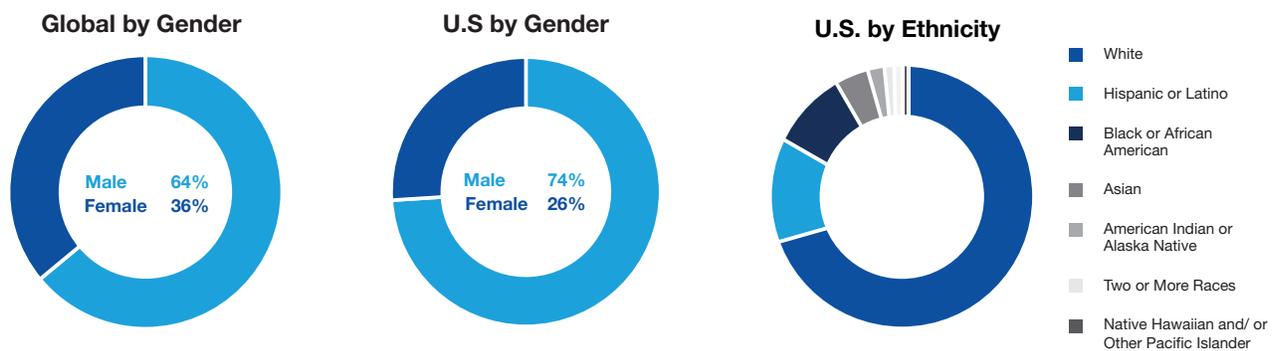
## Diversity Profile

As of December 31, 2019, Watts employed approximately 4,800 people on five continents and in 23 countries worldwide – and across three geographic segments: Americas, Europe and APMEA. In 2019, our voluntary turnover rate was 5.1%.

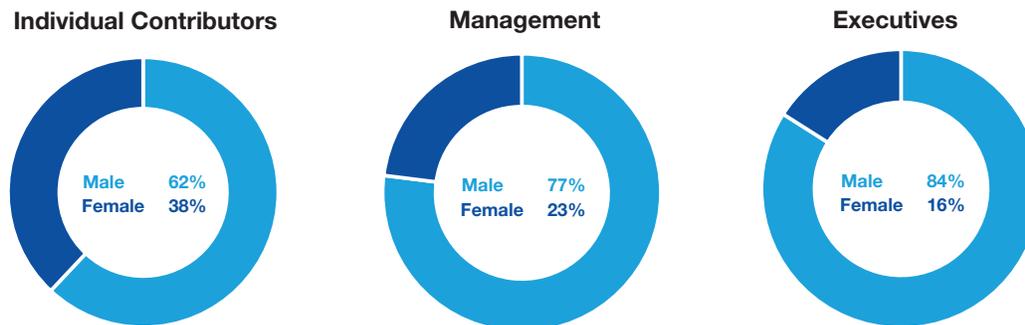
Watts has published workforce diversity statistics in its Sustainability Report since 2018. We comply with all laws governing our employee population, including the General Data Protection Regulation (GDPR) in the European Union (EU). Our diversity summary below is based on 2019 data. Minority data in the U.S. is self-reported.



### Overall Workforce



### Job Level



### Equal Opportunity and Non-Discrimination

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.



**We do not tolerate acts of discrimination, harassment or bullying at Watts. As embedded in our values, all Watts employees shall treat each other with respect, dignity and common courtesy, and avoid any behavior that compromises trust, quality of the work environment or the integrity of decision making.**

Victimization at work of any kind, such as recurring negative actions directed against individual employees, or behavior that creates or contributes to an intimidating, hostile or offensive work environment, is strictly prohibited at Watts.

We expect our employees to respect, protect and promote human rights both with their co-workers at Watts, and when representing the company outside the workplace in the business interactions with distributors, agents, vendors, suppliers and other related third parties.

We educate employees on our non-discrimination policy via employee handbooks, training sessions and / or during the onboarding process.

Information regarding grievance procedures and avenues for issue escalation are outlined in **Governance** section of this report, as well as our [Code of Business Conduct](#), Sexual and Other Unlawful Harassment Policy and Ethics Hotline.

### Collective Bargaining

Our commitment to protecting human rights also applies to freedom of association and collective bargaining. We believe such activities facilitate dialog, and play an invaluable role in building trust, inclusivity and transparency in the workplace.

In compliance with International Labor Organization (ILO) standards, it is our policy to ensure our 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 issue disciplinary or discriminatory actions against employees who choose to peacefully and lawfully organize or join an association. As well, employees are prohibited from using intimidation tactics of any kind to obstruct other employees' right to freely associate, and / or right to organize or not.

**In 2019, 44% of our employees were represented by unions, collective bargaining agreements or works councils.**



### Communication of Rights

At the local level and where applicable, we work to ensure our employees are aware of and understand their collective bargaining rights.

These rights may be communicated to employees in different ways based on local labor laws, regulations and / or practices. Employees at Watts may receive information about their collective bargaining rights:

- ▶ During the onboarding process
- ▶ Via internal company channels (e.g., company policies, rules and regulations, information boards, etc.)
- ▶ Directly from their trade union or work council representative

Additional information concerning an individual's collective bargaining rights may be communicated through these channels, including changes to labor laws, national labor contract updates, trade union or works council mailing address / contact info, etc.

### Grievances Procedures

Where applicable, grievance procedures for collective bargaining rights may be provided to employees via any of the methods stated above. While individual grievance cases may be handled differently based on local labor laws, regulations and / or practices, they are usually resolved within a few days.

Employees receive updates on their individual grievance cases from the trade union or works council representing them. Resolved cases are routed to the appropriate management team at Watts. Cases requiring further escalation are reported to our executive leadership team.

### Fair and Equal Pay

We strive to promote equal pay among men and women employees at Watts. We review individual compensation rates for gender equality through ad hoc reviews of compensation during market competitiveness evaluations.

Also, wages and hours are covered in our Code of Business Conduct:

- ▶ Workweeks do not exceed the maximum allowable by law
- ▶ Employees are paid for all hours worked without unlawful or unauthorized wage or benefit deductions
- ▶ All hours worked are accurately recorded
- ▶ All legally required holidays, rest periods, or days off are honored
- ▶ Payments are issued to the employee who earned it (unless ordered through a court-issued garnishment or otherwise consented to by the employee).

### Employment Security

We strive for our employees to feel secure in their jobs at Watts and are committed to responsible workforce restructuring practices.

We recognize the impact these actions can have on our colleagues, and will only take such steps when deemed necessary to enhance the value and performance of our company. As part of its oversight responsibilities, our Board of Directors approves all major restructuring programs.

When conducting restructuring activities, Watts adheres to local employment laws and statutes. We ensure our employees are treated fairly and take measures to assist affected employees in their transition, which may include:

- ▶ Severance pay, which considers employee age and years of service
- ▶ Job placement services
- ▶ Other forms of transition assistance (e.g., training, retraining, counseling, etc.)



**During the past three years, Watts has not implemented any large-scale redundancies or significant job cuts affecting more than 5% of our global workforce.**

**TOTAL REWARDS**

We provide our employees with a comprehensive benefits package through a mix of plans designed to support their individual and / or family’s 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, which may include:

- ▶ 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 and 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



**Work-Life Balance**

We understand that our employees have commitments outside of work. Which is why we offer programs to promote work-life balance. Depending on an employee’s job and location, these options may include:



- ▶ **Workplace Flexibility** such as flexible work arrangements, compressed work weeks, job sharing and / or telecommuting
- ▶ **Working Time Reductions** such as reduced hours and part-time arrangements to provide additional alternatives to full-time employments
- ▶ **Dependent Care and Special Leave Support** such as parental leave for new mothers and fathers, and bereavement leave. Other requests for special leaves are reviewed individually based on the circumstances and we are committed to further exploring alternatives to accommodate dependent care and special leave options.

- ▶ **Flexible Savings Accounts** are tax advantaged savings accounts available to employees in the U.S. These special accounts allow employees to save money that they earn for dependent care, such as child care services.
- ▶ **Family and Medical Leave Act (FMLA)** provides employees in the U.S. 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.



**In 2019, Watts introduced a new wellness program in the U.S. Powered by a mobile app, “BeWell@Watts” gives employees the tools, resources and motivation to manage their physical, emotional and financial wellbeing each day. The program generated a 41% enrollment rate.**

## ENGAGEMENT AND RECOGNITION

We understand the value of employee engagement and consider it among our key business drivers of success at Watts. We make it a priority to ensure our employees have opportunities to provide feedback, attend events and earn recognition throughout the year.

### Voice of Employee

We believe that feedback is a gift. We rely on and encourage our employees to participate in the feedback process, and we are committed to provide such opportunities:



**Annual Feedback Surveys** gauge key topics quantitatively that cover a range of topics on employee engagement. Historically, our annual surveys have generated an 86% response rate (avg.) from employees.

**In 2019, we conducted our annual employee survey to gauge employee satisfaction at Watts, which resulted in an 8-point improvement of our Employee Net Promoter Score (ENPS) compared to the prior year.**



**Focus Groups** help us delve deeper into key employee engagement issues that can influence productivity, employee satisfaction and employee retention.

**In 2019, we continued to conduct skip-level meetings around the world. These in-person gatherings may be held at the corporate, regional or site levels, and are typically led by a senior executive, business leader or manager, or a representative from human resources. Actions plans are developed, executed and updated on an ongoing basis throughout the year.**



**Executive Site Visits** serve as an additional employee touchpoint to help drive engagement at the local site level.

In 2019, our CEO, as well as other members of the executive leadership team, including our Chief Financial Officer, Chief Human Resources Officer, General Counsel and Chief Compliance Officer, made multiple trips to Watts facilities on all five continents where we operate. Executive site visits include factory tours, strategy sessions and business updates, as well as networking and other social activities.



**Quarterly *CONNECT* Meetings** (QCMs) are live town hall-style events hosted at Watts locations around the world, and serve to keep our employees informed, engaged and connected. Executive leaders and local management teams provide updates on our financial performance, key business initiatives, and related news. QCMs also provide a forum to recognize employees who are celebrating service anniversaries and other achievements.

In 2019, we implemented an online meeting confirmation form to help streamline the process, drive accountability and maximize meeting attendance at sites with at least 25 employees – which represents more than 90% of our global workforce. Site leaders maintained an 89% confirmation rate and an 86% attendance rate for all QCMs held last year.

## Recognition Programs

We believe in recognizing teams and individual employees for their contributions – especially, those that go above and beyond the call of duty:



**Way to Go Recognition Program** recognizes extra special team efforts that help to advance Watts’ mission and embody our values. Any employee can nominate a team, and submissions are reviewed and approved by members of our Global Leadership Team. Submission categories include safety, continuous improvement, big wins, innovation and collaboration. Way to Go feature stories are published regularly throughout the year on our company intranet and promoted weekly to all employees via our weekly e-newsletter.

**In 2019, we re-energized our Way to Go Recognition Program with new templates and guidelines to streamline the submission process. User-generated submissions increased by 42% compared to the prior year.**



**Inventor Recognition 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 at local QCMs.

**In 2019, we expanded our Inventor Recognition program into Europe. Cumulative awards have been increasing steadily since the program began. To date, more than 50 employees have received awards totaling more than \$150,000.**

**EMPLOYEE TRAINING AND DEVELOPMENT**

We invest in our employees by providing opportunities that support their professional growth and development, and learn new skills.

We offer a variety of learning and development programs at all levels and regions – from the factory floor to executive management – designed to attract, build and retain a strong global workforce.

All managers and employee are encouraged to include training and development goals, as part of our performance management and annual goal setting process.

We evaluate the effectiveness of our learning and development programs via feedback mechanisms (e.g., surveys, focus groups, etc.), and leverage this data to inform recommendations for future improvements.



**On-Demand Virtual Learning**

Last year, we formed a partnership with a leading e-learning solutions provider to enhance the online training and development experience for our employees. The new capability is integrated into our learning management system through single sign-on authentication and provides employees with access to more than 10,000 online courses to enhance their skills in such areas as business, technology and marketing.

**In 2019, employees completed over 1,000 courses, including 28,000 hours of video lessons.**



## Leadership Development

We are committed to developing our leadership bench strength across the organization and provide business leaders with opportunities to enhance their leadership skills:



**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.



**LEADing for OWPS** is a leadership development program aimed at helping the company accelerate breakthrough performance.

In 2019, 48 of the company's top business leaders attended the weeklong series of workshops to learn the fundamentals of the OWPS, as well as how to drive continuous improvement in their day-to-day work and what it takes to champion transformative change.



**Manager as Coach (MAC)** is an intensive and highly interactive hands-on training program that helps managers develop their leadership and management skills.

**In 2019, more than 100 managers (30% female) completed this training – a 124% increase from the prior year.**



**360° Leadership Assessments** provide executive leaders with feedback and tools to help them continually develop in their careers and improve their effectiveness.



**Performance Management**

In support of our efforts to sustain an engaged workforce and high-performance culture, we are committed to empowering teams to realize their true potential.

While managers and their employees are encouraged to have ongoing conversations throughout the year, our performance management process drives our ability as an organization to execute on our global strategy.

The annual performance review process facilitates dialogue between managers and their staff on individual performance. Employees complete a self-assessment of their performance on their annual goals, followed by a similar assessment from their manager.

Both the employee and manager discuss the employee’s overall performance, and opportunities for growth and improvement. The outcome of this conversation can influence decisions on compensation and incentive rewards, and serve as the basis from which performance goals are set for the new calendar year.

All performance review and goal setting activities are administered and managed in our Human Resource Information System (HRIS).

**In 2019, 94% of all eligible employees globally at Watts completed an annual performance review with their manager.**

**2019 Annual Performance Review Summary  
Breakdown by Region**



Percentages represent total population of eligible employees that completed a performance review in 2019.



## COMMUNITY INVOLVEMENT

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Giving back is embedded in our DNA at Watts. As a responsible corporate citizen, we aim to bring positive change to the communities where we live and work, as well as the industry in which we do business.

**We believe in building strong, resilient communities, and are committed to promoting social good at the corporate level, as well as regionally and locally through our strategic partnerships, charitable giving, and fundraising and volunteer activities.**

### PLANET WATER FOUNDATION

At Watts, we believe our products and solutions make a difference in the world. By design, they keep water safe, conserve its use, and manage its flow and discharge responsibly.

But, for the hundreds of millions of people who still lack access to clean water and sanitation, these technologies might as well not exist. Which is why we are committed to supporting the most vulnerable communities, ensuring drinkable water is safe, available and accessible to the families that inhabit them.

Since 2016, Watts has shared a partnership with [Planet Water Foundation](#) to bring clean water to the world's most disadvantaged communities. As part of this collaboration, we fund and install water purification systems known as "AquaTowers," which remove harmful particles, bacteria and viruses, and provide 1,000 people with 10,000 liters of clean water per unit daily.

Together, we've provided clean water access for 15,000 people living in Cambodia, China, Colombia, India, Indonesia, the Philippines, Puerto Rico and Thailand.

**In 2019, our employees helped Planet Water stand up two AquaTowers in India on World Water Day in March and two more in Thailand in September. All four installations were funded by Watts and impacted approximately 4,000 people.**



### INSTITUTIONAL PARTNERSHIPS

Watts is committed to supporting the next generation in their journey to discover future careers in professions for which they are preparing, as well as military veterans who are transitioning into the civilian workforce.

In 2019, through our partnerships with local high schools, colleges and universities, and other professional organizations around the world, we promoted job opportunities in advanced manufacturing, engineering and business:

- ▶ **University of Trento** students studying economics learned about vendor and supply chain management, and the skills and proficiencies required for a career in these areas from our colleagues in Gardolo and Biassono, Italy.
- ▶ **Greater Lawrence Technical School** students studying electromechanical engineering visited the Watts®Works™ Learning Center in North Andover, MA, USA. They learned about the company's history, business and sustainability efforts, and toured our model shop and test lab.
- ▶ **New Hampshire Manufacturing Extension Partnership** works with local manufacturers to provide educational programs for students interested in STEM (Science Technology Engineering & Mathematics) careers. Colleagues from our Franklin, NH, USA facility hosted sites tours, presented at area high schools and helped pilot a "Manufacturing Night" event at a local meeting hall.





- ▶ **Manufacturing Institute** partnered with colleagues from our facility in St. Pauls, NC, USA site, who hosted a facility tour for a dozen military veterans, as part of the Institute's "Heroes MAKE America" program. The 8-week skills program aims to build a pipeline between the military and manufacturing sector, and help new veterans in transition. The Institute is the education and workforce arm of the National Association of Manufacturers.
- ▶ **Youth Guarantee** partnered with colleagues from our manufacturing plant in Rosières, France, who welcomed a group of young adults interested in careers in the electronics industry. Youth Guarantee is a state-sponsored organization that trains and coaches at-risk youth ages 18-26 who are searching for their first job.
- ▶ **Olin College** students will spend the next year developing sensors to mitigate the antibiotic-resistant pathogen legionella, as a part of a program sponsored by Watts in 2019. Through the college's Senior Capstone in Engineering (SCOPE) program, three electrical engineering students and one computer science student will develop a way to monitor plumbing systems to identify high-risk areas for legionella growth. Their work will enable building managers to make data-informed decisions about how to best mitigate the risk of legionella contaminating the plumbing system.

## CHARITABLE GIVING

We engage in charitable activities, and support our employees who donate their time and money to social causes that are organized for the public's benefit.

As outlined in our Community Relations Policy, we support charities and non-profit organizations whose status has been designated or registered officially by the appropriate tax or other governmental authority. Eligible organizations share our values and standards of ethical business conduct.

We do not support for-profit companies or organizations that:

- ▶ Discriminate in a manner inconsistent with our policies on the basis of race, religion, color, sex, national origin, age, marital status, mental or physical ability, or sexual orientation
- ▶ Engage in highly controversial issues or use controversial tactics to advocate their position<sup>1</sup>
- ▶ Represent political causes, candidates or campaigns, or religious causes or institutions<sup>2</sup>

Through our Code of Business Conduct, Community Relations Policy, Anti-Corruption Policy and Business Courtesies Guidelines, the company sets forth the process and procedure for review and approval of any charitable donations or sponsorships to other organizations to ensure no corrupt intent or use.

**In 2019, Watts and its subsidiaries contributed thousands of dollars to support dozens of eligible charitable organizations around the world. Our employees donated clothes, canned goods, toys, blood, bikes, scrap metal and much more.**



<sup>1</sup> A controversial issue is a serious matter that has an impact on society or its institutions where different segments of the community have strong opposing positions. A controversial tactic is an unlawful activity or an extreme action that intentionally damages or threatens people or property.

<sup>2</sup> Community programs or events sponsored by a religious organization (e.g., a food pantry) or organizations affiliated with a religious organization that provide broad community services without regard to the religious affiliation of those served (e.g., Habitat for Humanity, YMCA) are eligible for donations or support from Watts.



### FUNDRAISING AND VOLUNTEERISM

Watts also believes in creating social value through fundraising and volunteerism. We support our employees in their efforts to raise money for charitable causes that matter most to them.

We also provide opportunities for employees to donate their time during work hours to help our neighbors in need and the community that surrounds them:

- ▶ **National Multiple Sclerosis Society** received more than \$10,000 raised during a golf outing organized by our colleagues in Export, PA, USA.
- ▶ **Gleaners**, a global charity that transforms farm donations into dry soup mix to feed the hungry worldwide, welcomed our colleagues in Vernon, BC, Canada who prepared 8,500 meals to be shipped globally. They also raised \$2,000, which funded an additional 100,000 meals.
- ▶ **De Mollenhof**, a nature reserve for seniors who lack access to greenspace, thanked our colleagues in Amsterdam, Netherlands who volunteered their time to spruce up the grounds, built a brick patio and assembled a fence.
- ▶ **Merrimack Valley Habitat for Humanity** received a hand from our colleagues in North Andover, MA, USA, who built two houses for four families, including a nursing assistant with three children and a military veteran with an autistic child.

# Corporate Governance

At Watts, we believe that responsible corporate governance plays an integral role in building trust with all our stakeholders.

With their interests in mind, our commitment to operating our business ethically, responsibly and sustainably enables us to create meaningful, long-term value, and opportunities for future growth and success.

**Our corporate governance principles provide an essential framework to ensure we act in accordance with our mission, vision and values in the work we do every day.**





## BOARD OF DIRECTORS

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Our [\*Board of Directors\*](#) continually works to improve the high ethical standards we promote and practice every day at Watts. Such approaches include periodic reviews of our corporate policies and practices, and leveraging guidance provided by the U.S. Security and Exchange Commission (SEC) and New York Stock Exchange (NYSE).

**In 2019, our Board met eight times and each incumbent director who was a member of our Board last year attended at least 75% of the total number of meetings of the Board, and all committees of the Board on which the director served.**

**In addition, 100% of the Board's membership attended the 2019 Annual Meeting of Stockholders either in person or by telephone conference call.**

### ROLES AND COMPOSITION

The Board has adopted our [Corporate Governance Guidelines](#) to assist and guide each of its nine members in serving in their director roles, and carrying out the many responsibilities within their charge, including, but not limited to:

- ▶ Monitoring overall company performance, and the integrity of our financial controls and legal compliance procedures
- ▶ Appointing executive officers, and overseeing succession planning, and our executive officers' performance and compensation
- ▶ Supervising the development of operating, financial and other corporate plans, strategies and objectives
- ▶ Reviewing and approving the company's annual business plan, capital expenditures budget, and other key financial and business objectives
- ▶ Overseeing processes and strategies for identifying, assessing, managing and mitigating operational, financial, legal, regulatory, strategic and reputational risk
- ▶ Evaluating the Board's own performance, as well as the effectiveness of its three standing governance committees, annually



## Board Diversity

Our Board recognizes the value of diversity and believes that its composition – akin to our very own global workforce – should comprise an appropriate mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

When considering candidates recommended for nomination to our Board, nominees must have, at a minimum:

- ▶ Superior personal and professional integrity
- ▶ Sound business and strategic judgment
- ▶ Availability to devote sufficient time and energy serving on the Board
- ▶ Resolve to challenge management without assuming its role

The Board also seeks diversity in a candidate’s background and experience:

- ▶ Specific to our industry or markets
- ▶ Conducting business internationally
- ▶ Serving on the boards of public companies
- ▶ Acquiring companies

### Board Directors at a Glance



### COMMITTEES AND RISK OVERSIGHT

Our Board of Directors has three standing committees, each of which is composed solely of directors determined by the Board to be independent under the applicable NYSE rules.

Each committee has a written charter that outlines the committee's responsibilities and qualifications for membership. The Board may from time to time appoint ad hoc committees to address specific matters, as necessary or appropriate.

#### Audit

Chaired by Director Merilee Raines, the [Audit Committee](#) holds one regularly scheduled meeting each quarter and schedules additional meetings as often as necessary to perform its duties and responsibilities, which include, but are not limited to:

- ▶ **Overseeing**
  - ▷ Integrity of Watts' financial statements
  - ▷ Watts' compliance with legal and regulatory requirements
  - ▷ Watts' systems of internal control over financial reporting
  - ▷ Watts' internal audit function
  
- ▶ **Evaluating and / or Reviewing**
  - ▷ Performance of Watts' internal audit function
  - ▷ Effectiveness of Watts' internal control structure
  - ▷ Management's assessment and management of risk
  - ▷ Qualification, independence and performance of Watts independent auditor
  - ▷ Formation of "whistle-blowing" procedures

#### Nominating and Corporate Governance

Chaired by Director W. Craig Kissel, the [Nominating and Corporate Governance Committee](#) holds one regularly scheduled meeting each quarter and schedules additional meetings as often as necessary to perform its duties and responsibilities, which include, but are not limited to:

- ▶ Identifying individuals qualified to become board members, consistent with criteria approved by the Board
- ▶ Recommending 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, and making updates and recommended changes, as needed
- ▶ Overseeing the evaluation of the Board and management

**Compensation**

Chaired by Director Christopher L. Conway, the [Compensation Committee](#) holds one regularly scheduled meeting each quarter and schedules additional meetings as often as necessary to perform its duties and responsibilities, which include, but are not limited to:

- ▶ Discharging the Board of Director's responsibilities relating to compensation of Watts' directors and its executive officers
- ▶ Developing and implementing compensation policies and plans that are appropriate for Watts considering all relevant circumstances
- ▶ Providing incentives that further Watts' long-term strategic plan and are consistent with its culture
- ▶ Enhancing enduring stockholder value

**In May 2019 the Compensation Committee conducted a review and assessment of risk as it relates to our compensation policies and practices. Upon completion, the Committee determined that our compensation policies and practices do not encourage excessive or inappropriate risk taking, and are not reasonably likely to have a material adverse effect on our business.**

**2019 Committee Meeting Participation**

*(Numbers below represent total meetings held)*





## ETHICS AND COMPLIANCE

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Watts is committed to doing the right thing always. We conduct business in accordance with the letter and spirit of the law, high standards of ethical business conduct and our values.

Because we have operations that serve customers globally, our policy is to comply with the laws, rules and regulations in all countries in which we operate. Accordingly, this commitment extends to such laws as the U.S. Foreign Corrupt Practices Act, U.K. Bribery Act, and other anti-bribery laws, rules and regulations – even if it is contrary to local customs and practices.

**Our Global Compliance Program is managed and administered by the Global Compliance Team at Watts, and supported by our Board of Directors and Executive Leadership Team. Led by our chief compliance officer with support from designated compliance professionals from around the world, the program promotes ethical practices and compliance.**

**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 and the following Compliance Procedures:**

- ▶ Compliance training on the Code and anti-corruption
- ▶ Third-party due diligence reviews and denied party monitoring
- ▶ Risk assessments
- ▶ Gifts and entertainment, business courtesies and anti-corruption policies, specifically prohibiting among other things, facilitation payments, and
- ▶ Hotline and issue escalation processes

## 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.

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 covers all Watts subsidiaries and 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.

While this mandate promotes accountability, it also serves as an opportunity to reinforce the importance of the Code, as well as encourage employees to raise questions when they have them and remind colleagues to speak up if they observe conducts that violates it.

## Watts Water Technologies

### Code of Business Conduct



DOING THE RIGHT THING, ALWAYS



**In 2019, we launched a refreshed Code of Conduct that is more dynamic and user friendly, with an annual confirmation and acknowledgment requirement by all employees in all regions.**

# DOING THE RIGHT THING, ALWAYS

## Business Ethics Awareness

To promote awareness and understanding of our Code, and the importance of operating ethically, our Global Compliance Team regularly authors informative articles throughout the year on a variety of topics. They are published on our corporate intranet and featured in the company newsletter, which is distributed via email to all employees. We communicate additional messages throughout the year on compliance-related matters via targeted emails, and during quarterly town halls and other employee meetings.



The Code is available and accessible via our company intranet, and on our public website at:



<https://investors.wattswater.com>

## COMPLIANCE PROCEDURES

### Compliance and Ethics Training

To reinforce the importance of our Code, and facilitate understanding of its guiding principles and our ethical standards, all employees in all regions at Watts must participate in annual compliance and ethics training.

This required training focuses on a variety of topics addressed in the Code, such as anti-corruption, and is offered in multiple languages. In addition, new hires are required to complete Code and anti-corruption training.

We also provide additional ethics and compliance training throughout the year using a risk-based, targeted approach that identifies positions and regions with a higher risk of potential incidents.

Offered both in person and online, the training modules cover a range of important topics on business ethics – which are highlighted in our Code, including:

- ▶ Gifts and entertainment
- ▶ Prohibition on facilitation payments
- ▶ Conflict of interest
- ▶ Ethics Hotline reporting
- ▶ Issue escalation
- ▶ Third-party due diligence and
- ▶ Anti-corruption and anti-competition

Select management and functional areas also are required to complete an annual Conflict of Interest certification and disclosure, stating they have read, understand and will comply with our Conflict of Interest policy.



### Due Diligence Reviews

Before entering into new business relationships with third parties acting on our behalf (e.g., agents, consultants, advisors, joint venture partners), we conduct a risk-based due diligence review utilizing a multi-factor questionnaire, anti-corruption law notification and certification of compliance with such laws, and a continuous international denied parties search review.

The due diligence questionnaire covers – among other items:

- ▶ Books and records
- ▶ Compliance with laws
- ▶ Anti-corruption violations and
- ▶ Third-party's own compliance policies and procedures

Based on questionnaire responses – in addition to automated risk-ranking through our third-party due diligence tool, consideration of the industry at issue and the geographic region – we determine whether to further supplement the review with risk-based open source investigations.

Open source investigations identify red flags, including – among other items – business expertise, time in business, name variations, ownership, sanctions, embargoes, issues, politically exposed persons, entities and persons on government watch lists, and any related events bearing on integrity.

Designated legal counsel in each region then determine approval to go forward with the relationship, and / or escalation for further review and approval, through a structured approval process. Using a centralized tool, we maintain relevant documentation and records in a global database of due diligence status, results and approvals to facilitate ongoing monitoring and auditing of these third-party relationships.

Approved parties must enter into contracts that include, among other terms, provisions governing payment, and compliance with anti-corruption, and import and export laws. Additionally, all third parties are required to complete a certification agreeing to comply with all applicable anti-corruption laws.

**Due diligence reviews for third parties are renewed every two years, but denied party list searches are ongoing. Due diligence policies and procedures are documented, and are part of regular training and review for select new hires and positions at Watts.**

### Risk Assessments

Management and our internal audit team conduct annual risk assessments to evaluate corruption and bribery-related risks at all Watts locations and operations globally. Utilizing multiple factors, risks and business developments, these assessments determine areas of focus for audits and site visits, during which select compliance processes are reviewed for evidence of fraud, corruption or deficiencies.

In addition, we conduct routine audits of various policies and programs that comprise our Global Compliance Program, including:

- ▶ Bi-annual due diligence policy review
- ▶ Quarterly business courtesies policy review
- ▶ Ethics Hotline viability and availability
- ▶ Compliance-focused site visits utilizing detailed checklists designated specifically for compliance policy and process review, sampling and training

### Non-Retaliation Policy

We encourage our employees to raise concerns about compliance, ethics or business conduct confidentially and / or anonymously without fear of negative consequences.

Our Code specifically prohibits retaliation against anyone who – in good faith – reports a concern or participates in an investigation, even if the allegation ultimately is not substantiated. As stated in our Code, such behavior violates company policy and is not tolerated at Watts.

Anyone, regardless of position or tenure, found to have engaged in retaliatory conduct against someone who has raised a business conduct matter in good faith, will be subject to disciplinary action, including termination. All allegations of retaliation for reporting matters of concern are directed to, and addressed independently by, the Legal Department.

### 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, as well as Ethics Hotline reporting, and other compliance and business ethics developments for review and action.

Each quarter, the Board of Directors receives a report on key compliance developments and initiatives, and business ethics and corruption issues. In addition, the Audit Committee receives additional reporting on compliance and business ethics developments, including Ethics Hotline reports and review status.



**In 2019, no incidents of corruption were confirmed at Watts, nor were any legal actions regarding corruption brought against the company.**

### Government Contracting

We are committed to conducting business with federal, state and local governments in accordance with the letter and spirit of the law, high standards of ethical business conduct and in accordance with our values.

The [Government Contracts Supplement](#) – an extension of our Code of Business Conduct – serves as a resource for all employees that perform work under government contracts and subcontracts, and / or communicate with government entities in the United States.

Employees involved this type of work 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, and according to 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
- ▶ We take appropriate action and report suspicions of fraud or deception

### Political Contributions

As stated in our Community Relations Policy, Watts does not make contributions to political organizations, causes, candidates or campaigns. As such, the company made no political contributions in 2019. However, we encourage our employees to become involved in civic affairs and to participate in political activities, providing they:

- ▶ Do so on an individual basis, on their own time and at their own expense
- ▶ Make clear that when speaking on public issues, any comments or statements made are their own and not of Watts
- ▶ Never make a political contribution with the intent to influence the award or retention of any Watts business or contract

## Reporting Concerns

We provide, and regularly inform employees of, the multiple avenues available to them to report concerns. Such options include the individual's manager or immediate supervisor, or a representative from the Human Resources, Legal or Compliance departments.

Also, employees, suppliers, customers and other external parties can report concerns anonymously, confidentially and without retaliation using our Ethics Hotline at (877) 792-8878 or online by visiting: [www.watts.ethicspoint.com](http://www.watts.ethicspoint.com).

The Ethics Hotline and website are monitored by an independent third party, and is available 24 hours a day, 7 days a week. In addition to multilingual support, local Hotline telephone numbers for each country in which Watts has facilities are listed on the website, and contact and access information provided in postings at each facility.



All Ethics Hotline matters are investigated promptly. For transparency, all 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 to and is notified of any matters submitted through the Ethics Hotline.

In 2019 we continued select awareness campaign activities and location and use audits. Further, to provide additional transparency and comfort, we provide 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.

### Additional Links:

- ▶ [Management](#)
- ▶ [Board of Directors](#)
- ▶ [Board Committees and Charters](#)
- ▶ [2019 Annual Report](#)
- ▶ [2019 Form 10K](#)
- ▶ [2019 Proxy Statement](#)
- ▶ [Corporate Governance Guidelines](#)
- ▶ [Code of Business Conduct](#)
- ▶ [Government Contracts Supplement](#)



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### Global Headquarters

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### Cautionary Statement Regarding Forward-Looking Statements

This Sustainability Report includes “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements regarding Watts’ goals for and projections of future results; the expected execution and effect of our Environment Social and Governance (ESG) program and the amounts and timing of their expected impact; and any assumptions underlying any of the foregoing. Words such as “believe,” “continue,” “could,” “expect,” “intend,” “may,” “plan,” “project,” “should,” and “will,” and variations of such words and similar expressions, are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, known or unknown. For a description of risk factors as they relate to forward-looking statements, you are encouraged to read “Item 1A. Risk Factors” and in Note 15 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC, and our subsequent filings with the SEC. We undertake no duty to update the information contained in this Sustainability Report, except as required by law.