

WATSCO, INC.
CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of Watsco, Inc. (the “Company”) has adopted these corporate governance guidelines to promote the effective functioning of the Board and its committees, to promote the interests of shareholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions.

Selection of Directors. The Nominating & Strategy Committee is responsible for identifying, screening, and recommending candidates to the Board. The Board is responsible for nominating candidates for election at the next meeting of shareholders and for filling vacancies that occur between annual meetings of shareholders based on the recommendation of the Nominating & Strategy Committee.

Board Membership Criteria. The Nominating & Strategy Committee is responsible for determining the appropriate skills and characteristics required of directors. The Nominating & Strategy Committee shall consider the following criteria in making its recommendations to the Board:

- Judgment, diversity, character and knowledge useful to the oversight of the Company's business;
- Business or other relevant experience, including business-building skills and financial expertise;
- Chemistry with other Board members that will build a Board that is effective, collegial and responsive to the needs of the Company.

Expectations for Directors. The Board has developed a number of specific expectations of directors to promote the efficient and effective conduct of the Board's business. It is understood that the non-management directors are not full-time employees of the Company.

Commitment and Attendance. All directors should make every effort to attend meetings of the Shareholders, Board and the Committees of which they are members. Attendance by telephone may be used to facilitate a director's attendance.

Participation in Meetings. Each director should be sufficiently familiar with the business of the Company, including its financial statements and significant business risks, to ensure active and effective participation as a Board member or as a member of the Committee on which he or she serves. Directors should also review the materials in advance of the meetings of the Board and its Committees to be prepared to discuss meeting topics.

Loyalty and Ethics. In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interest possessed by a director. The Company has adopted a Code of Conduct for Executives (the “Executive Code”). Certain portions of the Executive Code deal with activities of directors, particularly with respect to potential conflicts of interest, the taking of corporate opportunities for personal use and transactions in the securities of the Company.

Confidentiality. Board and committee discussions shall be confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

Number of Independent Directors on Board. A majority of the Board shall be independent.

Determination of Director Independence. The Board reviews the status of each director and determines whether directors meet independence requirements. To assist the directors in making determinations of director independence, the Board has adopted a definition of director independence which is included at the end of these guidelines.

Director Compensation. Non-employee directors receive compensation for their board service. Employee directors do not receive compensation for their board service. The Nominating & Strategy Committee reviews directors' remuneration and recommends any changes to the Board.

Board and Committee Meetings. There are four regularly scheduled Board meetings each year; additional meetings may be held as needed. The Chairman presents an agenda at the beginning of each meeting and additional agenda items may be added as needed. Committees prepare their own calendar of meetings and agendas. Materials for Board and committee meetings are distributed in advance to the extent reasonably possible.

Committees. The Board has three standing committees: Nominating & Strategy, Audit and Compensation. Only independent directors may serve on the Audit and Compensation Committees.

Lead Independent Director. The Board has selected Paul F. Manley to serve as Lead Independent Director. The Board has determined that the Lead Independent Director should have the following duties and responsibilities:

- (a) advise the Chairman as to an appropriate schedule of Board meetings;
- (b) review and provide the Chairman with input regarding the agendas for the Board meetings;
- (c) preside at all meetings at which the Chairman is not present including executive sessions of the non-management directors and apprise the Chairman of the issues considered;
- (d) be available for direct communication with the Company's shareholders;
- (e) call meetings of the non-management directors when necessary and appropriate; and
- (f) perform such other duties as the Board may from time to time delegate.

Executive Sessions. The non-management directors meet in executive session regularly. Paul F. Manley shall be the Lead Independent Director for executive sessions of the non-management directors.

Director Access to Management. All directors shall be free to contact the CEO at any time to discuss any aspect of the Company's business and shall also have access to other members of the Company's senior management. Such members of senior management who are not Board members, as well as the leadership of the Company's subsidiaries, may be invited to attend Board and committee meetings to participate and to provide a greater understanding of the Company's activities.

Director Access to Independent Advisors. The Audit Committee confers with the Board regarding the retention of, and meets regularly with, the Company's independent registered public accounting firm ("independent auditors"), and is responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditors and approves any significant audit or non-audit work by the Company's independent auditors. The Chairperson of each committee has the sole authority to retain consultants or other experts to provide them advice.

Director Orientation & Education. The Chairman shall provide orientation and education for directors, either individually or in group settings, which may include discussions of company history, strategies, opportunities and the like. Such discussions may be conducted at the Company or by travel in formal, informal or social settings (with or without spouses). Such orientation and education may also include members of senior management or with others who have business relationships with the Company.

Evaluations. The Board evaluates its performance annually, led by the Nominating & Strategy Committee. Each committee evaluates its performance annually and reviews the results of its evaluation with the full Board.

Management Succession. The Board will maintain succession planning policies and principles for CEO selection and performance review, as well as policies in the event of the CEO's retirement or should something unexpectedly occur that prevents him to fulfill his duties.

Guidelines for Determining Director Independence

A director will be considered independent only if the Board has affirmatively determined that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) that would impair his or her independent judgment. The Board will broadly consider all relevant factors affecting independence at the time a director is proposed for election or re-election and on an annual basis thereafter. In the process of making such determinations, the Board will consider the nature, extent and materiality of the director's relationships with the Company and the Board will apply the following guidelines:

A director will be deemed not to be independent by the Board if the Board finds that:

(a) the director is, or has been within the last three years, an employee of the Company or an immediate family member of such director is, or has been within the last three years, an executive officer of the Company;

(b) the director or a director's immediate family member has received, during any twelve month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees, pension or other forms of deferred compensation that is for prior service and not contingent upon continued service, compensation for former service as an interim Chairman or CEO, or compensation received by an immediate family member for service as an employee below the level of executive officer;

(c) (A) the director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time;

(d) the director or the director's immediate family member is employed as an executive officer by another entity whose compensation committee includes any executive officer of the Company;

(e) the director is currently employed, or the director's immediate family member is currently employed, as an executive officer by an entity (other than a charity) that makes payments to, or receives payments from, the Company for property or services in an amount that exceeds, in a single fiscal year, the greater of \$1,000,000 or two percent of that entity's consolidated gross revenues; or

(f) any of the situations described in (a), (b), (c), (d) or (e) above existed within the past three years.

Additionally, the Company will disclose in its annual Proxy Statement any charitable contributions to any charitable organization in which a director serves as an executive officer, if within the preceding three years, any such contributions in a single fiscal year exceeded the greater of \$1 million or two percent of the charitable organization's consolidated gross revenues, and, in such case, the Board will consider the materiality of such contributions.

A Director will be deemed not to be independent by the Board if the Board finds that a Director has material business arrangements with the Company which would jeopardize the Director's judgment. The Board will review for materiality all business arrangements between the Company and the Director and all business arrangements between the Company and an entity for which the Director serves as an officer or general partner or owns more than five percent. Arrangements are not material and not likely to jeopardize the Director's judgment, and thereby his/her independence, if:

(a) the arrangements are usually and customarily offered to customers by the Company;

(b) the arrangements are offered on substantially similar terms as those prevailing at the time for comparable transactions with other customers under similar circumstances;

(c) in the event that (i) a proposed arrangement were not made or (ii) an existing arrangement were terminated in the normal course of business, that action would not reasonably be expected to have a material and adverse effect on the financial condition, results of operations, or business of the recipient;

In applying the factors listed in (a) through (c) above, the Board will consider such other factors as it may deem necessary or appropriate to arrive at sound determinations as to the independence of each Director, and such factors may override the conclusions of independence or non-independence that would be reached simply by applying the guidelines. In such cases, the basis for independence determinations will be disclosed in the Company's Annual Proxy Statement.

The Board has adopted these guidelines for determining the independence of directors; the guidelines are consistent with Securities and Exchange Commission rules implementing the Sarbanes-Oxley Act of 2002 and with NYSE Listing Standards. The Board has determined that a substantial majority of the directors is independent and that all of the directors serving on the Audit and Compensation Committee are independent.

Approved by the Board March 3, 2015