

These terms and conditions (“Terms and Conditions”) apply to each purchase order or Supplier Schedule (“Purchase Order”) between Watts Water Technologies, Inc. or any of its U.S. subsidiaries (“Buyer”) and the seller (“Seller”).

**1. Offer and Acceptance.** This Purchase Order is only an offer to enter into a contract for the purchase and sale of products and/ or services specified by Buyer. Buyer may revoke, amend or modify this offer at any time prior to Seller’s acceptance. Any of the following acts constitutes Seller’s acceptance of this Purchase Order and the Terms and Conditions: (a) Seller’s acknowledgement of this Purchase Order, (b) Seller’s commencement of performance or delivery of any products or services ordered under this Purchase Order or (c) Seller’s acceptance of any payment by Buyer hereunder. Acceptance of this Purchase Order is expressly limited to and conditioned upon acceptance of these Terms and Conditions, which terms cannot be altered or amended without Buyer’s express written agreement.

**2. Changes.** Prior to shipment of products or performance of services specified in a Purchase Order, Buyer may, by written notice to Seller, make changes in specifications, designs, method of packing or shipment, quantity ordered, destinations, delivery schedules or service requirements. No change, modification or revision of this Purchase Order by Seller shall be binding upon Buyer unless in writing and signed by Buyer’s duly authorized representative.

**3. Forecasts; Cancellation.** From time to time, Buyer may provide Seller with estimates, forecasts or projections of its future volume or quantity requirements for products (“Projections”). Such Projections, including, without limitation, planned quantities set forth in any Supplier Schedule issued by Buyer, are not binding on Buyer, and Buyer makes no representation, warranty, guaranty or commitment regarding any Projections. Buyer shall issue releases to specify delivery dates or otherwise indicate to Seller firm quantities set forth in a Purchase Order and/ or Supplier Schedule. Buyer may, by written notice to Seller, cancel the whole or any portion of this Purchase Order without liability in the event of (i) proceedings, voluntary or involuntary, in bankruptcy or insolvency, by or against Seller, (ii) the appointment, with or without Seller’s consent, of any trustee or receiver for any substantial portion of Seller’s assets, (iii) any assignment for the benefit of Seller’s creditors, or (iv) Seller’s breach of any provision contained herein. Buyer may cancel any Purchase Order for convenience at any time in-whole or in-part prior to shipment or performance. In the event of cancellation for convenience of any Purchase Order related to the provision of products, Buyer and Seller shall negotiate reasonable compensation to Seller for the actual and reasonable expenses incurred by Seller, up to the termination date, for

any finished goods, work in process or raw materials purchased solely for the account of Buyer and attributable to the firm quantities set forth in a Purchase Order ; provided that Seller substantiates such expenses in a manner reasonably satisfactory to Buyer and has used reasonable efforts to mitigate such expenses by, among other things, returning goods to Seller’s suppliers, selling to other third parties or otherwise utilizing such finished goods, work in process or raw materials. In no event shall Buyer’s liability for any cancelled order exceed the prices Buyer would have paid for the cancelled products.

**4. Prices and Payment.** All prices shall be as stated in the Purchase Order and are firm. All applicable federal, state, local and excise taxes, duties and charges shall be stated separately on Seller’s invoice and shall not be included in the price of the products or services unless agreed by Buyer. Buyer may provide Seller with a tax exemption certificate where applicable. Unless otherwise provided in this Purchase Order, payment terms shall be net eighty (80) days from the date of Seller’s invoice. Any amount owed to Seller by Buyer or any of Buyer’s affiliates shall be subject to deduction for any set-off, counterclaim or indemnification right arising out of this or any other agreement with Seller and Buyer or any of Buyer’s affiliates.

**5. Packaging and Shipment.** All products shall be suitably packaged and marked and otherwise prepared for shipment by Seller in accordance with the Watts Packaging Standard available at [http://www.wattswater.com/ company/suppliers.asp](http://www.wattswater.com/company/suppliers.asp) (“Packaging Standard”) and the requirements of freight carriers. Seller shall mark on containers all necessary handling, loading and shipping instructions. An itemized packing list shall be included with each shipment.

**6. Delivery.** Seller shall adhere to all shipping directions specified in a Purchase Order or Supplier Schedule. Notwithstanding any agreement relating to payment of freight expenses, title to and risk of loss of the products shall not pass to Buyer until the products have been received at the specified delivery address specified by Buyer. Time and place of delivery are of the essence in the performance of this Purchase Order. If delivery cannot be made at the specified time and place, Seller shall promptly notify Buyer of the earliest possible date for conforming delivery. Notwithstanding such notice, Seller’s failure to effect conforming delivery shall entitle Buyer to revoke any acceptance, to cancel this order without liability to Seller, to receive a full refund of any amounts paid, to purchase

substitute products or services elsewhere, or to return at Seller's risk and expense all or any part of a nonconforming delivery. Buyer's receipt or acceptance of all or part of a nonconforming delivery shall not constitute a waiver of any claim, right or remedy Buyer may have under this Purchase Order or under applicable law.

**7. Inspection.** All products and services delivered hereunder are subject to inspection and acceptance at Buyer's premises notwithstanding prior payment or inspection at source. Payment for products or services shall not constitute acceptance thereof. Acceptance of any products or services shall not alter or affect the warranties of Seller.

**8. Warranties.** In addition to any other express or implied warranties, Seller represents and warrants that the products shall (i) be new and free from any liens or other encumbrances; (ii) be free from defects including without limitation in design, materials and workmanship, labeling and packaging; (iii) conform to their specifications, drawings, and descriptions, and approved samples (if any); and (iv) shall conform to and be produced in conformity with all applicable federal, state and local statutes, rules and regulations. Seller represents and warrants that the products and their sale, resale, distribution or other use do not and will not infringe any patent, copyright, trade mark, trade secret or other proprietary or intellectual property rights; provided that this representation and warranty shall not apply to the extent such infringement is the direct result of Seller's strict adherence to detailed written design specifications furnished by Buyer to Seller. These warranties shall survive any delivery, inspection, acceptance, payment or resale of the products and shall extend to Buyer's customers and any end user customers. In the event of any breach of warranty, Buyer may return any products not conforming to their applicable warranties, and Seller shall, at Buyer's option, replace such product or refund their purchase price to Buyer. In addition, Seller shall be liable for all expenses incurred by Buyer as a result of a breach of any warranties set forth herein, including, without limitation, all expenses incurred by Buyer in recalling or retrieving such product from Buyer's distributors or customers or related to the redelivery of conforming products.

**9. Quality Control.** Seller shall be responsible for complying with and meeting all standards set forth in Buyer's Supplier Quality Manual available at <http://www.wattswater.com/company/suppliers.asp> ("Quality Manual"). Seller shall implement and maintain such quality assurance standards as are reasonably necessary to provide to Buyer products that conform to the product specifications (if any) and warranties so as to meet the quality standards of Buyer or any other standards agreed to between the parties. Seller warrants it has not made any process, material, design or manufacturing changes which might affect the performance, characteristics, reliability, form, fit, function or life of the products subject to this Purchase Order without Buyer's prior written approval. Buyer, in its sole discretion, may charge an administrative

fee to Seller related to Seller's supply of non-conforming or defective goods to Buyer or Seller's failure to meet Buyer's quality standards. Seller shall notify Buyer immediately of any quality problems that it discovers. Seller shall provide competent personnel to assist in the prompt identification and resolution of any performance problems with the products. Seller shall be responsible to Buyer for the quality, performance, characteristics, reliability, form, fit, and function of all goods and components provided by any sub-tier manufacturers and suppliers used by Seller. Seller is responsible for performing any inspections or testing of products required of Seller by this Purchase Order. Buyer and Buyer's authorized representatives shall have the right prior to, during or after the manufacture and shipment of products, upon forty-eight (48) hours prior notice, to inspect and review the records, manufacturing operations and procedures of Seller during normal business hours for the purpose of making product or raw material audits, preparing data for quality control purposes, or otherwise determining compliance with the requirements of this Purchase Order. During such inspection and review, Seller shall provide Buyer with reasonable assistance without charge.

**10. Product Recalls.** Seller shall promptly inform Buyer in writing of (i) any product recall suggested or required by any governmental authority, (ii) any voluntary product recall, and (iii) any notices from any governmental authority relating to product recalls and/or defects concerning safety (including a copy of the notice). Seller shall (a) bear all costs and expenses of any product recall regardless of whether Seller or Buyer initiates the action, including any costs associated with retrieval or removal of products, the shipment of recalled items from Buyer's customers to Buyer or Seller and the shipment of replacement products to Buyer's customers and (b) reimburse Buyer for its reasonable costs and expenses incident to such recall. Subject to legal requirements, Buyer may assume primary responsibility for communicating with its customers in connection with a recall. Each of the parties hereto agrees to notify the other in writing in the event either identifies a need for a product recall. Seller shall correct as soon as possible problems or other issues which result in recalls. Seller shall be responsible for the costs of making any changes to products required in connection with a recall.

**11. Standard of Services.** Seller represents and warrants to Buyer that any services performed by Seller and any duly appointed subcontractor shall be performed in good and workmanlike fashion with all due care, skill and diligence, and shall be carried out in accordance with the Purchase Order, in accordance with current industry standard codes of practice, consistent with the standards prevailing in the industry, and in accordance with all applicable laws. Seller shall ensure that all of its personnel, including any permitted subcontractors, are suitably qualified to perform the services and that all necessary licenses, permits and authorizations have been obtained. Buyer shall have the right to suspend any payment obligation related to the services if performance does not conform to the deliverable or quality

terms set forth in the Purchase Order or if performance is delayed.

**12. Indemnification.** Seller shall indemnify, hold harmless, and at Buyer's request, defend Buyer, its successors, assigns, affiliates, officers, directors, customers, advisors agents and employees, against all claims, liabilities, damages, losses and expenses, including attorneys' fees and cost of suit, arising out of: (i) any claim relating to the death or injury to any person or persons or any damage to property resulting from any products sold or services provided by Seller, including, without limitation, the manufacture, packaging, sale, use, or advertisement of any products, design or manufacturing defects, failure to warn, and the failure of any products to comply with their applicable specifications and warranties; (ii) any claim based on the negligence or willful misconduct of Seller or any of Seller's agents, subcontractors, employees or anyone acting on behalf of Seller; and (iii) any claim alleging that any product or service infringes a patent, copyright, trademark, trade secret, intellectual property right or other proprietary right. Seller shall not settle any suit or claim without Buyer's prior written approval, such approval not to be unreasonably withheld. Seller's obligation to indemnify, hold harmless and defend Buyer under the terms of this Section 12 is independent of and in addition to Seller's obligation to procure and maintain insurance as required in Section 13 below. Seller's insurer's position regarding insurance coverage for Buyer, as an additional insured, does not in any way modify or limit Seller's indemnification obligations hereunder.

**13. Insurance.** At its sole expense and unless otherwise agreed in writing by Buyer, Seller shall maintain with an insurance company or companies commercial general liability insurance in the minimum amount of \$3,000,000 per occurrence with an aggregate of \$3,000,000 for product liability, bodily injury (including death) and property damage and containing broad form contractual liability coverage. If Seller is providing services and unless otherwise agreed in writing by Buyer, Seller shall also maintain automobile liability insurance in the minimum amount of \$1,000,000 per occurrence, employer's liability insurance, and statutory workers' compensation insurance as required by applicable law. The insurance policy shall include Buyer as an additional named insured, shall state that such insurance is primary insurance as regards any other insurance carried by Buyer, and include a waiver of subrogation in favor of Buyer (for the purposes of this sentence Buyer shall include Buyer's parent, subsidiaries, and affiliates). Supplier shall continue to maintain such insurance following sale of the products or provision of services to Buyer. A certificate and endorsements evidencing such insurance coverage shall be filed with Buyer, and shall provide for 30-days' prior written notice to Buyer of cancellation or material change. Liability insurance limits shall not be construed to limit Buyer's right of indemnity hereunder.

**14. Confidential Information.** Seller acknowledges and agrees that all specifications, drawings, diagrams,

schematics, sketches, models, molds, tools, samples, designs, technical information, data, business plans, financials or other confidential information ("Confidential Information"), furnished in writing, orally or otherwise, by Buyer or on Buyer's behalf, is and shall remain Buyer's sole and exclusive property, and shall be returned promptly to Buyer or Buyer's designee (together with all copies) upon Buyer's request. Seller agrees to hold Confidential Information in the strictest confidence, not to disclose Confidential Information to third parties except as required by law, and to use Confidential Information solely for the purpose of performing the Purchase Order. Seller shall not, without obtaining written consent of Buyer, in any manner advertise or publish information about the Buyer or its products or that Seller has furnished products to Buyer hereunder.

**15. Tools and Equipment.** All tools, dies, molds, patterns, jigs, masks and other equipment and materials furnished by Buyer to Seller or paid for by Buyer, directly or indirectly, and any replacements, shall be and remain Buyer's property. Seller shall safely store such property, shall plainly identify such property as Buyer's property and shall not use such property except in filling this or other Purchase Orders for Buyer. All such property shall be held at Seller's risk and shall be returned promptly to Buyer or Buyer's designee upon the earlier of Buyer's request or the termination or completion of this Purchase Order.

**16. Compliance.** (a) Seller acknowledges that Buyer's directors, officers and employees are subject to the Watts Code of Conduct and Business Ethics (the "Code"), available at <http://www.wattswater.com/investors/codeofconduct.asp>.

Seller warrants it shall not take any action which would cause any director, officer or employee of Buyer to violate the Code. Seller shall comply with the provisions of Buyer's Principles of Supplier Conduct set forth in the Supplier Manual in the performance of this Purchase Order. (b) Seller represents, warrants and covenants that all of the Products delivered and/or services rendered hereunder will be and will have been produced and/or provided in compliance with all applicable laws, rules, regulations, orders, treaties and other requirements of federal, state and local governments and agencies thereof, and that Seller, Seller's business and all property used therein do and will comply with all applicable laws, rules, regulations, orders, treaties and other requirements of federal, state and local governments and agencies thereof. Seller agrees to furnish Buyer a certificate of compliance with any such laws in such form as may be requested by Buyer. Seller shall, at its sole cost, secure and maintain all necessary licenses, permits, authorizations, product listings and approvals or other approvals required for the operation of Seller's business or any property used therein, for the sale of products or as necessary for Seller's performance hereunder. Seller shall immediately notify Buyer in the event that Seller is not in compliance with any provision of this Section. Seller undertakes to take all necessary actions as required by applicable law and comply with all

applicable law relating to the importation or exportation of goods, including the exportation of Products. Such actions shall include, but are not limited to, processing of all necessary customs procedures, payment of import/ export taxes, completion and maintenance of documentation and provision of accurate information to all customs authorities. Seller shall not utilize forced or involuntary labor, regardless of its form, employ any child under the age of fifteen (15), except as part of a government approved job training, apprenticeship or similar program, or engage in any abusive employment practices. (c) In connection with the performance of this Agreement, Seller (i) shall comply with the provisions of the U.S. Foreign Corrupt Practices Act and similar laws of other countries, where applicable, and shall not take any action that may cause Buyer to be in violation of such laws; (ii) shall not make any payment or transfer anything of value with the purpose or effect of public or commercial bribery, extortion or kickbacks; and (iii) shall not engage in any other corrupt business practices or other improper means of obtaining business in violation of applicable law or Buyer's policies and principles of business conduct referenced herein. Upon request, Seller shall certify to Buyer its compliance with applicable anti-corruption laws in a form reasonably acceptable to Buyer.

**17. Certificates of Origin.** Seller shall promptly furnish Buyer with all certificates of origin and domestic value-added and other information relating to the costs and places of origin of the products and materials contained therein or used in the performance thereof, as may be required by Buyer to comply fully with all customs, tariffs and other applicable governmental regulations, including, without limitation, marking products with Country of Origin according to prevailing regulations as indicated by Buyer. Seller shall comply with all such regulations. When applicable, Seller shall provide North American Free Trade Agreement (NAFTA) certificates of origin for all NAFTA qualifying goods sold to Buyer pursuant to a Purchase Order. Seller will indemnify and hold Buyer harmless from and against all liabilities, demands, claims, damages and expenses of any kind or nature (including attorneys fees) arising or resulting from any delay in furnishing such certificates or other information, any errors or omissions contained in such certificates and any non-compliance by Seller with such regulations.

**18. Assignment.** Seller shall not subcontract or assign any duties, rights or claims under this Purchase Order unless agreed in writing by Buyer, and in such case, Seller shall be liable for and shall ensure that its subcontractors comply with the requirements of these Terms and Conditions. For purposes of this Section, a change of control is deemed an assignment.

**19. Governing Law.** This Purchase Order and the rights and obligations of the parties hereunder shall be governed by the laws of the Commonwealth of Massachusetts without regard to: (i) its conflict of law rules; (ii) the United Nations Convention on Contracts for the International Sale of Goods; or (iii) the 1974 Convention on the Limitation

Period in the International Sale of Goods, as amended. Each party hereby irrevocably submits to the exclusive jurisdiction of the courts located in the Commonwealth of Massachusetts for the resolution of all disputes arising under or in connection with this Purchase Order. Notwithstanding the preceding sentence, if the Seller is located in China, Taiwan or Hong Kong, then the parties agree that any unresolved dispute shall be submitted to the Hong Kong International Arbitration Centre (the "HKIAC") for settlement by arbitration in Hong Kong with three arbitrators under the Arbitration Rules of the United Nations Commission on International Trade Law in effect as of the date of this Agreement (the "Arbitration Rules"), as modified by these Terms and Conditions. The Buyer and the Seller shall each be entitled to designate one arbitrator. The two arbitrators shall consult with each other to agree upon the selection of a third arbitrator; provided, however, that in the event either party fails to appoint an arbitrator within twenty (20) business days of receipt by either party of a written notice requesting arbitration, or if the two arbitrators cannot reach an agreement with respect to the third arbitrator on or prior to the twentieth (20<sup>th</sup>) business day following the date of the appointment of the first arbitrator, the appointment shall be made by the HKIAC pursuant to the Arbitration Rules and the Procedures for Administration of International Arbitration of the HKIAC (the "Arbitration Procedures"). All proceedings in any such arbitration shall be conducted in English and a daily transcript in English of such proceedings shall be prepared. Each party expressly waives the defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state.

**20. Severability; Remedies; Waiver; Survival.** In the event that any one or more provisions contained in this Purchase Order shall be held by a court of competent jurisdiction to be invalid or unenforceable in any respect, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected thereby. The remedies contained herein are cumulative and in addition to any other remedies at law or equity. Buyer's failure to enforce, or waiver of a breach of, any provision of this Purchase Order shall not constitute a waiver of any other breach or of such provision. All of Seller's obligations set forth in this Purchase Order (other than the obligation to deliver the products covered hereby) shall survive the cancellation, termination or completion of this Purchase Order.

**21. Entire Agreement.** This Purchase Order, including these Terms and Conditions and the Quality Manual and Packaging Standard referenced herein, together with any confidentiality agreement previously executed by the parties (if applicable), is the complete and exclusive statement of the contract between Buyer and Seller with respect to Buyer's purchase of the products or services. No waiver, consent, modification, amendment or change of the terms of this Purchase Order shall be binding unless in writing and signed by Buyer and Seller. Any term or condition

incorporated in Seller's purchase order(s), order acknowledgement(s) or any other document provided to Buyer by Seller which is in any way different from, inconsistent with or in addition to these Terms and Conditions of this Purchase Order shall be of no effect, shall not apply to the purchase and sale of products or services between the parties, and shall not become a part of a

contract between the parties or be binding upon Buyer. Buyer's failure to object to terms contained in any communication from Seller will not be a waiver of the terms set forth herein. Seller shall not condition any delivery upon the abrogation or modification of any of these Terms and Conditions included in this Purchase Order.