

WATTS WATER TECHNOLOGIES
BUSINESS COURTESIES COMPLIANCE GUIDELINES

I. Definitions

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

Facilitation Payment means a small payment made to Government Officials to expedite or secure performance of a routine and non-discretionary governmental action.

Government Official means

1. Any person employed by or acting officially for the government (at any level – local, state/region/territory, national or federal), and any person employed by or acting officially for a public international organization, such as the United Nations or World Bank
2. Any person acting in a capacity for a [Political Party](#) or as a party official
3. Any candidate for political office
4. Employees of government-owned or controlled (partial or full) enterprise including employees of state-owned design houses, design institutes, joint ventures, and end users.

Intermediary means a) an individual not employed by the Company or b) an entity not owned by the Company, that provides services or engages in business activities for the Company and may interact with others, including [Government Officials](#), on behalf of the Company. Some examples include agents, representatives, distributors, channel partners, sponsors, advisors, consultants, contractors, subcontractors, suppliers, and other service providers.

Non-commercial Organization means an organization which does not have profit-making as its main activity or purpose and which does not distribute profits between individuals or entities. A non-commercial organization includes a consumer cooperative, public association or religious organization, charity and other funds, as well as an institution, which is established by a proprietor to perform managerial, socio-cultural or other functions of a non-commercial nature.

Personal Courtesy means anything of value, a favor, or a benefit provided free of charge or at a charge less than fair market value to third parties, including Government Officials or Intermediaries, who have business relationships with the Company, but the individual offering the Personal Courtesy pays for it him- or herself and does not seek reimbursement from the Company.

Political Party means a public association formed for the purposes of individuals' participation in the society's political life through formation and expression of their political will, participation in social and political actions, in elections and referendums, as well as to represent individuals' interests before State authorities and bodies of local governments, including official persons or a candidates of a Political Party, as well as those persons' relatives, close ones, personal friends and affiliated persons.

II. General Requirements

A business courtesy may only be offered, given or received if all of the following conditions are met:

- (i) The business courtesy must be reasonable in amount and offered or given in an open and transparent manner so that it cannot be reasonably perceived as an attempt to gain an unfair business advantage.
- (ii) A Business courtesy offered by Company representatives must be offered only in connection with the promotion, demonstration or explanation of Company products or services or generalized goodwill purposes.
- (iii) Under no circumstances may a business courtesy be offered or given where the purpose is to wrongfully influence Government Officials to misuse their official positions or influence their official acts.
- (iv) The giving and acceptance of the business courtesy must be legal and permissible under local law and government regulations.
- (v) The business courtesy given by Company representatives must be permissible under the Company's Anti-Corruption Policy and these Business Courtesies Guidelines, authorized at an appropriate Company management level, have the requisite approvals for those types of business courtesies that require pre-approval, and be promptly and accurately reflected on the books and records of the Company.
- (vi) Business entertainment at venues that include "adult entertainment" is prohibited, even if employees and/or other participants pay personally for the related costs and do not seek reimbursement.
- (vii) Cash or cash equivalents, such as gift cards, gift certificates, or prepaid credit cards, no matter how small in value, are never permissible as a business courtesy.
- (viii) These guidelines regarding approvals or reimbursement limits serve legal and compliance goals beyond budgetary goals. Employees may not exceed Company limits by making personal payments or declining to seek reimbursement for amounts in excess of these limits.

III. Approvals and Reporting

The Business Courtesies Report Form is not a substitute for an expense reimbursement form. You will still need to submit an expense report in order to be reimbursed for Business courtesies. However, a print out of the Business Courtesies approval must be attached to expense reports for business courtesies which require pre-approval.

Any appearance of impropriety must be avoided when providing or receiving gifts, travel, and entertainment to or from Government Officials and Intermediaries. Employees are required to ensure that accurate records are provided to the company with respect to Business Courtesies that are given or received. *Business Courtesies that are received by employees that are of a Nominal Value (as defined below) do not need to be reported by employees.*

Business Courtesies offered that are subject to these guidelines must be accurately recorded through the use of the Business Courtesies Reporting Form. Many types of business courtesies require pre-approval in advance of offering a courtesy (in the case of courtesies given which exceed a certain value or of a certain type), or require detailed recordkeeping (in the case where the recipient is a government official). Please use the following guidelines to determine whether the Business Courtesy must be pre-approved in advance, or if special record-keeping requirements are indicated.

PRE-APPROVAL is NOT Required for any of the Following Business Courtesies Given by Company Employees:

- Individual Business Courtesies given to from a non-Government Official that are valued less than US\$100 (€80 in the EU or ¥200 in China) *per individual recipient (note that multiple occurrences may aggregate into a Reporting Requirement below);*
- Promotional items bearing the Company’s logo (for example, a t-shirt visibly bearing the logo), and customary or seasonal gifts (e.g., congratulatory flowers or fruit baskets) that are distributed to most customers or are received from most service providers; or
- Business Courtesies given reasonably believed to have a value in excess of US\$100 (€80 in the EU or ¥200 in China) that are made generally available to the organization or group of individuals on a non-selective basis (example: “generally available” and “non-selective” Business Courtesies would include a gift basket that is placed in a public spot for anyone in the group or organization to enjoy)

PRE-APPROVAL is Required for all of the Following Business Courtesies Given by Company Employees and requires submission of a Business Courtesies Report Form:

- Business Courtesies offered with a value of US\$100 (€80 in the EU or ¥200 in China) or more *per individual recipient;*
- Business Courtesies offered that, in the aggregate, amount to US\$500 (€400 in the EU or ¥1000 in China) or more over the course of six months *per individual recipient;*
- **Chartered or Private Travel Arrangements;**
- Inclusion of **Family Members** of Business Associates or Government Officials;
- *Any Business Courtesies offered to Government Officials (even if the threshold amount fits the “No Pre-Approval Required” category);*
- **Personal Courtesies** (not reimbursable by the Company) provided to personal friends who are Government Officials;
- **Facilitation Payments** of any type; or
- **Charitable or Political Contributions** offered to any person, entity or **Non-Commercial Organization** affiliated with or working on behalf of **Government Officials** or **Political Parties** (even if the threshold amount fits the “No Pre-Approval Required” category)

REPORTING is Required for all of the following Business Courtesies Received by Company Employees and requires submission of a Business Courtesies Report Form:

- Business Courtesies received with a reasonably estimated value of US\$100 (€80 in the EU or ¥200 in China) or more *per individual recipient*
- Business Courtesies received that, in the aggregate, are reasonably estimated to amount to US\$500 (€400 in the EU or ¥1000 in China) or more over the course of six months *per individual recipient*
- **Chartered or Private Travel Arrangements**
- Inclusion of **Family Members** on Business Outings
- Charitable or Political Contributions offered to any Company Employee acting as or working on behalf of a **Government Official** or **Political Party** (even if the threshold amount fits the “No Pre-Approval Required” category)
- Business Courtesies received that are reasonably believed to have a value in excess of US\$100 (€80 in the EU or ¥200 in China) per individual recipient that are made for the benefit of an individual or discrete group of individuals (for example: 4 tickets to a sporting event with a reasonably estimated value in excess of US\$100/€80/¥200 per person that are only intended to be distributed to specific individuals, such as a small department or a manager’s direct reports).

IV. Reporting, Record Keeping and Approvals of Business Courtesies

Approvals for the Provision of Business Courtesies

Requests to pre-approve Business Courtesies intended to be given to third parties can be accomplished through the use of the Company's Business Courtesies Report Form, or by application/report to the site controller for the employee. Appeals to rejected requests for approval may be submitted to the Office of the General Counsel or the Regional Corporate Controller (Americas, Asia or EMEA). In all cases that entertainment or travel expenses for Government Officials are incurred, the expenses must be supported by valid receipts and accurately recorded in the Company's books. To the extent possible, all expenses related to Business Courtesies should be paid directly to the vendor of the services rather than tender payment to the intended recipient of the Business Courtesy (example: hotel or transportation expenses should be paid directly to the hotel or transportation provider, rather than reimbursed to the recipient).

Receiving Business Courtesies

It is understood that many times it is not possible to seek approval for Business Courtesies received by Company employees in advance, especially when the business courtesy arrives unexpectedly from a vendor or other business partner as a gesture of goodwill. Oftentimes it is also difficult to ascertain the value of the courtesy which has been received. For these reasons, pre-approval is not required for Business Courtesies received by Company employees. However, *reporting* of such Business Courtesies is required in the circumstances set forth above. The following guidelines should prove helpful in these situations:

- In the event the value of a Business Courtesy received by an employee is uncertain, the employee should estimate the fair market value of the Business Courtesy, and should indicate on the Business Courtesies reporting form that the value is "estimated" and give the basis for the estimation (e.g. menu prices, web search for like items, etc.).
- Where an employee is the recipient of a Business Courtesy intended only for a small, or selective, group of employees, such as 4 tickets to a sporting event to be distributed to that employee's direct reports on a discretionary basis, it should be reported by the recipient employee (the one the courtesy was addressed to), on one report. The reporting employee should indicate each recipient of each of the four tickets as they were distributed within the discrete group on the report form.
- Where an employee is the recipient of a Business Courtesy intended for General Distribution on a non-selective basis, such as a fruit basket received during the holidays, it does not need to be reported by the employee.