



Badger Meter

Principles of Corporate Governance

The Board of Directors (“Board”) of Badger Meter, Inc. (the “Company”) has developed and adopted certain principles of corporate governance (these “Principles”) establishing a common set of expectations to assist the Board and its committees in fulfilling their responsibilities to the Company’s shareholders to oversee management and the Company’s results. These Principles are intended to ensure that the Board will have the necessary authority and practices in place to review and evaluate the Company’s business operations as needed. In recognition of the continuing discussions about corporate governance, the Board will review and, if appropriate, revise these Principles from time to time.

Role of the Board of Directors and Management

The Company’s business is conducted by its employees, managers and officers, under the direction of the Company’s Chairman, President and Chief Executive Officer (“CEO”) and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board is elected by the Company’s shareholders to oversee management and to assure that the long-term interests of the shareholders are being served.

Responsibilities of the Board of Directors

The Board reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend scheduled meetings of the Board and its committees on which they serve. In addition to its general oversight of management, the Board (either directly or through its committees) also performs a number of specific functions, including:

1. Representing the interests of the Company’s shareholders in maintaining and enhancing the success of the Company’s business, including optimizing long-term returns to increase shareholder value;
2. Selecting, evaluating and compensating a well-qualified CEO of high integrity, and overseeing CEO succession planning;
3. Providing counsel and oversight on the selection, evaluation, development and compensation of senior management, including, with respect to the compensation of senior management, the review and approval of compensation plans and awards granted under those plans;
4. Reviewing and approving the Company’s fundamental financial and business strategies, including strategic plans, management development and succession plans, and operational and capital budgets;

5. Reviewing and evaluating the processes in place to assess the major risks facing the Company, and periodically reviewing management's assessment of major risks, as well as the options for their mitigation;
6. Reviewing and assessing the processes in place for maintaining the integrity of the Company, including the integrity of its financial statements, the integrity of its compliance with law and ethics, the integrity of its relationships with employees, customers and suppliers and the integrity of its relationships with other stakeholders; and
7. Providing general advice and counsel to the Chairman of the Board, CEO and other senior management personnel in the performance of their duties.

Board Composition and Selection; Director Independence

Board Size

The size of the Board and composition will be set so that the Board will possess, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives. The Board shall consist of such number of directors as shall from time to time be specified in the By-laws but which shall not be less than three. The specific number of Board members will be reviewed from time to time and adjusted as necessary and appropriate to promote the best overall interests of the Company and its shareholders.

Board Leadership

The Board shall elect a Chairman of the Board who shall have primary responsibility for scheduling Board meetings, calling special meetings when necessary, setting or proposing the agenda for each meeting, and leading the conduct of Board meetings, as well as for carrying out such other duties as are specified for such office in the Company's By-laws. This responsibility does not, however, diminish the responsibilities of each Board member to raise appropriate agenda items, or to propose meetings. In addition, if the Chairman of the Board is not independent, a "lead outside director" shall be designated to preside over each executive session of the Board and, when necessary, represent the independent directors. The Board shall designate an independent director as the lead outside director.

Communication with Directors

Shareholders and other interested parties may communicate with the full Board of Directors, non-management directors as a group or individual directors, including the lead outside director, by submitting such communications in writing to the Corporate Secretary of the Company as provided for in the Company's proxy statement. The Corporate Secretary will forward communications received to the appropriate party, according to the following process; however, the Company has discretion to exclude from transmittal communications that are commercial advertisements or other forms of solicitation.

Whenever formal written communication is received by the Secretary or management from a shareholder that either requests proxy access or expresses concern over the company's principles of corporate governance, other than informational, such communication shall be shared with the Chair of the Board, the Lead Director and the Chair of the Governance Committee, who will review and determine whether and how to respond. Management may communicate with the shareholder for informational or clarification purposes.

Selection of Board Members

The Corporate Governance Committee of the Board shall be responsible for developing and refining general and specific criteria for Board membership for approval by the Board. Also, the Corporate Governance Committee is responsible for evaluating on an ongoing basis all directors and director candidates based on such general and specific criteria and for seeking to assure that specific talents, skills and other characteristics that are needed to increase the Board's effectiveness are possessed by an appropriate combination of directors.

The Corporate Governance Committee shall be responsible for identifying individuals qualified to become members of the Board, consistent with criteria approved by the Board, and shall recommend to the Board nominees to be members of the Board. The Corporate Governance Committee, with the input of the Chairman of the Board, President and CEO, will recommend to the Board (i) nominees for Board membership to fill vacancies or newly created directorships, (ii) the persons to be nominated by the Board for election by the Company's shareholders at the annual or special meetings of shareholders, and (iii) Board committee assignments and rotation of Board committee members. The Board shall be responsible for selecting nominees to be members of the Board and for recommending them for election by the shareholders at annual or special meetings of shareholders.

The Corporate Governance Committee will consider persons recommended by shareholders to become nominees for election as directors in accordance with the criteria set forth in these Guidelines and the Corporate Governance Committee Charter. Recommendations for consideration by the Corporate Governance Committee should be sent to the Board, c/o Corporate Secretary of the Company, in writing together with appropriate biographical information concerning each proposed nominee. The Company's By-laws also set forth certain requirements for shareholders wishing to nominate director candidates directly for consideration by shareholders.

In addition to other criteria that the Board and the Corporate Governance Committee may develop from time to time pursuant to these Principles and the Corporate Governance Committee Charter, the Board and the Corporate Governance Committee have established certain criteria for director candidates that are set forth in Appendix A. These include but are not limited to: the highest personal and professional ethics, integrity and values, the ability to exercise sound business judgement, superior credentials and broad experience, relevant expertise and experience, ability to represent all shareholders, commitment to enhancing long-term shareholder value, independence (majority), ability to devote sufficient time to board activities and to enhance his/her knowledge, and diversity.

The Board shall be responsible for determining the qualifications of an individual to serve on the Audit Committee as a designated “audit committee financial expert,” as defined by applicable rules of the Securities and Exchange Commission (the “SEC”).

Independence of Directors

A majority of the directors shall be independent directors under the rules of the New York Stock Exchange, Inc. (the “NYSE”).

Directors who do not meet the NYSE’s independence standards also make valuable contributions to the Board and to the Company by reason of their experience and knowledge.

To be considered independent under the NYSE’s proposed rules, the Board must determine that a director does not have any direct or indirect material relationship with the Company or its affiliates (including, without limitation, subsidiaries of the Company). The Board has established the categorical standards set forth in Appendix B to assist it in determining director independence.

The Board shall undertake an annual review to evaluate the independence of all non-employee directors. In advance of the meeting at which this review occurs, each non-employee director shall be asked to provide the Board with full information regarding the director’s business and other relationships with the Company and its affiliates and with senior management and their affiliates to enable the Board to evaluate the director’s independence.

Change of Status

As a general policy, the CEO and other senior executives of the Company who are members of the Board will offer to tender his or her resignation from the Board upon the termination of his or her employment with the Company. However, the Board may ask the former CEO to remain on the Board if it believes that an exception to this policy is in the best interests of the Company and its shareholders.

A director who intends to be elected to an additional board of directors of a public company shall provide notice to the Board prior to accepting such additional directorship.

Executive and Private Sessions of the Board

Normally, members of senior management who are not members of the Board will participate in Board and Board committee meetings to present information, make recommendations, and be available for direct interaction with Board members.

However, the Board will have regularly scheduled meetings for the non-employee directors without members of the Company’s management being present; such meetings may occur either independent of or in conjunction with regularly scheduled meetings of the Board. The non-employee directors may meet without management present at such other times as they determine appropriate. In addition, if one of the non-management directors is not an independent director, then the Board will have at least one regularly scheduled meeting each year that is limited to independent directors.

Board Committees

The Board shall at all times have an Audit Committee, a committee that fulfills the responsibilities of a nominating and corporate governance committee under the rules of the NYSE and a committee that fulfills the responsibilities of a compensation committee under the rules of the NYSE. The Audit Committee, the Compensation Committee and the Corporate Governance Committee are each comprised solely of independent directors. The Board shall evaluate and determine the circumstances under which it will form or disband other Board committees.

In addition to the requirement that a majority of the Board satisfy the independence standards discussed above, members of the Audit Committee must also satisfy any additional independence requirements imposed by the NYSE or the SEC. Specifically, directors serving on the Audit Committee may not directly or indirectly receive any compensation from the Company other than the fees they receive for serving as directors.

The committee chairs of the committees of the Board shall be recommended by the Corporate Governance Committee in consultation with the Chairman of the Board, President and CEO, and approved by the Board. Board committee chairs will be responsible, in consultation with the Chairman of the Board, President and CEO, for scheduling committee meetings, setting meeting agendas, leading the conduct of each meeting, reporting the committee's findings and making recommendations to the full Board, and presenting resolutions requiring Board action.

Committee Assignment and Rotation

The Corporate Governance Committee, in consultation with the Chairman of the Board, President and CEO, will recommend Board committee assignments and rotation to the entire Board for final approval. Board members will rotate among Board committees from time to time as the Board deems appropriate.

Number and Scope of Board and Committee Meetings

The Board will meet at least four times per year, including in connection with the annual meeting of shareholders, and otherwise as necessary or appropriate. Board committees will meet as set forth in their charters. Each director is expected to attend meetings of the Board and any Board committee(s) of which he or she is a member and to review all meeting materials circulated prior to each meeting. Board members are also expected to attend the Company's annual meeting of shareholders.

Each meeting of the Board will include a financial and operating review. In addition, at least once annually, the Board will devote substantial time to reviewing the following matters: senior executive succession planning; the personal objectives and performance of the CEO; corporate controls and financial reporting policies and procedures (in consultation with the Audit Committee); the Board's effectiveness; and the Company's overall business strategy and strategic plan.

Director Compensation

Non-employee directors, committee chairs of the committees of the Board and the lead director, if any, shall receive reasonable compensation for their services, as may be determined from time to time by the Board upon recommendation of the Compensation Committee. Compensation for non-employee directors and Board committee chairs shall be consistent with the market practices of other similarly situated companies. The Compensation Committee of the Board shall periodically review and report to the Board with respect to director compensation and benefits.

Directors who are employees of the Company shall receive no additional compensation for serving as directors.

Common Stock Ownership Guidelines for Directors

The Board believes that non-employee directors should own a sufficient amount of the Company's common stock to align their economic interests with the interests of the Company's shareholders. Accordingly, the Board has established stock ownership guidelines for non-employee directors under which each director is expected to hold common stock with a value equal to at least four times his or her annual Board retainer. New non-employee directors are expected to achieve this level of stock ownership within a reasonable time, but no later than five years, after becoming a non-employee director.

Annual Director Election

Each Director shall be nominated annually for election by the Company's shareholders to one-year terms, according to the Company Bylaws and Articles. However, a nominee who receives more "withheld" or "against" votes than "for" votes in an election must tender his or her resignation to the Board and the Board shall consider whether or not to accept such resignation.

Director Access to Management and Independent Advisors

The Board and its individual members shall have access to individual senior executives of the Company. The Company also maintains an environment that permits senior managers to contact Board members directly.

It is a policy of the Board that executive officers and other members of senior management who report directly to the CEO be present at Board and/or Board committee meetings at the invitation of the Board or Board committee members. The Board encourages such executive officers and senior management to make presentations or to include in discussions at Board meetings managers and other employees who (i) can provide insight into the matters being discussed because of their functional expertise and/or personal involvement in such matters and/or (ii) are individuals with high potential whom such executive officers and senior management believe the directors should have the opportunity to meet and evaluate.

Directors are authorized to consult with independent advisors, as is necessary and appropriate, without consulting management.

Ethics and Conflicts of Interest

The Board expects the Company's directors, as well as its officers and employees, to act ethically at all times. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the Chairman of the Board. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving any executive officer of the Company, and the CEO shall resolve any conflict of interest issue involving any other officer of the Company.

Director Orientation and Continuing Education

The Board shall ensure that an orientation program for newly elected directors is implemented. The Corporate Governance Committee shall oversee and maintain the orientation program implemented by the Board.

Directors are required to continue educating themselves with respect to various matters, including domestic and international markets, accounting and finance, leadership, crisis response, industry practices, general management, and strategic planning.

Management Succession and CEO Compensation

The Board shall develop and maintain an appropriate succession plan with respect to the position of CEO, including such plans in the event of an emergency or the retirement of the CEO. The Compensation Committee is responsible for making recommendations to the Board about succession planning generally. The Board shall review those recommendations in closed session.

The Compensation Committee is responsible for establishing annual and long-term performance goals for the CEO and for evaluating his or her performance against such goals.

Annual Performance Self-Assessment of the Board

The Board will conduct a self-assessment at least annually to evaluate whether it and its committees are functioning effectively. The Corporate Governance Committee will oversee, and communicate to the Board the results of, such self-assessments.

Hedging and Pledging Policies

Directors and executive officers are prohibited from engaging in short selling, hedging transactions and from holding Company common stock in a margin account or pledging Company common stock as collateral for a loan. An exception to the prohibition of pledging may be granted by the board where a person wishes to pledge the Company's common stock as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged shares.

Compensation Recoupment Policy

The Board has adopted a compensation recoupment policy designed to ensure that incentive-based compensation is paid to executive officers based on accurate financial statements. Under the policy, in the event that the Company is required to prepare an accounting restatement due to material noncompliance with accounting rules, the Company will, to the extent permitted by governing law, require reimbursement of compensation from executive officers who, during the applicable period, (1) received payment of non-equity incentive compensation, or (2) realized compensation from equity awards, in either case based on the erroneous financial data, regardless of whether the executive officer engaged in misconduct or otherwise caused or contributed to the requirement for the restatement.

Limitation

Nothing in these Principles is intended to expand the fiduciary obligations of the members of the Board beyond those provided for under applicable law.

APPENDIX A

CRITERIA FOR DIRECTOR NOMINEES

In making recommendations to the Board of Directors (“Board”) of Badger Meter, Inc. (the “Company”) of nominees to serve as directors, the Corporate Governance Committee will examine each director nominee on a case-by-case basis regardless of who recommended the nominee and take into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint and industry knowledge. However, the Board and the Corporate Governance Committee believe the following minimum qualifications must be met by a director nominee to be recommended by the Corporate Governance Committee:

1. Each director must display the highest personal and professional ethics, integrity and values.
2. Each director must have the ability to exercise sound business judgment.
3. Each director must be highly accomplished in his or her respective field, with superior credentials and recognition and broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest.
4. Each director must have relevant expertise and experience, and be able to offer advice and guidance to the Chief Executive Officer based on that expertise and experience.
5. Each director must be able to represent all shareholders of the Company and be committed to enhancing long-term shareholder value.
6. The majority of the directors must be independent, according to the definition in Appendix B.
7. Each director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the Company’s business.
8. At least one director should have the requisite experience and expertise to be designated as an “audit committee financial expert” as defined by applicable rules of the Securities and Exchange Commission.
9. The Board believes that maintaining a diverse membership with varying backgrounds, skills, expertise and other differentiating personal characteristics promotes inclusiveness, enhances the Board's deliberations and enables the Board to better represent all of the Company's constituents. Accordingly, the Board is committed to seeking out highly qualified women and minority candidates as well as candidates with diverse backgrounds, skills and experiences as part of each Board search the Company undertakes.

APPENDIX B

DIRECTOR INDEPENDENCE GUIDELINES

I. Introduction

The following Director Independence Guidelines (the “Independence Guidelines”) have been adopted by the Board of Directors (the “Board”) of Badger Meter, Inc. (the “Company,” which term shall include the Company’s subsidiaries for purposes of these Independence Guidelines) to assist the Board in making their determination of which members of the Board are independent.

These Independence Guidelines should be interpreted in the context of all applicable laws and regulations, and are intended to serve as a flexible framework within which the Board makes its independence determinations. These Independence Guidelines are subject to modification from time to time, and the Board shall be able, in the exercise of its discretion, to deviate from these Independence Guidelines from time to time, as the Board may deem appropriate or desirable and as required or permitted by applicable laws and regulations. The Company will publicly disclose these Independence Guidelines.

To be considered independent under the New York Stock Exchange (“NYSE”)’s listing standards, the Board must affirmatively determine that a director has no material relationship with the Company, either directly or indirectly. In making its determination, the Board will broadly consider all relevant facts and circumstances. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. When assessing the materiality of a director’s relationship with the Company, the Board will consider the issue not merely from the standpoint of the director, but also from that of persons or entities with which the director has an affiliation.

A director of the Company who meets the “Categorical Standards” set forth below in Section III and has no other material relationship with the Company shall be presumed to be “independent.” Notwithstanding this presumption, the Board will look at the totality of other material relationships when determining independence. In addition, a director who is a member of the Company’s Audit Committee must meet the heightened criteria set forth below in Section IV to be considered “independent” for the purposes of membership on the Audit Committee. If the relationship of a director falls within the Categorical Standards, then the Company shall state in its proxy statement that the director meets the Categorical Standards, without describing the particular aspects of the relationship between the director and the Company, except as required by Item 407(a)(3) of Regulation S-K.

If the relationship of a director does not fall within the Categorical Standards, then a determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the Board. In the event that a director who has a business or other relationship that does not fit within the Categorical Standards set forth below is determined to be independent, the Company shall disclose the basis for such determination in the Company’s proxy statement and provide any disclosure required by Item 407(a)(3) of Regulation S-K.

II. Definition of Immediate Family Member

An “immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home. When considering the look-back provisions in paragraph III below, the Company need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

III. Categorical Standards for Directors

A director who at all times during the previous three years has met all of the following categorical standards (the “Categorical Standards”) and has no other material relationships with the Company shall be presumed to be independent:

1. The Company has not employed the director, and has not employed (except in a non-executive officer capacity) any of his or her immediate family members. Employment as an interim Chairman or Chief Executive Officer shall not disqualify a director from being considered independent following that employment.
2. Neither the director, nor any of his or her immediate family members, has received more than \$120,000 per year in direct compensation from the Company, other than director and committee fees, and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). (Compensation received by a director for former service as an interim Chairman or Chief Executive Officer need not be considered in determining independence under this test. Compensation received by an immediate family member for service as a non-executive employee of the Company need not be considered in determining independence under this test.)
3. The director has not been employed by, or affiliated with the Company’s present or former internal or external auditor, nor have any of his or her immediate family members been so employed or affiliated (except in a nonprofessional capacity).
4. Neither the director, nor any of his or her immediate family members, has been part of an “interlocking directorate” in which any of the Company’s present executives serve on the compensation (or equivalent) committee of another company that employs the director or any of his or her immediate family members in an executive officer capacity.
5. Neither the director, nor any of his or her immediate family members (except in a non-executive officer capacity), has been employed by a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company’s consolidated gross revenues. (In applying this test, both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between the Company and the director’s or immediate family member’s current employer; the Company need not consider former employment of the director or immediate family member. Charitable organizations

shall not be considered “companies” for purposes of this test, provided however that the Company shall disclose in its annual proxy statement any charitable contributions made by the Company to any charitable organization in which a director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of \$1 million, or 2% of such charitable organization’s consolidated gross revenues.)

6. Neither the director, nor any of his or her immediate family members, has been an employee, officer or director of a foundation, university or other non-profit organization to which the Company gives directly, or indirectly through the provision of services, more than \$1 million per annum or 2% of such organization’s consolidated gross revenues (whichever is greater). (The Company shall disclose in its annual proxy statement any charitable contributions made by the Company to any charitable organization in which a director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of \$1 million, or 2% of such charitable organization’s consolidated gross revenues.)

IV. Standards for Audit Committee Members

In addition to satisfying the criteria set forth in Section III above, directors who are members of the Company’s Audit Committee will not be considered independent for purposes of membership on the Audit Committee unless they satisfy the following criteria:

1. A director who is a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other Board committee, accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof, provided that, unless the rules of the NYSE provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).
2. A director, who is a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other Board committee, be an affiliated person of the Company.
3. If an Audit Committee member simultaneously serves on the audit committees of more than two other public companies, then the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Company’s Audit Committee. The Company shall disclose this determination in its proxy statement.