



**Mueller Water Products, Inc.**

**Corporate Governance Guidelines**

**(Revised October 22, 2014)**

*The Board of Directors of Mueller Water Products, Inc. (the “Company”) has adopted the following Corporate Governance Guidelines to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of the Company. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to achieving strategic objectives of the Company while enhancing stockholder value over the long term. These Guidelines should be interpreted in the context of all applicable laws, including the Delaware General Corporation Law, and the Certificate of Incorporation and Bylaws of the Company. The Guidelines are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Guidelines are subject to modification from time to time by the Board, as the Board may deem appropriate in the best interest of the Company or as required by applicable laws and regulations.*

**A. Board Functions and Responsibilities**

The primary functions of the Board are to oversee management performance on behalf of the stockholders, to ensure that the long-term interests of the stockholders are being served, to monitor adherence to the Company’s standards and policies, to promote the exercise of responsible corporate citizenship, and generally to perform the duties and responsibilities assigned to the Board by the laws of Delaware, the state of incorporation of the Company.

The Board fulfills these functions by, among other things:

- Selecting, evaluating and setting the compensation of the officers of the Company and planning for senior management succession;
- Reviewing and monitoring implementation of the Company’s strategic plans and annual business plans;
- Reviewing and approving significant corporate undertakings and transactions;
- Reviewing assessments of, and advising management with respect to, significant risks and issues facing the Company; and

- Ensuring the establishment of, and monitoring compliance with, processes designed to ensure the integrity of the Company's actions, including its financial statements and financial reporting, its relationships with customers, suppliers and other constituencies, and its compliance with law and its Code of Conduct.

## **B. Board Membership Matters**

1. Requisite Skills and Characteristics. The Nominating and Corporate Governance Committee (the "NCG Committee") is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of Board members, as well as the composition of the Board as a whole. This assessment includes a consideration of independence, diversity, age, skills, experience and industry backgrounds in the context of the needs of the Board and the Company, as well as the ability of directors (and director candidates) to devote sufficient time to performing their duties in an effective manner and the ability to work with the Board as a whole. Directors are expected to exemplify the highest standards of personal and professional integrity and to constructively challenge management through their active participation and questioning.
2. Independence. The NCG Committee conducts an annual review of the independence of the directors (and director candidates) and reports its findings to the full Board. The NCG Committee is guided in its determination as to independence by the rules of the New York Stock Exchange ("NYSE") and the Securities and Exchange Commission ("SEC"). The Company expects that, at all times, a substantial majority of its directors will be considered independent under relevant NYSE and SEC guidelines.

To be considered "independent" for purposes of the director qualification standards, (1) the director must meet the bright-line independence standards under the NYSE listing standards, and (2) the Board must affirmatively determine that the director otherwise has no material relationship with the Company, directly or as an officer, shareowner or partner of an organization that has a relationship with the Company.

The following relationships will be considered to be immaterial relationships that would not impair a director's independence (categorical standards) if they are conducted in the ordinary course of business:

- (i) the director is a director or trustee but not an executive officer or any member of his or her immediate family is a director, trustee or employee, but not an executive officer, of any other organization (other than the Company's outside auditing firm) that does business with, or receives donations from, the Company;

- (ii) the director or any member of his or her immediate family is an executive officer of any other organization which is indebted to the Company, or to which the Company is indebted, and the total amount of either Company's indebtedness to the other is less than \$1 million or 2% of the total consolidated assets of the organization on which the director or any member of his or her immediate family serves as an executive officer, whichever is more; or
- (iii) the director or any member of his or her immediate family serves as an executive officer of a charitable or educational organization that receives discretionary charitable contributions from the Company in a single fiscal year of less than \$1 million or 2% of that organization's consolidated gross revenues, whichever is more.

The Company does not make personal loans to directors or executive officers.

3. Size of the Board and Election of Directors. The Board believes that the size of the Board should be a group sufficiently large and diverse to address the issues facing the Company while being small enough to encourage personal involvement and discussion. The NCG Committee and the Board periodically review the size of the Board and assess its ability to function effectively and with appropriate diversity and expertise.

All of the directors stand for election each year. The NCG Committee screens candidates for membership, considers qualified nominees for directors recommended by stockholders and makes recommendations for nominations. The Board proposes to stockholders a slate of nominees for election to the Board at the annual meeting of stockholders. The Board may fill vacancies in its membership that arise between annual meetings of stockholders.

4. Term Limits. The Board does not believe in the establishment of arbitrary term limits. Term limits may force the Company to lose the contribution of directors who, over time, have developed increased insight into the Company's businesses and operations.

The NCG Committee conducts an annual review of each director's contribution to the Board. In nominating any director, the NCG Committee will take into account the age of the proposed director. The NCG Committee may request the resignation of a director in the event that it determines that the director is not fully contributing to the Board processes and duties.

5. Occupations and Memberships on Other Boards. The Company places no specific limitations on the number of directorships an individual member of the Board may hold; however, the Company's Audit Committee Charter limits service of audit committee members to service on the audit committees of no more than three public companies, unless the Board determines such service would not impede the members' ability to effectively serve on the Company's Audit Committee and discloses such determination in the Company's annual proxy statement. In selecting nominees for membership, the Board takes into account the other demands on the time of a candidate, and with respect to current members of the Board, their attendance at, preparedness for and participation in Board and committee meetings. Directors shall advise the Chairman of the Board in advance of accepting an invitation to serve on another public company board. Both management and non-management directors shall offer their resignation (to be effective upon acceptance by the Board) in the event of a change in the principal job responsibilities they held at the time of their election to the Board. The NCG Committee shall evaluate the change in circumstances and recommend to the Board whether the director should continue to serve as a member of the Board.
  
6. Conflicts of Interest. Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of conflict. The Company annually solicits information from directors in order to monitor potential conflicts of interest and directors are expected to be mindful of their fiduciary obligations to the Company. If an actual or potential conflict of interest develops, the director should immediately report the matter to the Chairman of the Board and the Chairman of the NCG Committee for evaluation.

If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the Board, excuse himself or herself from participation in the matter, and shall not vote on the matter.

## C. Board Meetings

1. Number of Meetings. The Board holds six regular meetings each year. Special meetings of the Board may be called by the Company's President and shall be called by the Company's President or Corporate Secretary at the request of a majority of the Board.
2. Attendance. Board members are expected to prepare for, attend and participate in meetings of the Board and the committees on which they serve. Information and data that are important to an understanding of the business to be conducted at a Board or committee meeting is generally distributed in writing to the directors before the meeting so as to provide directors with sufficient time to review the materials and consider key issues in advance of the meeting.
3. Setting Board Agenda. The Chairman establishes the agenda for each Board meeting. The agenda is distributed to the directors by the Company's Corporate Secretary in advance of each meeting. At the beginning of the year, the Chairman compiles a schedule of agenda subjects (to the extent they can be foreseen) to be discussed during the year and invites directors to suggest the inclusion of additional items. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting.
4. Presentations to the Board. Where appropriate, the Board welcomes attendance at Board meetings of senior officers of the Company. The Board encourages presentations at its meetings by employees whose direct involvement in a particular area can bring key insight into a topic being reviewed with the Board or who have leadership potential of which the Board should be aware. Management presentations are scheduled on the agenda so as to allow for question-and-answer sessions and open discussions of key policies and practices.
5. Meetings of Non-Employee Directors and Independent Directors. The Board holds executive sessions of its non-employee directors on at least a quarterly basis, and holds executive sessions of its independent directors at least annually. The Lead Director serves as the presiding director for these executive sessions.
6. Lead Director. The independent directors of the Board shall elect on an annual basis an independent director to serve as the Company's Lead Director. The Lead Director will (i) act as a liaison between the non-management directors and the Company's management, (ii) chair the executive sessions of non-management directors, (iii) chair Board meetings when the Chairman is not present, and (iv) consult with the Chairman on other matters pertinent to the Company and the Board.

## D. Board Committees

1. Standing Committees. At all times, the Board will have an Audit Committee, a Compensation and Human Resources Committee (the "Compensation Committee") and a NCG Committee. All of the members of these committees will be independent directors under the criteria established by the NYSE. Members of the Audit Committee must meet the enhanced SEC independence standard, which prohibits them from directly or indirectly receiving any compensation from the Company other than director compensation or from being an affiliate of the Company.
2. Other Committees. In addition to the standing committees, the Board currently has established an Executive Committee and an Environment, Health and Safety Committee to assist it in discharging its responsibilities. The Board may, from time to time, establish or maintain additional or alternative committees that it determines to be necessary or appropriate.
3. Committee Assignments. Committee members and chairpersons are appointed by the Board upon the recommendation of the NCG Committee. Where possible, committee chairpersons will have had prior service on the committee.
4. Charters. Each committee operates under a written charter setting forth its purpose, duties and responsibilities, and providing for an annual self-evaluation of its performance. These charters are published on the Company's website and made available in print to any stockholder who requests them.
5. Meetings. Most committee meetings are held in conjunction with full Board meetings. The Audit Committee meets more frequently in order to fulfill its responsibilities under its charter. The chairperson of each committee, with the assistance of appropriate members of management, determines the frequency and length of committee meetings (consistent with any applicable charter requirements) and develops the agenda for committee meetings. Prior to the beginning of the year, each committee establishes a schedule of agenda subjects (to the extent these can be foreseen) to be discussed during the year. The schedule for each committee is furnished to all directors. Board members who are not members of a particular committee are welcome to attend meetings of that committee.

## **E. Access to Management, Employees and Independent Advisors**

1. Management and Employees. Directors have full and free access to management and employees of the Company. Meetings or contacts may be arranged through the Company's CEO or Corporate Secretary or directly by the director.
2. Independent Advisors. The Board and its committees have the right to retain independent outside financial, legal or other advisors as they may deem necessary. The Company pays the expenses of such advisors.
3. Financial Statements. The Board receives periodic financial statements from management.

## **F. Director Orientation and Continuing Education**

The Company's General Counsel, Corporate Secretary and Chief Financial Officer are responsible for providing an orientation program for new directors, which includes presentations by members of senior management on the Company's strategic plans, financial statements and key issues, policies and practices, and for periodically providing materials and updates to all directors on issues and subjects that would assist them in fulfilling their responsibilities.

## **G. Director Compensation**

The Compensation Committee annually reviews and determines the form and amount of compensation for non-employee directors. The Compensation Committee may request information from Company staff or outside consultants on the compensation of boards of comparable companies.

In general, the Compensation Committee believes that compensation for outside directors should consist of both a cash component designed to compensate members for their service on the Board and its committees and an equity component designed to align the interests of the directors and the stockholders. The cash component consists of an annual retainer and a fee for each Board or committee meeting attended (with a supplemental retainer for serving as the Chairperson of a committee).

## **H. Management Compensation and Succession**

1. Succession Plan. The Board shall review and approve an executive succession plan, based upon recommendations from the Compensation Committee.
2. Annual Compensation Review. The Compensation Committee annually reviews and approves the goals and objectives, and sets the compensation, of the officers of the Company.
3. Selection of Chairman and CEO. The Company has no fixed rule as to whether the offices of Chairman of the Board and CEO should be vested in the same person or two different people, or whether the Chairman should be an employee of the Company or should be elected from among the non-employee directors. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company to make such a determination in connection with its selection of a new CEO.

## **I. Annual Performance Evaluation**

The Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. The NCG Committee receives comments from all directors and reports annually to the Board. The NCG Committee's assessment focuses on the members' contributions to the Board (e.g., attendance, preparedness and effective participation) and its committees, the Board's contributions to the Company and identifies areas for improvement in the performance of the Board and its committees.

## **J. Confidentiality**

Pursuant to their fiduciary duties of loyalty and care, directors are required to protect and hold confidential all non-public information obtained due to their directorship position absent the express or implied permission of the Board to disclose such information. Accordingly,

1. no director shall use Confidential Information for his or her own personal benefit or to benefit persons or entities outside the Company; and
2. no director shall disclose Confidential Information outside the Company, either during or after his or her service as a director, except with authorization of the Board or as may be otherwise required by law.

"Confidential Information" means all non-public information entrusted to or obtained by a director by reason of his or her position as a director, including (but not limited to) non-public information that might be of use to competitors of the Company or harmful to the Company or its customers if disclosed, such as non-public information:

1. about the Company's financial condition, prospects or plans, its sales strategy and research and development information, including information about strategic transactions, such as mergers and acquisitions and divestitures;
2. concerning possible transactions with other companies or information about the Company's customers, suppliers or joint venture partners, which the Company is under an obligation to maintain as confidential; and
3. about discussions and deliberations relating to business issues and decisions, between and among employees, officers and directors.

#### **K. Shareholder Advisory Vote on Executive Compensation ("Say on Pay")**

Company stockholders will be given the opportunity to vote, on an annual basis, on an advisory resolution to approve the compensation paid to the Company's named executive officers, as described in the "Compensation Discussion and Analysis" section, accompanying compensation tables and the related narrative disclosure in the Company's annual proxy statement.

#### **L. Review and Modification of Corporate Governance Guidelines**

The NCG Committee reviews these Guidelines annually (and more often, if necessary), and reports to the Board any recommendations that it may have regarding modification of these guidelines.

#### **M. Communicating with the Board**

The Company has established several means for stockholders or other interested parties to communicate with the Board. If the communication relates to the Company's financial statements, accounting practices or internal controls, the communication should be submitted in writing to the Chairman of the Audit Committee in care of the Company's Corporate Secretary at the Company's headquarters address. If the communication relates to the Company's governance practices, business ethics or corporate conduct, the communication may be submitted in writing to the Chairman of the NCG Committee in care of the Company's Corporate Secretary. If the sender is unsure as to which category his or her communication relates, he or she may communicate it to any one of the independent directors in care of the Company's Corporate Secretary.