

WATTS WATER TECHNOLOGIES INC
Form DEF 14A
March 22, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN
PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

WATTS WATER TECHNOLOGIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
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Watts Water Technologies, Inc.
March 29, 2013

Dear Stockholder:

It is my pleasure to invite you to attend our 2013 Annual Meeting of Stockholders, which will be held on Wednesday, May 15, 2013 at 9:00 a.m. at our principal executive offices located at 815 Chestnut Street, North Andover, Massachusetts 01845. On the pages following this letter you will find the notice of our 2013 Annual Meeting, which lists the business matters to be considered at the meeting, and the proxy statement, which describes the business matters listed in the notice. Following completion of the scheduled business at the 2013 Annual Meeting, we will report on our operations and answer questions from stockholders.

Whether or not you plan to attend the 2013 Annual Meeting, your vote is important and we encourage you to vote promptly. You may vote your shares by telephone or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding all three methods of voting are provided on the proxy card.

We hope that you will be able to join us at the 2013 Annual Meeting.

Sincerely,

DAVID J. COGHLAN
President and Chief Executive Officer

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WATTS WATER TECHNOLOGIES, INC.
815 Chestnut Street
North Andover, MA 01845

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 15, 2013

To the Stockholders of
Watts Water Technologies, Inc.

Notice is hereby given that the 2013 Annual Meeting of Stockholders of Watts Water Technologies, Inc., a Delaware corporation, will be held at our principal executive offices located at 815 Chestnut Street, North Andover, Massachusetts 01845, on Wednesday, May 15, 2013, at 9:00 a.m., local time, for the following purposes:

1. To elect nine directors to our Board of Directors, each to hold office until our 2014 Annual Meeting of Stockholders and until such director's successor is duly elected and qualified;
2. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the current fiscal year;
3. To approve our Executive Incentive Bonus Plan; and
4. To approve our Second Amended and Restated 2004 Stock Incentive Plan.

The stockholders will also consider and act upon any other matters that may properly come before the Annual Meeting.

Only stockholders of record at the close of business on March 21, 2013 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

By Order of the Board of Directors

KENNETH R. LEPAGE
General Counsel,
Executive Vice President of Administration
and Secretary

North Andover, Massachusetts
March 29, 2013

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WATTS WATER TECHNOLOGIES, INC.

**ANNUAL MEETING OF STOCKHOLDERS
May 15, 2013**

PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL MEETING

Our 2013 Annual Meeting of Stockholders will be held on Wednesday, May 15, 2013 at 9:00 a.m., local time, at our principal executive offices located at 815 Chestnut Street, North Andover, Massachusetts 01845. For directions to our principal executive offices, please visit the 2013 Annual Meeting page on our website at <http://www.wattswater.com/2013annualmeeting>. If you have any questions about the 2013 Annual Meeting, please contact Kenneth Lepage, our corporate Secretary, by telephone at (978) 688-1811 or by sending a written request for information addressed to Kenneth Lepage at our principal executive offices.

Information About this Proxy Statement

You have received this proxy statement because the Board of Directors of Watts Water Technologies, Inc. (which we also refer to as Watts Water or the Company) is soliciting your proxy to vote your shares at the 2013 Annual Meeting and at any adjournment or postponement of the 2013 Annual Meeting. This proxy statement includes information that we are required to provide to you under the rules of the Securities and Exchange Commission, or SEC, and is designed to assist you in voting your shares. Only stockholders of record at the close of business on March 21, 2013 are entitled to receive notice of and to vote at the Annual Meeting.

We are mailing this proxy statement and the accompanying proxy on or about March 29, 2013 to our stockholders of record as of March 21, 2013. We are also mailing our Annual Report for the fiscal year ended December 31, 2012 to such stockholders concurrently with this proxy statement. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 is available on our website at <http://www.wattswater.com>. If you are a stockholder and would like a copy of our Annual Report on Form 10-K or any of its exhibits sent to you, we will send you one without charge. Please address all such requests to Kenneth Lepage at our principal executive offices.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 15, 2013

The proxy statement and annual report to security holders are available at <http://www.wattswater.com/2013annualmeeting>.

Information About Voting

Each share of our class A common stock, par value \$0.10 per share, outstanding on the record date is entitled to one vote, and each share of our class B common stock, par value \$0.10 per share, outstanding on the record date is entitled to ten votes. As of the close of business on March 21, 2013, there were outstanding and entitled to vote 28,762,234 shares of class A common stock and 6,588,680 shares of class B common stock.

Stockholders of Record. Stockholders of record may vote in person at the Annual Meeting or by proxy. There are three ways to vote by proxy:

By telephone Stockholders of record located in the United States and Canada can vote by calling the toll-free telephone number listed on the proxy card and following the instructions on the proxy card;

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By Internet Stockholders of record can vote over the Internet by visiting the website listed on the proxy card and following the instructions on the proxy card; or

By mail Stockholders of record may vote by mail by signing, dating and mailing the enclosed proxy card and returning it in the enclosed prepaid envelope.

If a choice is specified in a proxy, shares represented by that proxy will be voted in accordance with such choice. If no choice is specified, the proxy will be voted "FOR" the election of each of the nine nominees for the Board of Directors, the ratification of the selection of KPMG LLP, and the approval of our Executive Incentive Bonus Plan and our Second Amended and Restated 2004 Stock Incentive Plan.

You may revoke or change your proxy at any time before it is exercised by (i) delivering to us a signed proxy card with a date later than that of your previously delivered proxy, (ii) voting in person at the Annual Meeting, (iii) granting a subsequent proxy through the Internet or by telephone, or (iv) sending a written revocation to our corporate Secretary at our principal executive offices. Attending the Annual Meeting will not revoke your proxy unless you specifically request that your proxy be revoked by sending a written revocation to our corporate Secretary before the proxy is exercised or you vote in person at the Annual Meeting.

Beneficial Owners. If you are a beneficial owner and your shares are held in "street name" by a bank, broker or other holder of record, you will receive instructions from the holder of record as to how to vote your shares. You will need to follow the instructions of the holder of record in order to vote your shares. Many banks and brokers offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or broker on your voting instruction form. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a legal proxy or broker's proxy card and bring it to the Annual Meeting in order to vote.

Quorum; Required Votes; Abstentions and Broker Non-Votes

The presence, in person or by proxy, of outstanding shares of class A common stock and class B common stock representing a majority of the total votes entitled to be cast is necessary to constitute a quorum for the transaction of business at our Annual Meeting. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present for the transaction of business at the Annual Meeting. A "broker non-vote" occurs when a bank, broker or other nominee holder has not received voting instructions with respect to a particular matter and the nominee holder does not have discretionary authority to vote on that matter. A nominee holder has discretionary authority under the rules of the New York Stock Exchange, or NYSE, to vote your shares on the ratification of the appointment of KPMG LLP as our independent registered public accounting firm, even if the nominee holder does not receive voting instructions from you, but will not have discretionary authority to vote on any of the other matters presented for consideration at the Annual Meeting.

Election of Directors. Under our by-laws, the nine director nominees receiving the highest number of affirmative votes out of the total number of votes represented by shares present (either in person or by proxy) and entitled to vote at the meeting will be elected as directors. You may vote for all of the director nominees, withhold your vote from all of the director nominees or withhold your vote from any one or more of the director nominees. Votes that are withheld will not be included in the vote tally for the election of directors and will have no effect on the results of the vote.

Ratification of Our Independent Registered Public Accounting Firm. Under our by-laws, the affirmative vote of the holders of a majority of the votes present or represented at the Annual Meeting and entitled to be cast will be required for approval of the ratification of the selection of KPMG LLP as our independent registered public accounting firm (Proposal 2). If you submit a proxy or attend the

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meeting but choose to abstain from voting on this proposal, you will be considered present at the meeting and entitled to vote on such proposal. As a result, an abstention will have the same effect as if you had voted against such proposal. Broker non-votes, however, will have no effect on the proposal because they will not be considered to have been entitled to vote on such proposal.

Approval of Our Executive Incentive Bonus Plan. Under our by-laws, the affirmative vote of the holders of a majority of the votes present or represented at the Annual Meeting and entitled to be cast will be required for approval of our Executive Incentive Bonus Plan (Proposal 3). If you submit a proxy or attend the meeting but choose to abstain from voting on this proposal, you will be considered present at the meeting and entitled to vote on such proposal. As a result, an abstention will have the same effect as if you had voted against such proposal. Broker non-votes, however, will have no effect on the proposal because they will not be considered to have been entitled to vote on such proposal.

Approval of Our Second Amended and Restated 2004 Stock Incentive Plan. Under our by-laws, the affirmative vote of the holders of a majority of the votes present or represented at the Annual Meeting and entitled to be cast will be required for approval of our Second Amended and Restated 2004 Stock Incentive Plan (Proposal 4). If you submit a proxy or attend the meeting but choose to abstain from voting on this proposal, you will be considered present at the meeting and entitled to vote on such proposal. As a result, an abstention will have the same effect as if you had voted against such proposal. Broker non-votes, however, will have no effect on the proposal because they will not be considered to have been entitled to vote on such proposal.

Solicitation of Proxies

We will bear the expenses of preparing, printing and assembling the materials used in the solicitation of proxies. In addition to the solicitation of proxies by use of the mail or the Internet, we may also use the services of some of our officers and employees (who will receive no compensation for such services in addition to their regular salaries) to solicit proxies personally and by telephone and email. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward solicitation materials to the beneficial owners of shares held of record by them, and we will reimburse them for their reasonable expenses.

Other Business to be Considered

Our management does not know of any business other than the matters set forth in the Notice of Annual Meeting of Stockholders and described above that will be presented for consideration at the Annual Meeting. If any other business should properly come before the Annual Meeting, the proxies will be voted in accordance with the direction of the proxy holders. Each of the persons appointed by the enclosed form of proxy present and acting at the meeting, in person or by substitute, may exercise all of the powers and authority of the proxies in accordance with their judgment.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Our Board has nominated each of the individuals named below for election as a director. If elected, each nominee will serve until our 2014 Annual Meeting and until such director's successor has been duly elected and qualified. Proxies will be voted for each of the nominees named below unless otherwise specified in the proxy. All of the nominees except Joseph T. Noonan are currently members of our Board and were elected by our stockholders at the 2012 Annual Meeting. Management does not contemplate that any of the nominees will be unable to serve, but in that event, proxies solicited hereby may be voted for a substitute nominee designated by our Board or our Board may choose to reduce the number of directors serving on the Board.

Our Board of Directors recommends that stockholders vote FOR the election of each nominee as a director of Watts Water Technologies, Inc.

Table of Contents**Information as to Nominees for Director**

Set forth below are the names of the nominees for our Board of Directors, their ages, principal occupations for at least the past five years, the years they originally became members of our Board of Directors and certain other information. The information provided below is current as of February 1, 2013 except for the ages of the nominees, which are current as of May 15, 2013, the date of our 2013 Annual Meeting.

| Name | Age | Present Principal Employment and Prior Business Experience | Director Since |
|-----------------|------------|--|-----------------------|
| Robert L. Ayers | 67 | <p>Mr. Ayers was Senior Vice President of ITT Industries and President of ITT Industries' Fluid Technology from October 1999 until September 2005. Mr. Ayers continued to be employed by ITT Industries from September 2005 until his retirement in September 2006, during which time he focused on special projects for the company. ITT Industries' Fluid Technology manufactures a broad range of pumps, mixers, controls and treatment systems. Mr. Ayers joined ITT Industries in 1998 as President of ITT Industries' Industrial Pump Group. Mr. Ayers served as a member of the Board of Directors of T-3 Energy Services, Inc., a provider of oil field products and services, from August 2007 to January 2011.</p> <p><i>Skills and Qualifications.</i> Mr. Ayers' skills and qualifications to serve on our Board include his extensive international, channel management, operations and sales and marketing experience with manufacturing companies in the fluid control industry.</p> | 2006 |
| Bernard Baert | 63 | <p>Mr. Baert served as Senior Vice President and President, Europe and International of PolyOne Corporation from January 2010 until his retirement in April 2012. Mr. Baert served as Senior Vice President and General Manager, Color and Engineered Materials Europe and Asia for PolyOne Corporation from 2006 to December 2009 and as Vice President and General Manager, Color and Engineered Materials Europe and Asia from 2000 to 2006. From 1995 to September 2000, Mr. Baert was General Manager, Color Europe for M.A. Hanna Company, the predecessor to PolyOne Corporation. PolyOne Corporation is a worldwide provider of specialty polymer materials, services and solutions. Prior to joining M.A. Hanna, Mr. Baert was General Manager, Europe for Hexcel Corporation and spent 17 years with Owens Corning where he served as a plant manager and held various positions in the areas of cost control and production.</p> <p><i>Skills and Qualifications.</i> Mr. Baert's skills and qualifications to serve on our Board include his extensive general management and manufacturing experience, international experience, particularly in Europe, and his experience executing and integrating acquisitions in Europe, Asia and South America.</p> | 2011 |

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| Name | Age | Present Principal Employment and Prior Business Experience | Director Since |
|---------------------|-----|---|----------------|
| Kennett F. Burnes | 70 | <p>Mr. Burnes is the retired Chairman, President and Chief Executive Officer of Cabot Corporation, a global manufacturer of specialty chemicals and performance materials. He was Chairman of the Board of Directors from 2001 to March 2008, President from 1995 to January 2008 and Chief Executive Officer from 2001 to January 2008. Prior to joining Cabot Corporation in 1987, Mr. Burnes was a partner at the Boston-based law firm of Choate, Hall & Stewart, where he specialized in corporate and business law for nearly 20 years. Mr. Burnes has been a member of the Board of Directors of State Street Corporation, a provider of financial services to institutional investors, since 2003. Mr. Burnes' community activities include being a member of the Dana Farber Cancer Institute's Board of Trustees, a member of the Board of Trustees of the New England Conservatory, Chairman of the Board of Trustees of the Schepens Eye Research Institute and a member of the Board of Trustees of the Epiphany School.</p> <p><i>Skills and Qualifications.</i> Mr. Burnes' skills and qualifications to serve on our Board include his experience as an operating executive and chief executive officer of an international manufacturing company and his nearly 20 years of experience as a corporate attorney representing public companies.</p> | 2009 |
| Richard J. Cathcart | 68 | <p>Mr. Cathcart was Vice Chairman and a member of the Board of Directors of Pentair, Inc. from February 2005 until his retirement in September 2007. Mr. Cathcart served as President and Chief Operating Officer of Pentair's Water Technologies Group from January 2001 until February 2005. Mr. Cathcart also served as Executive Vice President and President of Pentair's Water Technologies Group from February 1996 to January 2001 and as Executive Vice President, Corporate Development from March 1995 to February 1996. Pentair is a diversified manufacturing company. Pentair's Water Group provides products and systems used in the movement, storage, treatment and enjoyment of water. Mr. Cathcart is also a member of the Board of Directors of Fluidra S.A., an international manufacturer of accessories and products for swimming pools, irrigation, and water treatment and purification systems.</p> <p><i>Skills and Qualifications.</i> Mr. Cathcart's skills and qualifications to serve on our Board include his familiarity with our industry stemming from his service as an operating executive with an international manufacturing company in the fluid control industry, his strategic planning expertise and his extensive international experience as a business executive and as a board member of a public company based in Europe.</p> | 2007 |

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| Name | Age | Present Principal Employment and Prior Business Experience | Director Since |
|------------------|-----|--|----------------|
| David J. Coghlan | 54 | <p>Mr. Coghlan became our Chief Executive Officer and President in January 2011. He previously served as our Chief Operating Officer from January 2010 to January 2011 and as President of North America and Asia from June 2008 to January 2010. Prior to joining our Company, Mr. Coghlan served as Vice President of Global Parts for Trane Inc. from April 2004 through May 2008. Trane is a global manufacturer of commercial and residential heating, ventilation and air conditioning equipment. Mr. Coghlan also held several management positions in the United States and internationally within the Climate Control Technologies segment of Ingersoll-Rand Company Limited, a manufacturer of transport temperature control units and refrigerated display merchandisers, from 1995 to December 2003. Before joining Ingersoll-Rand, Mr. Coghlan worked for several years with the management consulting firm of McKinsey & Co. in both the United Kingdom and the United States.</p> <p><i>Skills and Qualifications.</i> Mr. Coghlan's skills and qualifications to serve on our Board include his extensive experience as an operating executive with several international manufacturing companies and his depth of knowledge about our Company and our industry.</p> | 2011 |
| W. Craig Kissel | 62 | <p>Mr. Kissel previously was employed by Trane Inc. from 1980 until his retirement in September 2008. During his time at Trane, Mr. Kissel served as President of Trane Commercial Systems from 2004 to June 2008, President of WABCO Vehicle Control Systems from 1998 to 2003, President of Trane's North American Unitary Products Group from 1994 to 1997 and Vice President of Marketing of Trane's North American Unitary Products Group from 1992 to 1994 and held various other management positions at Trane from 1980 to 1991. Trane is a global manufacturer of commercial and residential heating, ventilation and air conditioning equipment, and WABCO is a leading worldwide supplier of commercial vehicle control systems. From 2001 to 2008, Mr. Kissel served as Chairman of Trane's Corporate Ethics and Integrity Council, which was responsible for developing the company's ethical business standards. Mr. Kissel also served in the U.S. Navy from 1973 to 1978. Mr. Kissel has served as a director of Chicago Bridge & Iron Company since May 2009. Chicago Bridge & Iron Company engineers and constructs some of the world's largest energy infrastructure projects.</p> <p><i>Skills and Qualifications.</i> Mr. Kissel's skills and qualifications to serve on our Board include his experience managing manufacturing businesses, his familiarity with commercial and residential construction markets, international experience, product management and distribution experience, and his experience developing ethical business standards at Trane.</p> | 2011 |

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| Name | Age | Present Principal Employment and Prior Business Experience | Director Since |
|----------------------|-----|---|----------------|
| John K. McGillicuddy | 69 | Mr. McGillicuddy was employed by KPMG LLP, a public accounting firm, from June 1965 until his retirement in June 2000. In June 1975, Mr. McGillicuddy was elected into the Partnership of KPMG LLP, where he served as Audit Partner, SEC Reviewing Partner, and Partner-in-Charge of Professional Practice. Mr. McGillicuddy is a former Chairman of the Better Business Bureau of Massachusetts. Mr. McGillicuddy is a member of the Board of Directors of Brooks Automation, Inc., a worldwide provider of automation, vacuum and instrumentation solutions to the global semiconductor and related industries. Mr. McGillicuddy is also a member of the Board of Directors of Cabot Corporation, a manufacturer of specialty chemicals and performance materials. | 2003 |
| Joseph T. Noonan | 31 | <i>Skills and Qualifications.</i> Mr. McGillicuddy's skills and qualifications to serve on our Board include his 35 years of experience working in public accounting and his experience serving as a director of two other publicly traded international manufacturing companies. Mr. Noonan has worked as an independent digital strategy consultant since November 2012. Mr. Noonan previously was employed by Wayfair LLC from April 2008 to November 2012. During his time at Wayfair, Mr. Noonan served as Senior Director of Wayfair International from June 2011 to November 2012, Director of Category Management and Merchandising from February 2009 to June 2011 and Manager of Wayfair's Business-to-Business Division from April 2008 to February 2009. Wayfair is an online retailer of home furnishings, décor and home improvement products. Prior to joining Wayfair, Mr. Noonan worked as a venture capitalist at Polaris Partners and as an investment banker at Cowen & Company. | |
| Merilee Raines | 57 | <i>Skills and Qualifications.</i> Mr. Noonan's skills and qualifications to serve on our Board include his extensive background in e-commerce, acquisition and business integration experience, and his unique perspective as a member of the Horne family. Ms. Raines has served as Chief Financial Officer of IDEXX Laboratories, Inc. since October 2003. Prior to becoming Chief Financial Officer, Ms. Raines held several management positions with IDEXX, including Corporate Vice President of Finance, Vice President and Treasurer of Finance, Director of Finance, and Controller. IDEXX Laboratories develops, manufactures and distributes diagnostic and information technology based products and services for companion animal, livestock, poultry, water quality and food safety, and human point-of-care diagnostics. <i>Skills and Qualifications.</i> Ms. Raines' skills and qualifications to serve on our Board include her extensive financial and accounting experience with a similarly sized international manufacturing company. | 2011 |

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Non-employee directors are compensated for their service as directors. Mr. Coghlan is the only member of our Board of Directors who is an employee of Watts Water, and he does not receive any additional compensation for his service as a director. During 2012, the Compensation Committee engaged the compensation consulting firm Pearl Meyer & Partners to conduct a comprehensive competitive analysis of non-employee director compensation. Our director compensation program had last been modified in 2010. Pearl Meyer reviewed our non-employee director compensation relative to our benchmarking peer group of companies discussed later in this proxy statement in the Compensation Discussion and Analysis section. Pearl Meyer's analysis indicated that our total direct non-employee director compensation was more than 20% below the peer group median. In order to better position the Company to attract and retain qualified non-employee directors in a competitive marketplace, Pearl Meyer recommended a number of modifications to our director compensation program. After reviewing Pearl Meyer's recommendations, in August 2012 the Board approved an increase in the value of the annual equity award granted to non-employee Board members from \$60,000 to \$90,000, an increase in the additional annual retainer for the Chairman of the Board from \$20,000 to \$40,000, an increase in the additional annual retainer for the Chairman of the Audit Committee from \$15,000 to \$17,500, and an increase in the additional annual retainer for the Chairman of the Compensation Committee from \$10,000 to \$12,500. The aggregate impact of these modifications places total non-employee director compensation approximately 4% below the peer group median. Set forth below is a summary of the new annual compensation arrangements approved for our non-employee directors in 2012.

| | |
|---|-----------|
| Annual cash retainer: | \$ 60,000 |
| Additional annual retainer for the Chairman of the Board of Directors: | \$ 40,000 |
| Additional annual retainer for the Chairman of the Audit Committee: | \$ 17,500 |
| Additional annual retainer for the Chairman of the Compensation Committee: | \$ 12,500 |
| Additional annual retainer for the Chairman of the Nominating and Corporate Governance Committee: | \$ 5,000 |
| Fair market value of annual grant of class A common stock: | \$ 90,000 |

We also reimburse non-employee directors for reasonable out-of-pocket expenses incurred in connection with attending Board and committee meetings and for fees and reasonable out-of-pocket expenses for their attendance at director education seminars and programs they attend at the request of the Board. Non-employee directors do not receive any additional compensation for attendance at Board or committee meetings.

Mr. McGillicuddy served as both the Chairman of the Board of Directors and the Chairman of the Audit Committee during 2012, but he elected to receive only the additional annual retainer for his service as Chairman of the Board of Directors and to forego the additional annual retainer for his service as Chairman of the Audit Committee.

Our Board typically approves grants of stock awards to non-employee directors at its regularly scheduled third quarter meeting. Such awards are not subject to vesting or any other conditions or restrictions. We have adopted a practice that annual stock awards for non-employee directors are granted on the third business day following the release of our second quarter earnings to the public. The purpose for setting this grant date is to ensure that we are using a date when the public markets have a maximum amount of information about our financial performance and have had a sufficient amount of time to understand and react to such information. The Board granted 2,405 shares of class A common stock to each of Messrs. Ayers, Baert, Burnes, Cathcart, Kissel, McGillicuddy, and Ms. Raines on August 3, 2012.

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We have instituted a program under which our non-employee directors may defer receipt of their annual grant of shares of class A common stock. If any dividends are paid on our class A common stock during the period in which the stock is deferred, the non-employee director is credited with cash in the amount he or she would have received if the shares had been issued and held by the director at the time the dividend was paid. The accrued dividends will be distributed, without interest, in cash at the time that the stock is issued to the director at the end of the deferral period chosen by such director. Messrs. Ayers, Baert, Burnes, Cathcart and McGillicuddy elected to defer receipt of their 2012 stock awards.

Our non-employee directors are subject to stock ownership guidelines. These guidelines stipulate that each non-employee director should own shares of our class A common stock with a market value of at least \$180,000, which is equivalent to a multiple of three times our current annual cash retainer. It is expected that this ownership level will generally be achieved within a three-year period beginning when a director is first elected to the Board. For purposes of determining a director's compliance with these ownership guidelines, any deferred shares are considered held by the director. The Compensation Committee reviews each non-employee director's compliance with these guidelines on an annual basis. Compliance is typically measured based on stock ownership as of the last day of the second quarter. At the end of the second quarter of 2012, all of our non-employee directors who had been members of our Board for three or more years were in compliance with our stock ownership guidelines.

The following table contains information on compensation for the non-employee members of our Board of Directors during the fiscal year ended December 31, 2012.

2012 DIRECTOR COMPENSATION

| Name | Fees Earned or Paid in | | | | Total(\$) |
|--------------------------|------------------------------|----------------------|-----------------------|-------------------------------|-----------|
| | Cash(\$) | Stock Awards\$(1) | Option Awards\$(2) | All Other Compensation(\$) | |
| Robert L. Ayers | 60,000 | 89,971 | | | 149,971 |
| Bernard Baert | 60,000 | 89,971 | | | 149,971 |
| Kennett F. Burnes | 65,000 | 89,971 | | | 154,971 |
| Richard J. Cathcart | 70,625 | 89,971 | | | 160,596 |
| Ralph E. Jackson, Jr.(3) | 30,000 | | | | 30,000 |
| W. Craig Kissel | 60,000 | 89,971 | | | 149,971 |
| John K. McGillicuddy | 85,000 | 89,971 | | | 174,971 |
| Merilee Raines | 60,000 | 89,971 | | | 149,971 |

- (1) The amounts in this column reflect the grant date fair value of the stock awards granted during 2012 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 12 to our audited consolidated financial statements for the year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the SEC on February 27, 2013. The amounts reflected in this column for Messrs. Ayers, Baert, Burnes, Cathcart and McGillicuddy were deferred under our non-employee director stock deferral program described above.
- (2) There were no stock options granted to our non-employee directors during 2012. Mr. McGillicuddy held stock options for the purchase of 3,094 shares of class A common stock as of December 31, 2012. All of Mr. McGillicuddy's stock options were fully vested prior to 2012. None of our other non-employee directors hold any stock options.
- (3) Mr. Jackson retired from our Board of Directors at the 2012 Annual Meeting held on May 16, 2012.

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CORPORATE GOVERNANCE

Our Commitment to Good Corporate Governance

We believe that good corporate governance and an environment of the highest ethical standards are important for us to achieve business success and to create value for our stockholders. Our Board is committed to high governance standards and continually works to improve them. We periodically review our corporate governance policies and practices and compare them to those suggested by various authorities on corporate governance and employed by other public companies. We also review guidance and interpretations provided from time to time by the SEC and the NYSE and consider changes to our corporate governance policies and practices in light of such guidance and interpretations.

Role of Our Board of Directors

Our Board monitors overall corporate performance and the integrity of our financial controls and legal compliance procedures. It appoints executive officers and oversees succession planning and our executive officers' performance and compensation. Our Board oversees the development of fundamental operating, financial and other corporate plans, strategies and objectives, and conducts a year-long process which culminates in Board review and approval each year of a business plan, a capital expenditures budget and other key financial and business objectives.

Members of our Board keep informed about our business through discussions with our Chief Executive Officer and other members of our senior management team, by reviewing materials provided to them on a regular basis and in preparation for Board and committee meetings and by participating in meetings of the Board and its committees. We regularly review key portions of our business with the Board, and we introduce our executives to the Board so that the Board can become familiar with our key employees. In addition, we hold periodic strategy sessions between members of senior management and the Board, during which members of the senior management team provide in-depth reviews of various aspects of our business operations and discuss our strategy with respect to such operations.

In 2012, our Board met ten times and each incumbent director who will be standing for reelection at the 2013 Annual Meeting attended at least 75% of the total number of meetings of the Board and all committees of the Board on which the director served.

The Role of our Board in Risk Oversight. The Board's role in our risk oversight process includes receiving regular reports from members of senior management on areas of material risk to Watts Water, including operational, financial, legal and regulatory, strategic and reputational risks. The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from senior management to enable it to understand our risk identification, risk management and risk mitigation processes and strategies. When a committee receives a report on a particular risk, the chairman of the relevant committee reports on the committee's discussion of such risk to the full Board during the next full Board meeting. This enables the Board and its committees to coordinate the risk oversight role. As part of its charter, the Audit Committee discusses the guidelines and policies that govern the process by which our exposure to risk is assessed and managed by management.

Board Leadership Structure. We separate the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. Our Chief Executive Officer is responsible for setting the strategic direction for Watts Water, providing day-to-day leadership and managing our performance. The Chairman of the Board provides guidance to our Chief Executive Officer, works with our Chief Executive Officer to set the agenda for Board meetings and presides over meetings of the full Board, including executive sessions of the non-management and independent directors.

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Performance of Our Board

Our Board considers it important to continually evaluate and improve its effectiveness and that of its committees. Our Board and each of its standing committees conduct annual self-evaluations. The Nominating and Corporate Governance Committee oversees our Board's self-evaluation process. The results of each committee's annual self-evaluation are reported to the full Board.

Business Ethics and Compliance

We have adopted a Code of Business Conduct applicable to all officers, employees and Board members worldwide. The Code of Business Conduct is posted in the "Investor Relations" section of our website at <http://www.wattswater.com>. Any amendments to, or waivers of, the Code of Business Conduct which apply to our Chief Executive Officer, Chief Financial Officer, Corporate Controller or any person performing similar functions will be disclosed on our website within four business days of the date of such amendment or waiver.

Director Independence

As of February 1, 2013, members of the Horne family beneficially owned 6,538,680 shares of our class B common stock that are subject to The George B. Horne Voting Trust Agreement 1997. These shares represent 69.2% of our total outstanding voting power. As trustee of The George B. Horne Voting Trust Agreement 1997, Timothy P. Horne has sole power to vote all of the shares subject to the trust and effectively exercises control over voting power for the election of our directors. As a result, we are a "controlled company" under NYSE rules. As a controlled company, under NYSE rules, we may choose not to have a majority of independent directors or compensation or governance committees consisting solely of independent directors.

We have chosen not to take advantage of the controlled company exemption under NYSE rules and are committed to having a Board with at least a majority of independent directors. Under our Corporate Governance Guidelines, we require that at least a majority of the members of our Board meet the independence requirements of the NYSE. Under NYSE rules, a director qualifies as "independent" if the Board affirmatively determines that the director has no material relationship with the listed company. The Board is required to consider broadly all relevant facts and circumstances in making an independence determination. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. The Nominating and Corporate Governance Committee annually evaluates the independence of each non-employee director nominee and makes recommendations to the Board. In making its recommendations, the Nominating and Corporate Governance Committee applies NYSE rules to determine independence and evaluates any other business, legal, accounting or family relationships between all non-employee director nominees and Watts Water.

In February 2013, the Nominating and Corporate Governance Committee and our Board reviewed all relationships between Watts Water and each non-employee director nominee to determine compliance with the NYSE independence rules and our Corporate Governance Guidelines, and to evaluate whether there are any other facts or circumstances that might impair the director's independence. Based on the results of this review and the recommendations of the Nominating and Corporate Governance Committee, the Board determined that seven of our nine director nominees (Messrs. Ayers, Baert, Burnes, Cathcart, Kissel, McGillicuddy and Ms. Raines) are independent under NYSE rules and that the composition of our Board therefore complies with our Corporate Governance Guidelines. With respect to Mr. Noonan, the Board determined that he is a non-management director under NYSE rules, but not independent under NYSE rules because he is the son-in-law of Timothy P. Horne, our controlling stockholder. Mr. Coghlan is currently employed as Chief Executive Officer and President of the Company and therefore is also not independent.

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Horne Family Board Participation

Timothy P. Horne served as a member of our Board of Directors until our 2010 Annual Meeting, when he retired from the Board in compliance with the age limitation for Board members contained in our Corporate Governance Guidelines. Since his retirement from the Board, Mr. Horne has served as a director emeritus and has selectively participated in certain Board discussions at the invitation of our Board. In February 2013, Mr. Horne requested that our Board consider nominating his son-in-law, Joseph T. Noonan, to serve as a member of the Board. We believe that it is strategically important for a Horne family member to be actively engaged in the oversight of Watts Water, including by serving on our Board of Directors. Through participation on the Board, the Horne family's long-term perspective is brought to bear, in some measure, upon all Board decisions. Having a Horne family member on the Board serves as an effective link between the Board and the controlling Horne family stockholders. Board service also provides the controlling Horne family stockholders with an active means by which to oversee their investment. For these reasons, the Board has nominated Mr. Noonan for election as a member of the Board at the 2013 Annual Meeting.

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines that govern the structure and functioning of the Board and set out the Board's policies on governance issues. The Corporate Governance Guidelines are posted in the "Investor Relations" section of our website at <http://www.wattswater.com>.

Executive Sessions

In accordance with our Corporate Governance Guidelines, our non-management directors meet in executive session at least quarterly. The Chairman of the Board or, in his absence, a director chosen by the non-management directors in attendance, presides at such meetings.

Communications with the Board

Our Board welcomes the submission of any comments or concerns from stockholders and any interested parties. Communications should be in writing and addressed to our corporate Secretary at our principal executive offices and marked to the attention of the Board or any of its committees, individual directors or non-management or independent directors as a group. All correspondence will be forwarded to the intended recipient(s).

Annual Meeting Attendance

Directors are encouraged to attend our annual meetings of stockholders. Seven of our directors attended the 2012 Annual Meeting either in person or by telephone conference call.

Committees of the Board

Our Board currently has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each committee is composed solely of directors determined by the Board to be independent under the applicable NYSE and SEC rules. The Board has adopted a written charter for each standing committee. You may find copies of the charters of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee in the "Investor Relations" section of our website at <http://www.wattswater.com>. The Board also appoints from time to time ad hoc committees to address specific matters.

Audit Committee. The Audit Committee currently consists of Messrs. McGillicuddy (Chairman), Baert, Burnes and Ms. Raines. The Board has made a determination that each of the members of the

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Audit Committee satisfies the independence requirements of the NYSE as well as Rule 10A-3 under the Securities Exchange Act of 1934. In addition, the Board has determined that Mr. McGillicuddy and Ms. Raines are "audit committee financial experts," as defined by SEC rules. During 2012, the Audit Committee held eight meetings. Our Audit Committee assists the Board in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the qualifications, independence and performance of our independent registered public accounting firm, and the performance of our internal audit function. This includes the selection and evaluation of our independent registered public accounting firm, the oversight of our systems of internal accounting and financial controls, the review of management's assessment and management of risk, the review of the annual independent audit of our financial statements, the review of our Code of Business Conduct, the establishment of "whistle-blowing" procedures, and the oversight of other compliance matters.

Compensation Committee. The Compensation Committee currently consists of Messrs. Cathcart (Chairman), Ayers and Kissel. During 2012, the Compensation Committee held five meetings. Our Compensation Committee is responsible for shaping the principles, strategies and compensation philosophy that guide the design and implementation of our employee compensation programs and arrangements. Its primary responsibilities are to:

evaluate the performance of our Chief Executive Officer and, either as a committee or together with the independent members of our Board of Directors, determine the compensation of our Chief Executive Officer;

review and approve the compensation of our other executive officers;

approve annual performance bonus targets and objectives and the annual bonus amounts paid to our executive officers under our Executive Incentive Bonus Plan;

approve all stock awards granted under our 2004 Stock Incentive Plan and the participants in our Management Stock Purchase Plan;

review and submit its recommendations to our Board of Directors on compensation for non-employee directors;

review and discuss with management the Compensation Discussion and Analysis to be included in the proxy statement; and

monitor our policies and practices for the development and succession of senior management.

The Compensation Committee holds one regularly scheduled meeting each quarter and schedules additional meetings as often as necessary in order to perform its duties and responsibilities. The Chairman of the Compensation Committee works with management to establish the agenda for each meeting. Compensation Committee members receive and review materials in advance of each meeting. These materials include information that management believes will be helpful to the Compensation Committee as well as materials that members of the Compensation Committee request. The Compensation Committee may establish and delegate authority to one or more subcommittees consisting of one or more of its members when the Compensation Committee deems it appropriate to do so in order to carry out its responsibilities.

The Compensation Committee is authorized under its charter to retain consultants to assist it in the evaluation of executive compensation and to approve the fees and other retention terms for its consultants. The Compensation Committee has retained Pearl Meyer as a compensation consultant to review our compensation programs and provide advice to the Compensation Committee with respect to executive compensation. Pearl Meyer does not provide any other services to Watts Water. The Compensation Committee requested and received responses to an independence questionnaire and an independence letter from Pearl Meyer for 2012, and based on those responses the Compensation Committee believes that Pearl Meyer has no conflicts of interest or potential conflicts of interest in

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providing compensation advice to the Compensation Committee. As appropriate, the Compensation Committee also looks to our human resources department to support the Compensation Committee in its work and to provide necessary information.

The Compensation Committee has conducted a review and assessment of risk as it relates to our compensation policies and practices and determined that our compensation policies and practices do not encourage excessive or inappropriate risk taking and are not reasonably likely to cause a material adverse effect on Watts Water.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee currently consists of Messrs. Burnes (Chairman), Ayers, Baert, Cathcart, Kissel, McGillicuddy and Ms. Raines. During 2012, the Nominating and Corporate Governance Committee held three meetings. The Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become Board members, consistent with criteria approved by the Board, and recommending that the Board select the director nominees for election at each annual meeting of stockholders. The Nominating and Corporate Governance Committee is also responsible for periodically reviewing our Corporate Governance Guidelines and recommending any changes thereto, overseeing the evaluation of the Board and management, and approving related person transactions.

Director Candidates

The Nominating and Corporate Governance Committee will consider for nomination to the Board candidates recommended by stockholders. Recommendations should be sent to our corporate Secretary, Kenneth Lepage, at our principal executive offices and marked to the attention of the Nominating and Corporate Governance Committee. In order to be considered for inclusion as a nominee for director in our proxy statement for our 2014 Annual Meeting, a recommendation must be received no later than November 29, 2013. Recommendations must be in writing and must contain the information set forth in Section IV.C of the Nominating and Corporate Governance Committee charter, which is available in the "Investor Relations" section of our website at <http://www.wattswater.com>, or on written request to our corporate Secretary at our principal executive offices.

In addition to considering candidates suggested by stockholders, the Nominating and Corporate Governance Committee may consider potential candidates suggested by current directors, Company officers, employees, third-party search firms and others. The Nominating and Corporate Governance Committee screens all potential candidates in the same manner regardless of the source of the recommendation. The Nominating and Corporate Governance Committee's review is typically based on any written materials provided with respect to the potential candidate. The Nominating and Corporate Governance Committee determines whether the candidate meets our minimum qualifications and possesses specific qualities and skills for directors and whether requesting additional information or an initial screening interview is appropriate.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or the Board, by following the procedures described later in this proxy statement under "Stockholder Proposals".

Mr. Noonan, who is standing for election as a member of our Board of Directors for the first time at the 2013 Annual Meeting, was recommended to the Nominating and Corporate Governance Committee by Timothy P. Horne, our controlling stockholder.

Criteria and Diversity. In considering whether to recommend any candidate for nomination to the Board, including candidates recommended by stockholders, the Nominating and Corporate Governance Committee will apply the criteria set forth in Exhibit A to the Nominating and Corporate Governance Committee charter. In addition to satisfying other criteria, the Nominating and Corporate Governance

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Committee must be satisfied that the recommended nominee has the highest personal and professional integrity, sound business and strategic judgment, the ability to devote sufficient time and energy to the Board, and the ability and will to challenge management while refraining from assuming management's role, and the nominee must not serve on more than two public company boards in addition to our Board. The Nominating and Corporate Governance Committee also considers experience in our industry or markets, international business experience, experience serving on the boards of public companies, experience acquiring companies and diversity of background and experience to be favorable characteristics in evaluating recommended nominees. Our Corporate Governance Guidelines and our Nominating and Corporate Governance Committee charter specify that the Nominating and Corporate Governance Committee and the Board understand the importance of diversity among members of the Board to our long-term success. Diversity encompasses a wide range of individual characteristics and experiences, including such things as gender, age, race, sexual orientation, national origin, religion, political affiliation, marital status, disability, and geographic background. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all prospective nominees. The Nominating and Corporate Governance Committee believes that the backgrounds and qualifications of the members of the Board, considered as a group, should provide an appropriate mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Compensation Committee Interlocks and Insider Participation

During 2012, Messrs. Ayers, Cathcart, Kissel and Jackson served as members of the Compensation Committee of our Board of Directors. None of the directors who served as members of the Compensation Committee during 2012 is or has been an executive officer or employee of Watts Water.

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our Board of Directors or Compensation Committee.

Restrictions on Hedging and Pledging Transactions

We prohibit all hedging transactions or short sales involving Company securities by all designated insiders under our Insider Trading Procedures, including all directors and executive officers. We also prohibit such designated insiders from holding any Company securities in margin accounts. No designated insider may pledge any Company securities as collateral for a loan unless the pledge has been approved in advance by the Compensation Committee of our Board of Directors.

Certain Relationships and Related Transactions

Transactions with Related Persons

As more fully described in the "Principal Stockholders" section of this proxy statement, Timothy P. Horne controls approximately 69.2% of the voting power of our stock. Mr. Horne has served as a director emeritus of the Company since his retirement from our Board of Directors in May 2010. Pursuant to the Company's by-laws, Mr. Horne was reappointed as a director emeritus by our Board of Directors on February 19, 2013 to serve a one-year term beginning on the date of our 2013 Annual Meeting and ending on the date of our 2014 Annual Meeting. As a director emeritus, Mr. Horne may be invited by our Board to attend meetings of the Board of Directors or any committee of the Board of Directors but he does not have the right to vote and he is excluded from the number of directors for quorum and other purposes.

In September 1996, we entered into a Supplemental Compensation Agreement with Mr. Horne, who was at that time our Chief Executive Officer and President, which provided that Mr. Horne would provide consulting services to us and receive certain compensation following his retirement as an

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employee of the Company. Mr. Horne retired as an employee on December 31, 2002. Under the agreement, as amended, Mr. Horne has agreed to provide consulting services to us for 300 to 500 hours per year so long as he is physically able. We agreed to pay Mr. Horne the greater of (i) one-half of the average of Mr. Horne's annual base salary as an employee of Watts Water during the three years immediately prior to his retirement or (ii) \$400,000 for each calendar year following Mr. Horne's retirement until the date of his death, subject to certain cost-of-living increases each year. We paid Mr. Horne \$556,776 for his consulting services in 2012. In the event of a change of control of the Company, Mr. Horne has the right to elect to receive a lump-sum payment instead of continuing to receive annual consulting fee payments. If Mr. Horne elects to receive the lump-sum payment, his obligation to provide consulting services to us terminates. The lump-sum payment would equal the present value of \$23,650 monthly for life and would be determined with reference to discount rates and mortality tables applicable under our pension plan and an adjustment for inflation. If Mr. Horne elects to receive a lump-sum payment following a change of control of the Company, we also agreed to make a tax gross-up payment to him to cover all federal, state and local taxes payable by him with respect to the lump-sum payment. We also agreed to provide lifetime benefits to Mr. Horne, including use of secretarial services, use of an office at our corporate headquarters, retiree health insurance, reimbursement of tax and financial planning expenses, automobile maintenance expenses, one club membership, an indemnification agreement and payment of travel expenses when visiting our facilities in the course of providing consulting services to us. Our obligations to make the above-described payments to Mr. Horne and to provide the above-described benefits will not be affected or limited by Mr. Horne's physical inability to provide consulting services to us if such disability should occur.

Policies and Procedures for Related Person Transactions

Our Board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which Watts Water is a participant, the amount involved exceeds \$120,000, and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a "related person," has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a "related person transaction," the related person must report the proposed related person transaction to our General Counsel. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Board's Nominating and Corporate Governance Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Nominating and Corporate Governance Committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the committee will review and consider:

the related person's interest in the related person transaction;

the approximate dollar value involved in the related person transaction;

the approximate dollar value of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of our business;

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whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;

the purpose of, and the potential benefits to us of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Nominating and Corporate Governance Committee may approve or ratify the transaction only if it determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, the best interests of Watts Water. The Nominating and Corporate Governance Committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, the Board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, (c) the amount involved in the transaction equals less than the greater of \$1 million dollars or 2% of the annual consolidated gross revenues of the other entity that is a party to the transaction, and (d) the amount involved in the transaction equals less than 2% of the annual consolidated gross revenues of Watts Water; and

a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

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The following table sets forth information regarding the beneficial ownership of our class A and class B common stock as of February 1, 2013, by:

each person or entity known by us to own beneficially more than 5% of either class of our common stock;

each of our directors and director nominees;

each of the executive officers named in the Summary Compensation Table; and

all of our current directors and executive officers as a group.

In accordance with SEC rules, we have included in the number of shares beneficially owned by each stockholder all shares over which such stockholder has sole or shared voting or investment power, and we have included all shares that the stockholder has the right to acquire within 60 days after February 1, 2013 through the exercise of stock options, the settlement of restricted stock units or any other right. Unless otherwise indicated, each stockholder has sole voting and investment power with respect to shares beneficially owned by that stockholder. For purposes of determining the equity and voting percentages for each stockholder, any shares that such stockholder has the right to acquire within 60 days after February 1, 2013 are deemed to be outstanding, but are not deemed to be outstanding for the purpose of determining the percentages for any other stockholder.

| Name of Beneficial Owner(1) | Number | Shares Beneficially Owned(2) | | Percent of Voting Power |
|---|-----------------|---------------------------------|---------------------------------|-------------------------|
| | | Percent of Class A Common Stock | Percent of Class B Common Stock | |
| 5% Stockholders | | | | |
| Timothy P. Horne | 6,538,680(3)(4) | 18.6 | 99.2 | 69.2 |
| Walter J. Flowers | 1,869,710(5) | 6.1 | 28.4 | 19.8 |
| Daniel W. Horne | 1,666,970(6) | 5.5 | 25.3 | 17.6 |
| Deborah Horne | 1,666,970(6) | 5.5 | 25.3 | 17.6 |
| Peter W. Horne | 1,580,770(7) | 5.1 | 23.5 | 16.4 |
| Gabelli Funds, LLC, et al. | 2,937,793(8) | 10.3 | 0 | 3.1 |
| BlackRock, Inc. | 2,187,265(9) | 7.6 | 0 | 2.3 |
| Dimensional Fund Advisors LP | 1,818,859(10) | 6.3 | 0 | 1.9 |
| T. Rowe Price Associates, Inc. | 1,577,850(11) | 5.5 | 0 | 1.7 |
| The Vanguard Group | 1,559,957(12) | 5.4 | 0 | 1.7 |
| Invesco Ltd. | 1,444,538(13) | 5.0 | 0 | 1.5 |
| Directors and Executive Officers | | | | |
| Robert L. Ayers | 16,571(14) | * | 0 | * |
| Bernard Baert | 4,470(15) | * | 0 | * |
| Srinivas K. Bagepalli | 15,750(16) | * | 0 | * |
| Kennett F. Burnes | 12,717(17) | * | 0 | * |
| Richard J. Cathcart | 11,173(18) | * | 0 | * |
| David J. Coghlan | 118,949(19) | * | 0 | * |
| W. Craig Kissel | 3,665 | * | 0 | * |
| Kenneth R. Lepage | 68,006(20) | * | 0 | * |
| Dean P. Freeman | 8,000(21) | * | 0 | * |
| William C. McCartney | 41,023(22) | * | 0 | * |
| John K. McGillicuddy | 16,524(23) | * | 0 | * |
| Elie Melhem | 9,155(24) | * | 0 | * |
| Joseph T. Noonan | 0(25) | 0 | 0 | 0 |
| Merilee Raines | 4,870 | * | 0 | * |
| All executive officers and directors (13 persons) | 337,936(26) | 1.2 | 0 | * |

*

Represents less than 1%

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- (1) The address of each stockholder in the table is c/o Watts Water Technologies, Inc., 815 Chestnut Street, North Andover, Massachusetts 01845, except that (i) the address of Gabelli Funds, LLC et al. is One Corporate Center, Rye, New York 10580, (ii) the address of BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022, (iii) the address of Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746, (iv) the address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202, (v) the address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355, and (vi) the address of Invesco Ltd. is 1555 Peachtree Street NE, Atlanta, Georgia 30309.
- (2) The number of shares and percentages were determined as of February 1, 2013 in accordance with Rule 13d-3 of the Securities Exchange Act of 1934. At that date, a total of 35,250,096 shares were outstanding, of which 28,661,416 were shares of class A common stock and 6,588,680 were shares of class B common stock. Each share of class A common stock is entitled to one vote and each share of class B common stock is entitled to ten votes. Each share of class B common stock is convertible into one share of class A common stock at any time. A holder of shares of class B common stock is deemed to beneficially own the shares of class A common stock into which the class B shares are convertible. Shares of class A common stock are not convertible. The table's voting percentage reflects the applicable beneficial owner's one vote per share of class A common stock plus ten votes per share of class B common stock, if any, divided by the total number of possible votes.
- (3) Consists of (i) 1,484,390 shares of class B common stock held by Timothy P. Horne (for purposes of this footnote 3, "Mr. Horne"), (ii) 1,666,970 shares of class B common stock held by a revocable trust for the benefit of Daniel W. Horne, Mr. Horne's brother, for which Walter J. Flowers serves as sole trustee, (iii) 1,666,970 shares of class B common stock held by a revocable trust for the benefit of Deborah Horne, Mr. Horne's sister, for which Mr. Horne serves as sole trustee, which trust is revocable with the consent of the trustee, (iv) 1,495,010 shares of class B common stock held by a revocable trust for the benefit of Peter W. Horne, Mr. Horne's brother, for which Peter W. Horne serves as sole trustee, (v) 22,600 shares of class B common stock held for the benefit of Tiffany Horne Noonan, Mr. Horne's daughter, under an irrevocable trust for which Mr. Horne serves as trustee, (vi) 147,740 shares of class B common stock held by a revocable trust for the benefit of Tiffany Horne Noonan, for which Walter J. Flowers serves as sole trustee, (vii) 35,000 shares of class B common stock held for the benefit of Tara V. Horne, Mr. Horne's daughter, under an irrevocable trust for which Walter J. Flowers and Mr. Horne serve as co-trustees, and (viii) 20,000 shares of class B common stock held by a trust for the benefit of Tiffany Horne Noonan, for which Walter J. Flowers and Mr. Horne serve as co-trustees. All of the shares of class B common stock noted in clauses (i) through (viii) (6,538,680 shares of class B common stock in the aggregate) are subject to The Amended and Restated George B. Horne Voting Trust Agreement 1997 ("1997 Voting Trust") for which Mr. Horne serves as trustee (see footnote 4 for a description of the 1997 Voting Trust). Mr. Horne has sole power to vote or direct the vote of all 6,538,680 shares subject to the 1997 Voting Trust, sole power to dispose or to direct the disposition of 1,506,990 of the shares, and shared power to dispose or to direct the disposition of 5,031,690 of the shares.
- (4) 6,538,680 shares of class B common stock in the aggregate (see footnote 3) are subject to the terms of the 1997 Voting Trust. Under the terms of the 1997 Voting Trust, the trustee (currently Timothy P. Horne) has sole power to vote all shares subject to the 1997 Voting Trust. Timothy P. Horne, for so long as he is serving as trustee of the 1997 Voting Trust, has the power to determine in his sole discretion whether or not proposed actions to be taken by the trustee of the 1997 Voting Trust shall be taken, including the trustee's right to authorize the withdrawal of shares from the 1997 Voting Trust (for purposes of this footnote, the "Determination Power"). In the event

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that Timothy P. Horne ceases to serve as trustee of the 1997 Voting Trust, no trustee thereunder shall have the Determination Power except in accordance with a duly adopted amendment to the 1997 Voting Trust. Under the terms of the 1997 Voting Trust, in the event that Timothy P. Horne ceases to serve as trustee of the 1997 Voting Trust, then Daniel J. Murphy III and Walter J. Flowers (each, a "Successor Trustee" and together, the "Successor Trustees"), shall thereupon become co-trustees of the 1997 Voting Trust. If a Successor Trustee shall cease to serve as such for any reason, then a third person shall become a co-trustee with the remaining Successor Trustee, in accordance with the following line of succession: first, any individual designated as the Primary Designee, next, any individual designated as the Secondary Designee, and then, an individual appointed by the holders of a majority in interest of the voting trust certificates then outstanding. In the event that the Successor Trustees do not unanimously concur on any matter not specifically contemplated by the terms of the 1997 Voting Trust, the vote of a majority of the Successor Trustees shall be determinative. The 1997 Voting Trust expires on August 26, 2021, subject to extension on or after August 26, 2019 by stockholders (including the trustee of any trust stockholder, whether or not such trust is then in existence) who deposited shares of class B common stock in the 1997 Voting Trust and are then living or, in the case of shares in the 1997 Voting Trust the original depositor of which (or the trustee of the original depositor of which) is not then living, the holders of voting trust certificates representing such shares. The 1997 Voting Trust may be amended by vote of the holders of a majority of the voting trust certificates then outstanding and by the number of trustees authorized to take action at the relevant time or, if the trustees (if more than one) do not concur with respect to any proposed amendment at any time when any trustee holds the Determination Power, then by the trustee having the Determination Power. Amendments to the extension, termination and amendment provisions of the 1997 Voting Trust require the approval of each individual depositor. Shares may not be removed from the 1997 Voting Trust during its term without the consent of the requisite number of trustees required to take action under the 1997 Voting Trust. Voting trust certificates are subject to restrictions on transfer applicable to the stock that they represent. Timothy P. Horne holds 22.7% of the total beneficial interest in the 1997 Voting Trust (the "Beneficial Interest") individually, 25.5% of the Beneficial Interest as trustee of the 1997 Voting Trust to which shares held in a revocable trust for the benefit of Daniel W. Horne are subject, 25.5% of the Beneficial Interest as trustee of a revocable trust for the benefit of Deborah Horne, 22.9% of the Beneficial Interest as trustee of the 1997 Voting Trust to which shares held in a revocable trust for the benefit of Peter W. Horne are subject, 0.4% of the Beneficial Interest as trustee of an irrevocable trust for the benefit of Tiffany Horne Noonan, 0.5% of the Beneficial Interest as co-trustee of a trust for the benefit of Tara V. Horne, and 0.3% of the Beneficial Interest as co-trustee of a trust for the benefit of Tiffany Horne Noonan (representing an aggregate of 100% of the Beneficial Interest). Tiffany Horne Noonan as beneficiary of an irrevocable trust holds 0.4% of the Beneficial Interest.

(5)

Consists of (i) 1,666,970 shares of class B common stock held in a revocable trust for the benefit of Daniel W. Horne for which Mr. Flowers serves as the sole trustee, (ii) 147,740 shares of Class B Common Stock held in a revocable trust for the benefit of Tiffany Horne Noonan for which Mr. Flowers serves as the sole trustee, (iii) 35,000 shares of class B common stock held in a trust for the benefit of Tara V. Horne for which Mr. Flowers and Timothy P. Horne serve as co-trustees, and (iv) 20,000 shares of class B common stock held in a trust for the benefit of Tiffany Horne Noonan for which Mr. Flowers and Timothy P. Horne serve as co-trustees. All of the shares of class B common stock noted in clauses (i) through (iv) (1,869,710 in the aggregate) are subject to the 1997 Voting Trust for which Timothy P. Horne serves as sole trustee (see footnote 4 for a description of the 1997 Voting Trust). Mr. Flowers has no power to vote or direct the vote of the shares and has shared power to dispose or direct the disposition of all of the shares. Mr. Flowers disclaims beneficial ownership of all such shares.

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- (6) All of the shares are class B common stock and are held in revocable trusts. All of the shares are subject to the 1997 Voting Trust (see footnote 4 for a description of the 1997 Voting Trust). The holders have no power to vote or direct the vote of the shares and have shared power to dispose or direct the disposition of the shares.
- (7) Consists of 35,760 shares of class A common stock and 1,545,010 shares of class B common stock, which are held in a revocable trust. 1,495,010 of the shares of class B common stock are subject to the 1997 Voting Trust (see footnote 4 for a description of the 1997 Voting Trust). Peter W. Horne has sole power to vote or direct the vote of and sole power to dispose or direct the disposition of the 85,760 shares that are not subject to the 1997 Voting Trust and shared power to dispose or direct the disposition of the 1,495,010 shares that are subject to the 1997 Voting Trust.
- (8) The amount shown and the following information are based solely on a Schedule 13D/A filed with the SEC on September 23, 2011 by Gabelli Funds, LLC, GAMCO Asset Management Inc. and Teton Advisors, Inc. (collectively, for purposes of this footnote 8, the "Funds") reporting their aggregate holdings of shares of class A common stock. Mario J. Gabelli directly and indirectly controls the entities filing the Schedule 13D/A, which entities are primarily investment advisors to various institutional and individual clients, including registered investment companies and pension plans, and as general partner of various private investment partnerships. Certain of these entities may also make investments for their own accounts. Gabelli Funds, LLC has sole power to vote or direct the vote and sole power to dispose or to direct the disposition of 742,500 of the shares. GAMCO Asset Management Inc. has sole power to vote or direct the vote of 2,099,293 of the shares and sole power to dispose or to direct the disposition of 2,194,793 of the shares. Teton Advisors, Inc. has sole power to vote or direct the vote and sole power to dispose or to direct the disposition of 500 of the shares. Mario Gabelli is deemed to have beneficial ownership of the shares owned beneficially by each of the entities filing the Schedule 13D/A.
- (9) The amount shown and the following information are based solely on a Schedule 13G/A filed with the SEC on February 8, 2013. BlackRock, Inc. has sole voting and investment power with respect to all of the shares.
- (10) The amount shown and the following information are based solely on a Schedule 13G/A filed with the SEC on February 11, 2013. The Schedule 13G/A states that Dimensional Fund Advisors LP furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (collectively, for purposes of this footnote 10, the "Funds"). In its role as investment advisor or manager, neither Dimensional Fund Advisors LP nor its subsidiaries possess voting and/or investment power over the reported shares that are owned by the Funds, and may be deemed to be the beneficial owner of the reported shares held by the Funds. However, all of the reported shares are owned by the Funds. Dimensional Fund Advisors LP disclaims beneficial ownership of such shares. Dimensional Fund Advisors LP has sole power to vote or direct the vote of 1,782,800 of the shares and sole power to dispose or direct the disposition of 1,818,859 of the shares.
- (11) The amount shown and the following information are based solely on a Schedule 13G filed with the SEC on February 13, 2013. T. Rowe Price Associates, Inc. has sole voting power with respect to 161,700 of the shares and sole dispositive power with respect to all of the shares.
- (12) The amount shown and the following information are based solely on a Schedule 13G filed with the SEC on February 12, 2013. The Vanguard Group has sole voting power with respect to 44,900 of the shares, sole dispositive power with respect to 1,516,157 of the shares and shared dispositive power with respect to 43,800 of the shares.

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- (13) The amount shown and the following information are based solely on a Schedule 13G filed with the SEC on February 13, 2013. Invesco Ltd. has sole voting power with respect to 1,349,845 of the shares and sole dispositive power with respect to all of the shares.
- (14) Consists of 12,101 shares of class A common stock held by Mr. Ayers and 4,470 shares of class A common stock the receipt of which Mr. Ayers has deferred under our non-employee director stock deferral program.
- (15) Consists of 2,065 shares of class A common stock held by Mr. Baert and 2,405 shares of class A common stock the receipt of which Mr. Baert has deferred under our non-employee director stock deferral program.
- (16) Consists of 1,666 shares of class A common stock held by Mr. Bagepalli, 3,750 shares of class A common stock issuable upon the exercise of stock options within 60 days after February 1, 2013, and 10,334 shares of class A common stock issued as restricted stock awards under the Company's 2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares.
- (17) Consists of 8,247 shares of class A common stock held by Mr. Burnes and 4,470 shares of class A common stock the receipt of which Mr. Burnes has deferred under our non-employee director stock deferral program.
- (18) Consists of 6,703 shares of class A common stock held by Mr. Cathcart and 4,470 shares of class A common stock the receipt of which Mr. Cathcart has deferred under our non-employee director stock deferral program.
- (19) Consists of 6,340 shares of class A common stock held by Mr. Coghlan, 56,250 shares of class A common stock issuable upon the exercise of stock options within 60 days after February 1, 2013, 9,691 shares of class A common stock issuable upon settlement of restricted stock units within 60 days after February 1, 2013, and 46,668 shares of class A common stock issued as restricted stock awards under the Company's 2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares.
- (20) Consists of 12,087 shares of class A common stock held by Mr. Lepage, 36,750 shares of class A common stock issuable upon the exercise of stock options within 60 days after February 1, 2013, 4,501 shares of class A common stock issuable upon settlement of restricted stock units within 60 days after February 1, 2013, and 14,668 shares of class A common stock issued as restricted stock awards under the Company's 2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares.
- (21) Consists of shares of class A common stock issued to Mr. Freeman as restricted stock awards under the Company's 2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares.
- (22) Consists of 6,023 shares of class A common stock held by Mr. McCartney and 35,000 shares of class A common stock issuable upon the exercise of stock options within 60 days after February 1, 2013.
- (23) Consists of 8,960 shares of class A common stock held by Mr. McGillicuddy, 3,094 shares of class A common stock issuable upon the exercise of stock options within 60 days after February 1, 2013 and 4,470 shares of class A common stock the receipt of which Mr. McGillicuddy has deferred under our non-employee director stock deferral program.
- (24) Consists of 613 shares of class A common stock held by Mr. Melhem, 1,875 shares of class A common stock issuable upon the exercise of stock options within 60 days after February 1, 2013, and 6,667 shares of class A common stock issued as restricted stock awards under the Company's

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2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares.

- (25) Mr. Noonan's wife, Tiffany Horne Noonan, is the beneficiary of trusts holding an aggregate of 190,340 shares of class B common stock, but neither she nor Mr. Noonan have sole or shared voting or investment control over any of the shares.
- (26) Consists of 79,816 shares of class A common stock held by our current executive officers and directors, 124,219 shares of class A common stock issuable upon the exercise of stock options within 60 days after February 1, 2013, 18,613 shares of class A common stock issuable upon settlement of restricted stock units within 60 days after February 1, 2013, 20,285 shares of class A common stock the receipt of which have been deferred under our non-employee director stock deferral program, and 95,003 shares of class A common stock issued as restricted stock awards under the Company's 2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares.

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COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Programs

The following Compensation Discussion and Analysis describes the material elements of our fiscal year 2012 compensation program and compensation paid thereunder. Most of the discussion relates to our "named executive officers" for fiscal year 2012, who were:

| | |
|-----------------------|---|
| David J. Coghlan | Chief Executive Officer & President |
| Dean P. Freeman | Chief Financial Officer & Executive Vice President |
| Srinivas K. Bagepalli | President, North America |
| Elie Melhem | President, Asia |
| Kenneth R. Lepage | General Counsel, Executive Vice President of Administration & Secretary |
| William C. McCartney | Former Chief Financial Officer |

The Compensation Committee makes decisions for the total direct compensation of the named executive officers based on the factors described below. The Compensation Committee consists solely of independent, non-employee directors. In addition, for named executive officers other than the Chief Executive Officer, the Compensation Committee also considers the Chief Executive Officer's recommendations.

Executive Summary

Company Performance

2012 was a challenging year in which Watts Water made important investments in both people and systems and initiated a transition of many of our product lines to lead free alloys. These investments affected near-term operating margins but should position the Company well for future growth. Some highlights of our performance include:

A full year 2012 sales increase of \$17.5 million despite unfavorable foreign exchange movements.

A 10% increase in net income from continuing operations.

A conversion rate of free cash flow to net income from continuing operations of 148%, the fifth consecutive year that the Company generated free cash flows in excess of 140% of net income.

Meaningful growth in emerging markets in Asia, the Middle East and Eastern Europe.

However, we did not achieve all of the challenging goals embedded in our annual incentive programs, as discussed in more detail in the sections below.

Alignment of Pay with Performance

In line with our pay-for-performance philosophy, our executives received competitive compensation commensurate with these results. Messrs. Coghlan, Freeman, Lepage and McCartney's bonuses were based on the performance of our Company as a whole, and each earned 28.2% of their total bonus opportunity. Company performance also accounted for 30% of the bonus opportunity for Messrs. Bagepalli and Melhem. The remaining 70% of Mr. Bagepalli's bonus is based on the performance of our North America segment, which funded at 39.9%. For Mr. Melhem, the remaining 70% of his bonus was based on the performance of our Asia segment, which funded at 121.3%. Accordingly, Mr. Bagepalli earned 36.4% of his total target bonus amount while Mr. Melhem earned 79.4%.

A substantial portion of each executive's compensation opportunity is performance-based or aligned with stockholder value creation over time in the form of equity grants. Set forth below for our

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Chief Executive Officer, and separately for the other named executive officers, are charts illustrating the percentage of total target compensation corresponding to base salaries, annual incentives and long-term incentives.

Total Direct Compensation Opportunity Chief Executive Officer(1)

| | |
|--|---|
| Fixed 18% (Base Salary) | Variable 82% (Target Annual Incentive + Long-Term Incentive Value)(2) |
| Short-term 36% (Base Salary + Target Annual Incentive) | Long-term 64% (Long-Term Incentive Value) |
| Cash 36% (Base Salary + Target Annual Incentive) | Equity-Based 64% (Long-Term Incentive Value) |

(1) Total direct compensation opportunity does not include perquisites or other executive benefits, including retirement and severance benefits, or the value of the discount attributable to the purchase price for restricted stock units under our Management Stock Purchase Plan.

(2) Long-Term Incentive value consists of stock options and restricted stock awards.

Total Direct Compensation Opportunity Other Named Executive Officers(1)
(Average allocation for four Named Executive Officers other than the
Chief Executive Officer and Mr. McCartney)(2)

| | |
|--|---|
| Fixed 31% (Base Salary)(3) | Variable 69% (Target Annual Incentive + Long-Term Incentive Value(4)) |
| Short-term 50% (Base Salary + Target Annual Incentive) | Long-term 50% (Long-Term Incentive Value) |
| Cash 50% (Base Salary + Target Annual Incentive) | Equity-Based 50% (Long-Term Incentive Value) |

(1) Total direct compensation opportunity does not include perquisites or other executive benefits, including retirement and severance benefits, or the value of the discount attributable to the purchase price for restricted stock units under our Management Stock Purchase Plan.

(2) Mr. McCartney resigned on November 12, 2012, but remained an employee until December 14, 2012.

(3) Includes annualized base salary for Mr. Freeman, who commenced employment on October 22, 2012.

(4)

Long-Term Incentive value consists of stock options and restricted stock awards.

Other compensation decisions in 2012 reflected our compensation philosophy, as set forth in more detail below. Each of our named executive officers received base salary increases in 2012, reflecting a consideration of individual and Company performance as well as competitive position relative to market, among other factors. We also approved increases to the target bonus amounts for Messrs. Bagepalli, Melhem and Lepage. Following these increases, each of our executive officers is positioned within 10% of the market median for target cash compensation, with no executive officer exceeding the market median.

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Other Practices and Policies to Promote Effective Compensation Governance

Examples of practices and policies that the Committee has implemented to ensure effective governance of compensation plans include:

Our executives are subject to robust stock ownership guidelines.

The Compensation Committee has the authority to hire independent counsel and other advisors.

The Compensation Committee has conducted a review and assessment of risk as it relates to our compensation policies and practices.

Our Insider Trading Procedures prohibit hedging transactions, and no designated insiders may pledge Company securities as collateral unless approved in advance by the Compensation Committee.

None of our executive officers has an employment agreement with us or any arrangement or agreement that provides for severance payments.

Extraordinary Events During the Year

Mr. McCartney resigned as our Chief Financial Officer on November 12, 2012 and retired from the Company on December 14, 2012. In connection with Mr. McCartney's decision to retire, in June 2102 we entered into a retention agreement with Mr. McCartney whereby Mr. McCartney agreed to continue employment with us to assist in identifying a successor and to transition his responsibilities and duties to the new Chief Financial Officer. After fulfilling the terms of the retention agreement and providing a general release of claims, Mr. McCartney received a cash payment of \$690,000, an acceleration of vesting of all unvested stock options and restricted stock awards as of December 14, 2012, and an extension of the time to exercise all of his stock options. He also received a cash payment of \$63,239, which is the amount of the annual 2012 performance bonus he would have been entitled to receive had he remained employed by the Company through December 31, 2012. The retention agreement subjects Mr. McCartney to non-competition and non-solicitation covenants for two years.

Mr. Freeman commenced employment with us on October 22, 2012 and was appointed Chief Financial Officer and Executive Vice President on November 12, 2012. He received a signing bonus of \$100,000 and will be required to reimburse the full amount of the signing bonus in the event his employment terminates with us during his first 24 months of employment for any reason except for a Company-initiated termination due to a reorganization or lack of work. He also received certain relocation benefits that we determined were necessary to induce him to join our Company.

Compensation Philosophy

Our executive compensation philosophy, as set by the Compensation Committee of our Board of Directors, is to provide compensation programs that attract, retain and motivate our key executives who are critical to our long-term success. We implement this philosophy through the following principles:

Positioning total direct compensation and each component of compensation at approximately the median of our peer companies, which are industry and size relevant and which are identified by a rules-based selection process. Some variation in competitive positioning by executive is expected to account for factors such as tenure, individual performance and criticality of role. When assessing the competitive position of equity-based long-term incentives, we utilize Black-Scholes or similar methodologies to measure the grant date fair value of our awards.

Rewarding achievement relative to short-term goals that we believe will drive long-term stockholder value creation.

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Aligning long-term pay outcomes with stockholder value creation over time. This necessitates tying a significant portion of each executive's compensation to Company and individual performance, placing that compensation at risk.

The following key elements are used to compensate our executives:

Base salaries, representing the only fixed element of total direct compensation.

Annual incentives, currently consisting of a performance-based bonus under the Executive Incentive Bonus Plan, which reward achievement relative to individual and Company goals, both financial and strategic in nature.

Long-term incentives, currently consisting of stock options and restricted stock awards, which link pay outcomes to long-term stockholder value creation.

In addition, we provide our executive officers with other employee benefits and limited perquisites, which are primarily intended to maintain our competitive position for attracting and retaining executive talent. However, in general, the Compensation Committee strives to mitigate the use of these non-performance based forms of compensation without jeopardizing our ability to offer a compensation program that will attract and retain executives in a competitive market.

Benchmarking

Benchmarking is one factor, among many, that we rely on in establishing our compensation levels and program design. We use information regarding pay practices at other comparable companies in two respects. First, we use benchmarking information to evaluate whether our compensation practices are competitive in the marketplace in which we compete for executive talent. Second, we use marketplace information as one factor in assessing the reasonableness of our executive compensation.

In 2012, the Compensation Committee requested Pearl Meyer to perform a comprehensive competitive assessment of our executive compensation. Among other data sources, Pearl Meyer used compensation information from a peer group of companies for benchmarking purposes. The peer group companies were chosen by the Compensation Committee, after receiving advice and input from Pearl Meyer, using a rules-based process to identify and select firms based on the similarity to Watts Water of the amount of their annual revenues and market capitalization as well as the similarity of their industry, business models, scope of their international operations, primary standard industrial classification codes, index memberships and analyst coverage. The peer group roster has been consistent since 2009. The peer group had average annual revenue of approximately \$1.76 billion for the four fiscal quarters preceding the date of analysis, as compared to our revenue of approximately \$1.47 billion for the same period. The peer group also had an average market capitalization of \$2.14 billion for the most recent quarter prior to the analysis as compared to our market capitalization of approximately \$1.10 billion for the same period. The peer group comprises the following companies:

| | | |
|----------------------------|-----------------------------|------------------------------|
| Actuant Corporation | Franklin Electric Co., Inc. | Mueller Industries, Inc. |
| Acuity Brands, Inc. | Gardner Denver, Inc. | Mueller Water Products, Inc. |
| A.O. Smith Corporation | Graco Inc. | Regal Beloit Corporation |
| CIRCOR International, Inc. | IDEX Corporation | Robbins & Myers, Inc. |
| CLARCOR Inc. | Itron, Inc. | Roper Industries, Inc. |

The Compensation Committee, Pearl Meyer and management also consider compensation survey data. The survey data are based on information reported in various Towers Watson and Mercer survey reports and data bases. For executive positions where data from multiple surveys are available, the data are averaged and, if appropriate, weighted to provide a market composite perspective.

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The following describes each of the elements of our compensation program for 2012.

Base Salary

We provide each of our executive officers with a fixed salary that provides a secure base of compensation in an amount that recognizes each officer's role and responsibilities as well as experience, performance and contributions. The Compensation Committee considers base salary increases for our executive officers annually. The amount of any increase is based primarily on the executive officer's performance, level of responsibilities, leadership, experience, employee retention and internal pay equity considerations and the external competitiveness of the officer's base salary and overall total compensation. The Compensation Committee meets with the Chief Executive Officer annually to review proposed adjustments in the base salary amounts for our executive officers other than our Chief Executive Officer and in such review discusses each officer's performance evaluation. The Compensation Committee also reviews the proposed adjustment in base salary and the performance of our Chief Executive Officer with the other independent members of the Board of Directors and conducts a separate discussion with our Chief Executive Officer regarding his performance. As part of its review, the Compensation Committee receives and discusses tally sheets setting forth the total compensation of our executive officers, including base salary, bonus potential, equity awards, retirement benefits, perquisites and other compensation, and information regarding the competitiveness of our compensation programs relative to companies in our benchmarking peer group and other industry survey data. Based on this review, in February 2012 the Compensation Committee approved the following increases in the base salaries of all of our then serving named executive officers (other than Mr. Bagepalli who joined Watts Water in October 2011):

| | Base Salary Increase |
|-----------------------|-----------------------------|
| David J. Coghlan | 8.33% |
| Srinivas K. Bagepalli | |
| Elie Melhem | 5.26% |
| Kenneth R. Lepage | 5.88% |
| William C. McCartney | 3.25% |

During the second quarter of 2012, the Compensation Committee requested that Pearl Meyer conduct a comprehensive competitive assessment of our executive compensation. With respect to cash compensation, Pearl Meyer found that the base salaries and target total cash compensation of our executive officers were generally at the lower end of, or slightly below, a market competitive range (i.e., plus or minus 15% of market median), with some variation by executive. Based on the results of Pearl Meyer's assessment, in July 2012 the Compensation Committee approved additional competitive market adjustments to the base salaries of two of our named executive officers, including a 5.07% increase in Mr. Bagepalli's base salary and an additional 11.11% increase in Mr. Lepage's base salary.

Annual Incentives

Under the Executive Incentive Bonus Plan, each of our executive officers is eligible for an annual cash bonus. We offer our executives an opportunity to earn a bonus in order to focus our executives on execution against specific financial and strategic goals and reward performance based on achievement of such goals. For each of our executive officers, the Compensation Committee sets a target bonus amount expressed as a percentage of base salary. The Compensation Committee determines the target bonus amount for each executive officer based on a variety of factors, including competitive conditions for the executive officer's position within our peer group and in the broader employment market, length of employment, level of responsibility and experience, input from Pearl Meyer, and, in the case of executive officers other than the Chief Executive Officer, the recommendations of the Chief

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Executive Officer. The Compensation Committee initially determined the 2012 target bonus amounts for all named executive officers during the first quarter of 2012, except for Mr. Freeman who commenced employment with us in October 2012. Following a review of the competitive assessment of our executive compensation conducted by Pearl Meyer during the second quarter of 2012, the Compensation Committee approved increases in the target bonus amounts for Messrs. Bagepalli, Melhem and Lepage in July 2012. The 2012 target bonus amounts for our named executive officers (other than Mr. McCartney) were as follows:

| | Target as a Percent of Salary | Target in Dollars |
|-----------------------|--|--------------------------|
| David J. Coghlan | 100% | \$ 650,000 |
| Dean P. Freeman | 65% | \$ 49,943(1) |
| Srinivas K. Bagepalli | 60% | \$ 211,200 |
| Elie Melhem | 55% | \$ 165,000 |
| Kenneth R. Lepage | 60% | \$ 180,000 |

(1)

Mr. Freeman commenced employment with us on October 22, 2012 and the target bonus amount set forth in the table represents a prorated bonus target amount for 2012. If Mr. Freeman had been employed with us for all of 2012, his target bonus amount would have been \$256,750.

Due to Mr. McCartney's retirement during 2012, he was not eligible to receive a bonus under our Executive Incentive Bonus Plan for 2012. However, pursuant to the terms of the Retention Agreement dated June 14, 2012 between us and Mr. McCartney, we agreed to pay Mr. McCartney a lump-sum cash payment of \$63,239, which is the amount of the annual 2012 performance bonus he would have been entitled to receive if he had remained employed by the Company through December 31, 2012.

Corporate performance objectives under our Executive Incentive Bonus Plan are established by the end of the first quarter of each fiscal year by our Compensation Committee after consultation with our Chief Executive Officer. For 2012, participants in the Executive Incentive Bonus Plan were assigned four objectives: a sales objective, a net income objective, a free cash flow objective and either a return on invested capital ("ROIC") objective or a days of working capital ("DWC") objective. Our 2012 net income objective consisted of net income excluding the effect of unbudgeted restructuring, acquisitions, foreign exchange, discontinued operations, impairments, and the impact of the sale of a manufacturing facility in China. The free cash flow objective measures the amount of free cash generated during the fiscal year. Free cash represents the amount of cash generated by operations during the year less net capitalized expenditures. These objectives are intended to align the interests of our management team with the interests of our stockholders. We believe that the capital markets evaluate companies in our industry based primarily on their ability to grow their businesses profitably while maintaining adequate returns on their invested capital. Our bonus objectives provide an incentive to management to maintain a balanced approach to growth, with appropriate emphasis on revenues, profitability and cash flow. If we are successful in meeting or exceeding our goals under these objectives, we believe that this will lead to the creation of additional value for our stockholders.

The Compensation Committee, in consultation with our Chief Executive Officer, determines the relative weight to be assigned to each objective. For 2012, the Compensation Committee weighted each of the four bonus objectives equally at 25%. Mr. Coghlan's, Mr. Freeman's, Mr. Lepage's and Mr. McCartney's bonuses were based on the performance of our Company as a whole. Since the responsibilities of Mr. Bagepalli and Mr. Melhem are substantially tied to the North American and Asian segments, respectively, 70% of their 2012 bonus objectives were based on their respective segment performance, with 30% based on the performance of the Company as a whole.

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The 2012 performance measures and related targets for the Company as a whole and our results with respect to each performance measure were as follows:

| Performance Measures | Performance Targets (in millions except ROIC) | | | 2012 Results (in millions except ROIC) | % of Bonus Objective Achieved | Weighted Bonus % Earned |
|-------------------------|---|----------|----------|---|--|-------------------------------|
| | 0% | 100% | 200% | | | |
| Consolidated Sales | \$ 1,397 | \$ 1,553 | \$ 1,708 | \$ 1,449 | 62.2% | 15.6% |
| Consolidated Net Income | \$ 86 | \$ 95 | \$ 114 | \$ 78 | 0.0% | 0.0% |
| Consolidated Cash Flow | \$ 109 | \$ 122 | \$ 146 | \$ 115 | 50.5% | 12.6% |
| Consolidated ROIC | 9.1% | 10.1% | 12.1% | 8.7% | 0.0% | 0.0% |

| | |
|---|--------------|
| Total Bonus Earned as a Percentage of Target Amount: | 28.2% |
|---|--------------|

The 2012 performance measures and related targets for our North America segment and our results with respect to each performance measure were as follows:

| Performance Measures | Performance Targets (in millions except ROIC) | | | Actual Results (in millions except ROIC) | % of Bonus Objective Achieved | Weighted Bonus % Earned |
|--------------------------|---|--------|--------|--|-------------------------------------|-------------------------------|
| | 0% | 100% | 200% | | | |
| North America Sales | \$ 768 | \$ 854 | \$ 939 | \$ 844 | 88.3% | 17.7% |
| North America Net Income | \$ 79 | \$ 88 | \$ 105 | \$ 63 | 0.0% | 0.0% |
| North America Cash Flow | \$ 65 | \$ 72 | \$ 86 | \$ 74 | 111.2% | 22.2% |
| North America ROIC | 12.9% | 14.3% | 17.2% | 12.7% | 0.0% | 0.0% |

| | |
|---|--------------|
| Total Bonus Earned as a Percentage of Target Amount: | 39.9% |
|---|--------------|

The 2012 performance measures and related targets for our Asia segment and our results with respect to each performance measure were as follows:

| Performance Measures | Performance Targets (in millions except DWC) | | | 2012 Results (in millions except DWC) | % of Bonus Objective Achieved | Weighted Bonus % Earned |
|----------------------|--|-------|-------|--|-------------------------------------|-------------------------------|
| | 0% | 100% | 200% | | | |
| Asia Sales | ¥ 168 | ¥ 187 | ¥ 206 | ¥ 169 | 3.2% | 1.3% |
| Asia Net Income | ¥ 26 | ¥ 29 | ¥ 35 | ¥ 43 | 200.0% | 40.0% |
| Asia Cash Flow | ¥ 26 | ¥ 29 | ¥ 35 | ¥ 44 | 200.0% | 40.0% |
| Asia DWC | 33 | 30 | 24 | 13 | 200.0% | 40.0% |

| | |
|---|---------------|
| Total Bonus Earned as a Percentage of Target Amount: | 121.3% |
|---|---------------|

Based on the above results, for 2012 Messrs. Coghlan, Freeman and Lepage each earned 28.2% of his target bonus amount, Mr. Bagepalli earned 36.4% of his target bonus amount, and Mr. Melhem earned 79.4% of his target bonus amount.

Long-Term Incentives

We provided long-term incentive compensation for our executive officers during 2012 in the form of the purchase of restricted stock units under our Management Stock Purchase Plan and the grant of stock options and restricted stock awards under our 2004 Stock Incentive Plan. The Compensation Committee believes in granting equity-based incentive compensation as an important component of our executive compensation program to encourage sustainable growth and long-term value creation, align the interests of our executives with those of our stockholders by exposing executives to stock price changes during the vesting or deferral periods, and to attract and retain executive talent.

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Our practice is that all equity awards should be granted as of the third business day following the release of our most recent quarterly earnings to the public. The purpose for setting the grant date of stock options on a day following the release of our most recent quarterly earnings to the public is to ensure that we are using a date when the public markets have a maximum amount of information about our financial performance and have had a sufficient amount of time to understand and react to such information.

Management Stock Purchase Plan. Our Management Stock Purchase Plan is intended to provide an incentive for our executives to purchase and hold more of our class A common stock, thereby more closely aligning their interests with the interests of our stockholders. The Compensation Committee approves the participants in the Management Stock Purchase Plan based on recommendations made by senior management. Under the Management Stock Purchase Plan, participants may purchase restricted stock units at a discount of 33% from the closing sale price of our class A common stock using all or a portion of their pre-tax annual performance bonus. For 2012, each of Messrs. Coghlan, Bagepalli, and Melhem elected to contribute 50% of his annual performance bonus, and Mr. Lepage elected to contribute 75% of his annual performance bonus, to the purchase of restricted stock units under the Management Stock Purchase Plan. A more detailed description of the Management Stock Purchase Plan can be found under "Grants of Plan-Based Awards" table below.

Stock Options and Restricted Stock Awards. We use stock options and restricted stock to align the interests of our executives with those of our stockholders by motivating them to achieve long-term strategic goals and thereby increase the value of our stock. The Compensation Committee typically makes annual grants of stock options and restricted stock awards at its regularly scheduled third quarter meeting. Our Chief Executive Officer provides recommendations to the Compensation Committee on the number of stock options and restricted stock awards to be granted to our executive officers and employees, other than our Chief Executive Officer. The Compensation Committee evaluates the amount of stock option grants and restricted stock awards based on factors similar to those used to determine base salaries and annual bonuses, and also reviews information on the stock ownership of our executive officers and their compliance with our stock ownership guidelines and information on equity compensation plan dilution.

We grant a mix of stock options and restricted stock in order to achieve a balance between the retention benefits of restricted stock and the long-term performance incentives provided by stock options. Our intention is that approximately half of the value of an executive's equity award should be in the form of stock options and half of the value should be in the form of restricted stock. Because recipients of restricted stock receive the full market value of their shares of restricted stock rather than just the amount of any appreciation in the value of our stock after the date of grant, a share of restricted stock is considered to have more value on the date of grant than an option to purchase a share of stock. The Compensation Committee has historically used a Black-Scholes valuation model to determine that one share of restricted stock is roughly equal in value to an option to purchase three shares of stock. Accordingly, the number of shares of restricted stock the Compensation Committee awarded to our executive officers is equal to one-third of the number of shares underlying their stock option grant. We examine this ratio periodically to ensure that the intended value is being delivered appropriately through options and restricted stock.

In addition to the normal annual grants of stock options and restricted stock in 2012, Mr. Lepage and Mr. McCartney each received a special one-time grant of 2,000 shares of restricted stock in recognition of their performance in consummating and integrating the acquisition of Danfoss Socla S.A.S.

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Benefits and Perquisites

We provide our executive officers with certain employee benefits and perquisites as a means of providing additional compensation that is designed to be competitive with other compensation provided by companies in our peer group.

Retirement benefits are provided through a qualified defined contribution 401(k) plan for all of our full-time eligible employees who are United States residents. Prior to 2012, eligible United States employees also earned benefits under a qualified defined benefit pension plan, and some of our named executive officers also were eligible to accrue benefits under a supplemental non-qualified defined benefit plan. Effective December 31, 2011, we froze benefits under both the tax-qualified and non-qualified pension plans and our 401(k) Plan was enhanced to include Company-provided core and matching contributions for all eligible United States employees. A more detailed description of these historic pension benefits can be found under "Pension Benefits" below.

We also provide our executive officers with a limited number of perquisites as part of their compensation arrangements, including the choice of receiving a cash automobile allowance or the use of an automobile leased by the Company. The amount of the automobile allowance or the maximum amount of the lease payments for the automobile used by each executive officer is determined by our Chief Executive Officer and reviewed by the Compensation Committee, and the Compensation Committee determines the maximum amount of our Chief Executive Officer's automobile allowance or lease payments to be paid by the Company. We also pay maintenance expenses for the leased automobiles and provide automobile insurance coverage under our corporate umbrella policy.

In addition, in connection with his assignment in China, we provided Mr. Melhem with customary expatriate benefits to address the unique circumstances arising from his living and working abroad.

Compensation Recovery

Under the Sarbanes-Oxley Act, in the event of misconduct that results in a financial restatement that would have reduced previously paid incentive compensation, we can recoup the amount of improper payments from our Chief Executive Officer and Chief Financial Officer. In addition, we intend to implement a clawback policy in accordance with the requirements of the Dodd-Frank Act and the regulations that will be issued under that Act. We have elected to defer adoption of a clawback policy until the SEC issues guidance as to the required elements of such a policy to ensure that we are able to implement a single fully compliant policy at one time, rather than implementing a policy that may require significant modifications after the SEC regulations are issued.

Employment Agreements

None of our executive officers has an employment agreement with us.

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements provide indemnity, including the advancement of expenses, to our directors and executive officers against liabilities incurred in the performance of their duties to the fullest extent permitted by the General Corporation Law of the State of Delaware.

Post-Termination Compensation and Change in Control Arrangements

None of our current executive officers had any arrangement or agreement during 2012 that provided for severance payments.

As discussed above, Mr. McCartney notified us of his decision to retire in May 2012. In connection with Mr. McCartney's decision to retire, in June 2012 we entered into a Retention Agreement with Mr. McCartney pursuant to which he agreed to remain with us until December 14, 2012, assist us in

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identifying a successor and help transition his responsibilities and duties to his successor. A description of the Retention Agreement can be found below under "Potential Payments Upon Termination or Change in Control". The terms of the Retention Agreement were based on negotiations with Mr. McCartney and our assessment of the value of insuring a smooth transition of responsibilities. We believe that the compensation provided to Mr. McCartney under the Retention Agreement was fair and reasonable for an executive officer at his level with over 27 years of service with our Company. In addition, the extended transition period afforded by the continuation of his employment until December 2012 provided significant value to our management team and our incoming Chief Financial Officer as they had the benefit of Mr. McCartney's knowledge, experience and extensive industry contacts during the transition period, which minimized disruption to our business.

None of our executive officers is entitled to payment of any benefits upon a change in control of Watts Water, except that our 2004 Stock Incentive Plan, 1996 Stock Option Plan and Management Stock Purchase Plan provide that in connection with a change in control all unvested stock options, shares of restricted stock, and restricted stock units will become fully vested.

Stock Ownership Guidelines

The Compensation Committee monitors compliance with the stock ownership guidelines approved by the Compensation Committee for all executive officers and other members of senior management. For 2012, our Chief Executive Officer was required to hold shares of our stock with a value of at least five times the amount of his base salary, our Chief Financial Officer was required to hold shares of our stock with a value of at least three times the amount of his base salary and our other executive officers were required to hold shares of our stock with a value of at least twice their base salary. In determining the number of shares owned by an executive, the Compensation Committee takes into account shares held directly, the shares underlying restricted stock units purchased by the executive under our Management Stock Purchase Plan and shares of restricted stock, but not stock options. Our officers are expected to comply with these requirements within five years of their appointment as an executive officer. The Compensation Committee evaluates compliance with these guidelines in connection with making its compensation decisions and recommendations at its regularly scheduled third quarter meeting. Compliance is typically measured based on stock ownership as of the last day of the second quarter. At the end of the second quarter of 2012, all of our executive officers who had been executive officers of Watts Water for five or more years were in compliance with our stock ownership guidelines.

Impact of Regulatory Requirements

The financial reporting and income tax consequences of individual compensation elements are important considerations for the Compensation Committee when it is analyzing the overall level of compensation and the mix of compensation paid to our executive officers. Overall, the Compensation Committee seeks to balance its objective of ensuring an effective compensation package for our executive officers with the desire to maximize the immediate deductibility of compensation, while ensuring an appropriate and transparent impact on reported earnings and other financial measures.

In making its compensation decisions, the Compensation Committee has considered that under Internal Revenue Code Section 162(m) we are not permitted to deduct for tax purposes compensation in excess of \$1 million paid to our executive officers (other than the Chief Financial Officer). However, certain compensation that qualifies as "performance-based compensation" under the requirements of Section 162(m) is exempt from this deduction limit. The Compensation Committee designs much of the total compensation packages for our executive officers to intend to qualify for the performance-based compensation exemption from the deductibility limit. However, the Compensation Committee does have the discretion to design and use compensation elements that may not be deductible under Section 162(m) if it believes such elements are appropriate and in the best interest of the Company

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and its stockholders. For 2012, our annual performance bonus payments to our executives, restricted stock units purchased by our executives using their annual performance bonus, and stock option grants under our 2004 Stock Incentive Plan should be tax deductible compensation under Section 162(m). Our base salary payments and restricted stock grants, as currently structured, are not considered performance-based for purposes of Section 162(m). Therefore, the value of those equity awards, in combination with the amount of base salary, in excess of \$1 million paid to the executives who fall within the scope of Section 162(m) is not tax deductible by us.

Say on Pay

We submitted our executive compensation program to an advisory vote of our stockholders at our 2011 Annual Meeting and it received the support of 96% of the total votes cast on the proposal. In addition, at our 2011 Annual Meeting we held an advisory vote on how often we should submit our executive compensation program to an advisory vote of our stockholders, and 81% of the total votes cast on this proposal were cast in favor of holding the advisory vote on our executive compensation program every three years. In accordance with the stockholder voting results, our Board of Directors has determined that future stockholder advisory votes on executive compensation will occur every three years. Accordingly, the next stockholder advisory vote on our executive compensation program will be held at our 2014 Annual Meeting. The next required stockholder advisory vote on the frequency of the advisory vote on executive compensation will be held at our 2017 Annual Meeting.

Our Board of Directors reviewed the final vote results of the 2011 advisory vote on our executive compensation program and determined that, given the significant level of support, no changes in our executive compensation policies or decisions were necessary. The Compensation Committee will, in consultation with its independent compensation consultant, consider changes to our compensation programs as appropriate in response to evolving factors such as the business environment and competition for talent. The Compensation Committee will also continue to monitor future advisory votes carefully and may seek input from stockholders with respect to executive compensation matters.

Table of Contents**EXECUTIVE COMPENSATION****Compensation Summary**

The following table contains information with respect to the compensation for the fiscal years ended December 31, 2012, 2011 and 2010 of our Chief Executive Officer, Chief Financial Officer, former Chief Financial Officer and our next three most highly compensated executive officers serving as executive officers at the end of the last completed fiscal year. We refer to the executive officers identified in this table as our "named executive officers."

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$)(1) | Option Awards (\$)(2) | Change in Pension Value and Non-Equity Nonqualified Incentive Deferred | | All Other Compensation (\$) | Total (\$) |
|---|------|----------------|---------------|----------------------------|-----------------------------|--|---------------------|-----------------------------------|---------------|
| | | | | | | Plan Compensation (\$)(3) | Earnings (\$)(4) | | |
| David J. Coghlan <i>Chief Executive Officer & President</i> (5) | 2012 | 650,000 | | 1,174,591 | 1,214,100 | 91,668 | 32,545 | 41,528(6) | 3,204,432 |
| | 2011 | 585,833 | | 768,486 | 611,400 | 317,004 | 57,873 | 27,088 | 2,367,684 |
| | 2010 | 410,000 | | 423,876 | 370,800 | 135,250 | 40,035 | 28,430 | 1,408,391 |
| Dean P. Freeman <i>Chief Financial Officer & Executive Vice President</i> (7) | 2012 | 77,987 | 100,000(8) | 321,360 | 343,200 | 14,084 | | 87,905(9) | 944,536 |
| Srinivas K. Bagepalli <i>President, North America</i> (10) | 2012 | 342,083 | | 283,801 | 283,290 | 38,446 | 12,429 | 25,174(11) | 985,223 |
| | 2011 | 70,006 | 75,000(12) | 178,500 | 193,500 | 37,837 | | 3,240 | 558,083 |
| Elie Melhem <i>President, Asia</i> (13) | 2012 | 300,000 | | 224,414 | 202,350 | 65,536 | 24,525 | 192,356(14) | 1,009,181 |
| | 2011 | 124,231 | | 72,625 | 76,425 | 75,459 | | 88,455 | 437,195 |
| Kenneth R. Lepage <i>General Counsel, Executive Vice President of Administration & Secretary</i> | 2012 | 282,500 | | 358,404 | 283,290 | 12,709 | 53,929 | 32,908(15) | 1,023,740 |
| | 2011 | 255,000 | | 248,521 | 152,850 | 37,063 | 64,062 | 17,222 | 774,718 |
| | 2010 | 235,000 | | 228,034 | 185,400 | 30,849 | 37,427 | 10,097 | 726,807 |
| William C. McCartney <i>Former Chief Financial Officer</i> (16) | 2012 | 329,520 | | 74,820(17) | | | 625,840 | 791,666(18) | 1,821,846 |
| | 2011 | 334,150 | | 309,937 | 254,750 | 114,766 | 474,078 | 24,759 | 1,512,440 |
| | 2010 | 328,717 | | 348,314 | 309,000 | 105,102 | 365,974 | 24,485 | 1,481,592 |

- (1) The amounts shown in this column reflect the grant date fair value of restricted stock awards under our 2004 Stock Incentive Plan and restricted stock units purchased under our Management Stock Purchase Plan determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The amounts in this column attributable to restricted stock units purchased under our Management Stock Purchase

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Plan relate to restricted stock units purchased using all or a portion of the named executive officer's bonus award for the year indicated. For example, the amounts shown for 2012 include amounts attributable to restricted stock units purchased by the named executive officers on February 22, 2013 using all or a portion of their 2012 bonus award. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 12 to our audited consolidated financial statements for the year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the SEC on February 27, 2013, except for fair value attributable to the restricted stock units purchased under our Management Stock Purchase Plan on February 22, 2013 using all or a portion of the named executive officer's bonus for 2012. The fair value of each restricted stock unit purchased under the Management Stock Purchase Plan on February 22, 2013 was estimated on the date of grant using the Black-Scholes-Merton Model based on the following weighted average assumptions:

| | |
|----------------------------------|-----------|
| Expected life: | 3.0 years |
| Expected stock price volatility: | 34.13% |
| Expected dividend yield: | 0.93% |
| Risk-free interest rate: | 0.40% |

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The risk-free interest rate is based on the U.S. treasury yield curve at the time of grant for the expected life of the restricted stock unit. The expected life, which is defined as the estimated period of time outstanding, of the restricted stock unit and the volatility were calculated using historical data. The expected dividend yield is our best estimate of the expected future dividend yield. Based on these assumptions, the weighted average grant date fair value of a restricted stock unit purchased on February 22, 2013 was \$18.05.

(2)

The amounts shown in this column reflect the grant date fair value of stock options granted under our 2004 Stock Incentive Plan determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 12 to our audited consolidated financial statements for the year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the SEC on February 27, 2013.

(3)

The amounts shown in this column reflect amounts earned under our Executive Incentive Bonus Plan that the named executive officer elected to receive in cash. Amounts earned by our named executive officers under the Executive Incentive Bonus Plan that were used to purchase restricted stock units under our Management Stock Purchase Plan are not shown in this column. As indicated in footnote (1) above, the grant date fair value of restricted stock units purchased under our Management Stock Purchase Plan using all or a portion of the named executive officer's bonus are included in the amounts shown in the Stock Awards column for each year. The amounts each named executive officer elected to use of his annual performance bonus under the Executive Incentive Bonus Plan to purchase restricted stock units under our Management Stock Purchase Plan and the number of restricted stock units so purchased by each named executive officer are as follows:

| | Year | Percentage of Annual Bonus Used | Amount of Bonus for Year | Amount of Bonus Used to Purchase Restricted Stock Units | Number of Restricted Stock Units Purchased |
|---------------|------|---------------------------------|--------------------------|---|--|
| Mr. Coghlan | 2012 | 50% | \$ 183,300 | \$ 91,650 | 2,897 |
| | 2011 | 50% | \$ 634,006 | \$ 317,003 | 11,957 |
| | 2010 | 50% | \$ 270,500 | \$ 135,250 | 5,377 |
| Mr. Bagepalli | 2012 | 50% | \$ 76,877 | \$ 38,439 | 1,215 |
| Mr. Melhem | 2012 | 50% | \$ 131,010 | \$ 65,505 | 2,070 |
| Mr. Lepage | 2012 | 75% | \$ 50,760 | \$ 38,070 | 1,203 |
| | 2011 | 75% | \$ 148,199 | \$ 111,149 | 4,192 |
| | 2010 | 75% | \$ 123,395 | \$ 92,546 | 3,679 |
| Mr. McCartney | 2011 | 50% | \$ 229,507 | \$ 114,754 | 4,328 |
| | 2010 | 50% | \$ 210,204 | \$ 105,102 | 4,179 |

The number of restricted stock units purchased was determined by dividing the dollar amount of bonus used in the above table by \$31.63 for 2012, \$26.51 for 2011 and \$25.15 for 2010, which is 67% of the closing price of our class A common stock on February 22, 2013, February 23, 2012 and March 1, 2011, respectively, which was the third business day after the release of our 2012, 2011 and 2010 annual earnings.

(4)

The amounts shown in this column reflect the aggregate change in actuarial present value of the named executive officer's accumulated benefit under our Pension Plan and our Supplemental Plan from January 1 to December 31 of each year. As a result of our Pension Plan and Supplemental Plan being frozen effective December 31, 2011, none of the change in pension value for 2012 is attributable to benefits accrued during the year. The entire amount of the change shown in the table for each of Messrs. Coghlan and Lepage is due to the effect of his being one year closer to his assumed retirement age and changes in the assumptions underlying the present value calculations at the end of 2011 and 2012, including a change in the discount rate assumption for the Pension Plan from 4.8% to 4.0% and for the Supplemental Plan from 4.6% to 3.9% and changes in the mortality assumptions underlying the calculations for both the Pension Plan and the Supplemental Plan. See footnote (1) following the 2012 Pension Benefits table for more details on these assumptions. For Mr. McCartney, \$133,465 of the change in his pension value for 2012 is attributable to his decision to retire at the end of 2012. The remaining \$492,375 is due to the effect of Mr. McCartney being one year closer to his assumed retirement age and changes in the assumptions underlying the present value calculations at the end of 2011 and 2012 as noted above. The change in pension value for each of Messrs. Bagepalli and Melhem represents the value of the benefits accrued for service in 2011. Messrs. Bagepalli and Melhem did not become participants in the Pension Plan until reaching one year of service during 2012, at which time each earned a retroactive accrual for his 2011 service.

- (5) Mr. Coghlan was promoted from Chief Operating Officer to Chief Executive Officer and President on January 26, 2011.

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- (6) The amount indicated for Mr. Coghlan in the All Other Compensation column for 2012 consists of an automobile allowance of \$24,000, 401(k) Plan contributions of \$15,000, term life and accidental death and dismemberment insurance premiums, and the incremental cost to the Company of sporting event tickets used by Mr. Coghlan.
- (7) Mr. Freeman commenced employment with us on October 22, 2012 and was appointed Chief Financial Officer and Executive Vice President on November 12, 2012.
- (8) Mr. Freeman received a signing bonus of \$100,000 following the commencement of his employment with us. Mr. Freeman will be required to reimburse us the full amount of the signing bonus in the event his employment with us terminates during his first 24 months of employment for any reason except for a termination initiated by the Company due to a reorganization or lack of work.
- (9) The amount indicated for Mr. Freeman in the All Other Compensation column for 2012 consists of a \$50,000 payment to cover relocation expenses, a tax gross-up payment of \$35,993 relating to the relocation payment, automobile lease and maintenance expenses, an automobile insurance premium, and term life and accidental death and dismemberment insurance premiums.
- (10) Mr. Bagepalli commenced employment with us on October 17, 2011.
- (11) The amount indicated for Mr. Bagepalli in the All Other Compensation column for 2012 consists of an automobile allowance of \$14,000, 401(k) Plan contributions, and term life and accidental death and dismemberment insurance premiums.
- (12) Mr. Bagepalli received a signing bonus of \$75,000 following the commencement of his employment with us.
- (13) Mr. Melhem commenced employment with us on July 25, 2011.
- (14) The amount indicated for Mr. Melhem in the All Other Compensation column for 2012 includes 401(k) Plan contributions and term life and accidental death and dismemberment insurance premiums. In addition, in connection with his assignment in China, we provided Mr. Melhem with customary expatriate benefits to address the unique circumstances arising from living and working abroad. The amount indicated for Mr. Melhem in the All Other Compensation column for 2012 also includes the cost of these expatriate benefits, including \$100,323 for housing expenses, \$49,076 for use of a car and driver for personal transportation, \$22,728 for his child's school tuition, and tax gross-up payments. The dollar amounts shown for Mr. Melhem under the All Other Compensation column include amounts converted from Chinese yuan into U.S. dollars using the following interbank conversion rates in effect on the indicated dates:
- 2012: 0.1589 U.S. dollars for one Chinese yuan as of February 22, 2013
- 2011: 0.1587 U.S. dollars for one Chinese yuan as of February 23, 2012
- (15) The amount indicated for Mr. Lepage in the All Other Compensation column for 2012 consists of automobile lease and maintenance expenses of \$15,669, 401(k) Plan contributions of \$14,782, term life and accidental death and dismemberment insurance premiums, automobile insurance premiums, and the incremental cost to Watts Water of sporting event tickets used by Mr. Lepage.
- (16) Mr. McCartney resigned as our Chief Financial Officer on November 12, 2012 but remained an employee of Watts Water until December 14, 2012.
- (17) Mr. McCartney did not receive an annual grant of stock options or restricted stock in 2012, but he did receive a special one-time grant of 2,000 shares of restricted stock in recognition of his performance in consummating and integrating the acquisition of Danfoss Socla S.A.S.
- (18) The amount indicated for Mr. McCartney in the All Other Compensation column for 2012 consists of a retention payment of \$690,000, a payment of \$63,239, which is equal to the amount of the annual 2012 performance bonus he would have been entitled to receive if he had remained employed by the Company through December 31, 2012, 401(k) Plan contributions of \$15,000, automobile lease and maintenance expenses, term life and accidental death and dismemberment insurance premiums, automobile insurance premiums, a retirement gift, a tax gross-up payment related to the retirement gift, and the incremental cost to Watts Water of sporting event tickets used by Mr. McCartney.

Table of Contents**Grants of Plan-Based Awards**

The following table shows information concerning grants of plan-based awards made during 2012 to the named executive officers.

2012 GRANTS OF PLAN-BASED AWARDS

| Name | Grant Type(1) | Grant Date | Date of Compensation Committee or Board of Directors Action | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2) | | | Estimated Possible Payouts Under Equity Incentive Plan Awards(3) | | | Stock Awards: Number of Shares of Stock or Units (#) | Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh)(4) | Grant Date Fair Value of Stock and Option Awards (\$)(5) |
|-----------------------|---------------|------------|---|--|-------------|--------------|--|-------------|--------------|--|--|--|--|
| | | | | Threshold (\$) | Target (\$) | Maximum (\$) | Threshold (\$) | Target (\$) | Maximum (\$) | | | | |
| David J. Coghlan | EIBP | | | 0 | 325,000 | 650,000 | 0 | 325,000 | 650,000 | 30,000 | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | 90,000 | 37.41 | 1,214,100 |
| Dean P. Freeman | EIBP(6) | | | 0 | 49,943 | 99,886 | | | | 8,000 | | | |
| | SIP | 11/2/12 | 10/30/12 | | | | | | | | | | |
| | SIP | 11/2/12 | 10/30/12 | | | | | | | | 24,000 | 40.17 | 343,200 |
| Srinivas K. Bagepalli | EIBP | | | 0 | 105,600 | 211,200 | 0 | 105,600 | 211,200 | 7,000 | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | 21,000 | 37.41 | 283,290 |
| Elie Melhem | EIBP | | | 0 | 82,500 | 165,000 | 0 | 82,500 | 165,000 | 5,000 | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | 15,000 | 37.41 | 202,350 |
| Kenneth R. Lepage | EIBP | | | | 45,000 | 90,000 | 0 | 135,000 | 270,000 | 9,000(7) | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | | | |
| | SIP | 8/3/12 | 7/30/12 | | | | | | | | 21,000 | 37.41 | 283,290 |
| William C. McCartney | SIP | 8/3/12 | 7/30/12 | | | | | | | 2,000(7) | | 74,820 | |

(1) "EIBP" indicates awards under our Executive Incentive Bonus Plan and "SIP" indicates stock option or restricted stock awards under our 2004 Stock Incentive Plan.

(2) The amounts in these columns indicate the possible payout amounts under our Executive Incentive Bonus Plan that the named executive officer elected to receive in cash.

(3) The amounts in these columns indicate the possible payout amounts under our Executive Incentive Bonus Plan that the named executive officer has elected to use to purchase restricted stock units under our Management Stock Purchase Plan. For 2012, Messrs. Coghlan, Bagepalli and Melhem each elected to contribute 50% of his performance bonus payment under the Executive Incentive Bonus Plan to the purchase of restricted stock units under the Management Stock Purchase Plan and Mr. Lepage elected to contribute 75% of his performance bonus payment under the Executive Incentive Bonus Plan to the purchase of restricted stock units under the Management Stock Purchase Plan. Mr. Freeman began employment with us in October 2012 and did not participate in the Management Stock Purchase Plan in 2012. Mr. McCartney retired in December 2012 and was not eligible to receive

a bonus under the Executive Incentive Bonus Plan.

- (4) On July 30, 2012, the Compensation Committee approved the annual grants of stock options and restricted stock as of the third business day following the release of our second quarter earnings to the public. Our second quarter earnings press release was issued on July 31, 2012, and the date of grant of the stock options and restricted stock awards for fiscal 2012 was August 3, 2012. The exercise price of the stock options is \$37.41, which was the closing sale price of our class A common stock on August 3, 2012. In connection with the commencement of Mr. Freeman's employment with us, on October 29, 2012 the Compensation Committee approved the grant of stock options and restricted stock awards to Mr. Freeman as of the third business day following release of our third quarter earnings to the public, which day was November 2, 2012. The exercise price of Mr. Freeman's stock options is \$40.17, which was the closing sale price of our class A common stock on November 2, 2012.
- (5) The amounts shown in this column represent the grant date fair value of each equity award as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.
- (6) Mr. Freeman commenced employment with us in October 2012 and the amounts reflected in the Estimated Possible Payouts Under Non-Equity Incentive Plan Awards columns are prorated based on his length of service in 2012.
- (7) Mr. Lepage and Mr. McCartney each received a special one-time grant of 2,000 shares of restricted stock in recognition of their performance in consummating and integrating the acquisition of Danfoss Socla S.A.S.

The target amounts shown under the "Estimated Possible Payouts Under Non-Equity Incentive Plan Awards" columns reflect the cash payments that would have been made to the named executive officers if we had achieved 100% of each of the performance objectives under the Executive Incentive Bonus Plan. The maximum amounts are 200% of such target amounts. Participants in the Executive

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Incentive Bonus Plan would have received no bonus payments if we had not exceeded the threshold performance levels under all of their assigned performance objectives. Target bonus amounts under the Executive Incentive Bonus Plan are determined as a percentage of base salary.

The target amounts shown under the Estimated Possible Payouts Under Equity Incentive Plan Awards column reflect the amount of the named executive officer's bonus payment that would have been allocated to the purchase of restricted stock units under our Management Stock Purchase Plan if we had achieved 100% of each of the performance objectives under the Executive Incentive Bonus Plan. The maximum amounts are 200% of such target amounts. Each of the named executive officers (other than Mr. Freeman) made an election under the Management Stock Purchase Plan prior to December 31, 2011 to receive restricted stock units in lieu of a specified percentage or dollar amount of his cash bonus payment for fiscal 2012 under the Executive Incentive Bonus Plan as specified in footnote (3) to the above table.

Under our Management Stock Purchase Plan, the purchase price for restricted stock units is 67% of the closing price of our class A common stock on the date of grant. The restricted stock units vest in three equal annual installments beginning one year after the date of grant. At the end of the deferral period specified by the named executive officer under the Management Stock Purchase Plan, we will issue one share of class A common stock for each vested restricted stock unit. Cash dividends equivalent to those paid on our class A common stock will be credited to the named executive officer's account for non-vested restricted stock units and will be paid in cash to the named executive officer when such restricted stock units become vested. Dividends will also be paid in cash to individuals for vested restricted stock units held during any deferral period.

All stock options and restricted stock awards were granted under our 2004 Stock Incentive Plan. The stock options vest over four years at the rate of 25% per year beginning on the first anniversary of the date of grant. Vested stock options terminate upon the earlier of six months following termination of employment, subject to certain exceptions, or ten years from the date of grant. The restricted stock awards vest over three years at a rate of 33¹/₃% each year beginning on the first anniversary of the date of grant. Unvested shares of restricted stock are automatically forfeited upon termination of an executive officer's employment for any reason other than death or disability.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table shows information regarding unexercised stock options and unvested restricted stock and restricted stock units held by the named executive officers as of December 31, 2012.

2012 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| Name | Grant Date | Option Awards(1) | | | | Stock Awards(2) | |
|-----------------------|------------|---|---|----------------------------|------------------------|---|---|
| | | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(3) |
| David J. Coghlan | 8/1/08 | 15,000 | 0 | 29.35 | 8/1/18 | | |
| | 7/31/09 | 11,250 | 3,750 | 26.34 | 7/31/19 | | |
| | 8/6/10 | 15,000 | 15,000 | 33.65 | 8/6/20 | | |
| | 8/5/11 | 15,000 | 45,000 | 29.05 | 8/5/21 | | |
| | 8/3/12 | 0 | 90,000 | 37.41 | 8/3/22 | | |
| | 8/6/10 | | | | | 3,334(4) | 143,329 |
| | 8/5/11 | | | | | 13,334(4) | 573,229 |
| | 8/3/12 | | | | | 30,000(4) | 1,289,700 |
| | 2/19/10 | | | | | 3,231(5) | 138,901 |
| | 3/1/11 | | | | | 3,585(5) | 154,119 |
| 2/23/12 | | | | | 11,957(5) | 514,031 | |
| Dean P. Freeman | 11/2/12 | 0 | 24,000 | 40.17 | 11/2/22 | | |
| | 11/2/12 | | | | | 8,000(4) | 343,920 |
| Srinivas K. Bagepalli | 11/7/11 | 3,750 | 11,250 | 35.70 | 11/7/21 | | |
| | 8/3/12 | 0 | 21,000 | 37.41 | 8/3/22 | | |
| | 11/7/11 | | | | | 3,334(4) | 143,329 |
| 8/3/12 | | | | | 7,000(4) | 300,930 | |
| Elie Melhem | 8/5/11 | 1,875 | 5,625 | 29.05 | 8/5/21 | | |
| | 8/3/12 | 0 | 15,000 | 37.41 | 8/3/22 | | |
| | 8/5/11 | | | | | 1,667(4) | 71,664 |
| | 8/3/12 | | | | | 5,000(4) | 214,950 |
| Kenneth R. Lepage | 8/5/05 | 5,000 | 0 | 32.07 | 8/5/15 | | |
| | 8/4/06 | 3,000 | 0 | 35.20 | 8/4/16 | | |
| | 8/3/07 | 4,000 | 0 | 33.36 | 8/3/17 | | |
| | 8/1/08 | 6,000 | 0 | 29.35 | 8/1/18 | | |
| | 7/31/09 | 7,500 | 2,500 | 26.34 | 7/31/19 | | |
| | 8/6/10 | 7,500 | 7,500 | 33.65 | 8/6/20 | | |
| | 8/5/11 | 3,750 | 11,250 | 29.05 | 8/5/21 | | |
| | 8/3/12 | 0 | 21,000 | 37.41 | 8/3/22 | | |
| | 8/6/10 | | | | | 1,667(4) | 71,664 |

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| | | | | | | |
|----------------------|---------|--------|---|-------|----------|---------|
| | 3/1/11 | | | | 667(4) | 28,674 |
| | 8/5/11 | | | | 3,334(4) | 143,329 |
| | 8/3/12 | | | | 9,000(4) | 386,910 |
| | 2/19/10 | | | | 1,501(5) | 64,528 |
| | 3/1/11 | | | | 2,453(5) | 105,455 |
| | 2/23/12 | | | | 4,192(5) | 180,214 |
| William C. McCartney | 7/31/09 | 3,750 | 0 | 26.34 | 7/31/19 | |
| | 8/6/10 | 12,500 | 0 | 33.65 | 8/6/20 | |
| | 8/5/11 | 18,750 | 0 | 29.05 | 8/5/21 | |

- (1) The stock options listed in this column were granted under our 2004 Stock Incentive Plan and vest 25% per year beginning on the first anniversary of the date of grant.
- (2) The restricted stock units and restricted stock awards listed in this column vest over three years in equal annual installments beginning on the first anniversary of the date of grant.
- (3) In accordance with SEC rules, the market value of unvested shares of restricted stock and restricted stock units is determined by multiplying the number of such shares and units by \$42.99, the closing market price of our class A common stock on December 31, 2012.
- (4) Consists of shares of restricted stock awarded under our 2004 Stock Incentive Plan.
- (5) Consists of restricted stock units purchased under the Management Stock Purchase Plan.

Table of Contents**Option Exercises and Stock Vested**

The following table shows amounts received by the named executive officers upon exercise of stock options and vesting of restricted stock and restricted stock units during 2012.

2012 OPTION EXERCISES AND STOCK VESTED

| Name | Option Awards | | Stock Awards(1) | |
|-------------------------|---|---------------------------------|--|-----------------------------------|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$)(2) |
| David J. Coghlan | | | 16,688 | 522,761(3) |
| Dean P. Freeman | | | | |
| Srinivas K. Bagepalli | | | 1,666 | 66,174 |
| Elie Melhem | | | 833 | 31,163 |
| Kenneth R. Lepage | | | 8,992 | 263,616(4) |
| William C. McCartney(5) | 122,500 | 1,240,914 | 23,642 | 820,172(6) |

- (1) Reflects shares of class A common stock underlying restricted stock units purchased under the Management Stock Purchase Plan and shares of restricted stock awarded under the 2004 Stock Incentive Plan.
- (2) The value realized on vesting of restricted stock awards is determined by multiplying the number of shares that vested by the fair market value of our class A common stock on the vesting date. The value realized on vesting of restricted stock units represents the difference between the purchase price paid by the named executive officer for the vesting shares and the fair market value of our class A common stock on the vesting date.
- (3) Pursuant to the Management Stock Purchase Plan, Mr. Coghlan has elected to defer receipt of shares issuable upon settlement of restricted stock units representing \$25,948 of the value recognized on vesting until March 1, 2014.
- (4) Pursuant to the Management Stock Purchase Plan, Mr. Lepage has elected to defer receipt of shares issuable upon settlement of restricted stock units representing \$17,752 of the value recognized on vesting until March 1, 2014.
- (5) Pursuant to Mr. McCartney's Retention Agreement, all of his unvested stock options and restricted stock awards became fully vested on December 14, 2012, his date of retirement.

(6)

Pursuant to the Management Stock Purchase Plan, Mr. McCartney has elected to defer receipt of shares issuable upon settlement of restricted stock units representing \$132,545 of the value recognized on vesting until June 14, 2013.

Pension Benefits

We maintain two defined benefit plans, both of which were frozen effective December 31, 2011. This means that benefit amounts under both plans do not reflect any pay or service earned after December 31, 2011. The Watts Water Technologies, Inc. Pension Plan, which we refer to as the Pension Plan, provides funded, tax-qualified benefits up to the limits on compensation and benefits under the Internal Revenue Code. The Watts Water Technologies, Inc. Supplemental Employees Retirement Plan, which we refer to as the Supplemental Plan, provides unfunded additional monthly benefits to a select group of key executives. Details of both plans are described below.

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The 2012 Pension Benefits table below shows the named executive officers' years of benefit service, present value of accumulated benefit and payments during the last fiscal year under each of the plans. The "present value of accumulated benefit" is the lump-sum value as of December 31, 2012 of the annual pension benefit earned as of December 31, 2012 payable under a plan for the executive's life beginning on the named executive officer's normal retirement age, reflecting current years of benefit service, current Final Average Compensation (generally the highest five consecutive years of the last ten), and current statutory and plan-specific benefit and pay limits. Certain assumptions were used to determine the lump-sum value and to determine the annual pension that is payable beginning at normal retirement age. Those assumptions are described immediately following the 2012 Pension Benefits table.

For purposes of the Pension Plan and Supplemental Plan, compensation means the executive's Form W-2 compensation, but also including contributions to our 401(k) plan and any salary deferrals under our health care or dependent care reimbursement plans, but excluding compensation deferred under the Nonqualified Deferred Compensation Plan and the Management Stock Purchase Plan, stock awards, options or other taxable fringe benefits.

Pension Plan

All of the named executive officers, except for Mr. Freeman, were eligible for the Pension Plan. Mr. Freeman was not eligible as he was hired in 2012 after benefits under the Pension Plan were frozen. The Pension Plan provides for monthly benefits to, or on behalf of, each covered employee at age 65 (normal retirement age) and has provisions for early retirement after ten years of service and attainment of age 55 and surviving spouse benefits after five years of service. Covered employees who terminate employment prior to retirement with at least five years of service are vested in their accrued retirement benefit. The Pension Plan is subject to the Employee Retirement Income Security Act of 1974, as amended.

The annual normal retirement benefit for employees under the Pension Plan is 1.67% of Final Average Compensation multiplied by years of benefit service (maximum 25 years), reduced by the Maximum Offset Allowance (as defined in the Pension Plan), subject to limits on compensation and benefits applicable to tax qualified retirement plans.

Participants may retire early at age 55 with 10 years of service, or at age 62 with 5 years of service. However, pension benefits under the Pension Plan are reduced by 5/9ths of 1% for each of the first 60 months and by 5/18ths of 1% for each of the next 60 months by which commencement of benefits precedes the normal retirement date.

Supplemental Plan

The Supplemental Plan provides additional monthly benefits to (i) a select group of key executives under "Tier 1", and (ii) other executives who will be affected by IRS and other plan-specific limits on Pension Plan Compensation. Mr. McCartney is the only named executive officer who is a "Tier 1" participant. Messrs. Coghlan and Lepage also earn benefits under the Supplemental Plan with respect to their compensation in excess of the statutory qualified Pension Plan limit and amounts attributable to deferred compensation that would otherwise have been treated as pensionable wages under the qualified Pension Plan.

As a Tier 1 participant, Mr. McCartney accrued benefits payable at normal retirement equal to the difference between (1) 2% of his highest three-year Average Compensation multiplied by his years of service up to ten years, plus 3% of Average Compensation times years of service in excess of ten years (but not to exceed a total of 20 years), to a maximum of 50% of Average Compensation and (2) the annual benefit payable under the Pension Plan described above.

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Messrs. Coghlan and Lepage accrued an annual normal retirement benefit under the Supplemental Plan equal to the difference between (1) the Pension Plan formula set forth above based on Annual Compensation up to a plan-specified limit (\$364,460 for 2011, the last year of accruals under the Pension Plan), and (2) the Pension Plan formula above based on the qualified plan compensation limit (\$245,000 for 2011, the last year of accruals under the Pension Plan).

The normal retirement age for Tier 1 participants under the Supplemental Plan is 62. As such, Mr. McCartney was eligible for an unreduced Supplemental Plan benefit at age 62 upon his retirement, and he elected to commence his Supplemental Plan benefits effective January 1, 2013. The normal retirement age applicable to Messrs. Coghlan and Lepage under the Supplemental Plan is age 65.

Under the terms of the Supplemental Plan participants may retire early at age 55 with 10 years of service or at age 62 with 5 years of service. However, pension benefits under the Supplemental Plan are reduced for commencement prior to normal retirement age. Pension benefits are reduced by 5/9ths of 1% for each of the first 60 months (24 months for Tier 1) and by 5/18ths of 1% for each of the next 60 months by which commencement of benefits precedes the normal retirement date.

Table of Contents**2012 PENSION BENEFITS**

| Name | Plan Name | Number of Years of Credited Service (#) | Present Value of Accumulated Benefit \$(1) | Payments During Last Fiscal Year (\$) |
|-----------------------|---|--|---|--|
| David J. Coghlan | Pension Plan | 4 | 114,257 | |
| | Excess benefits under Supplemental Plan | 4 | 66,580 | |
| | Total: | | 180,837 | |
| Dean P. Freeman | Pension Plan | | | |
| | Excess benefits under Supplemental Plan | | | |
| | Total: | | | |
| Srinivas K. Bagepalli | Pension Plan | 0.57 | 12,429 | |
| | Excess benefits under Supplemental Plan | | | |
| | Total: | | 12,429 | |
| Elie Melhem | Pension Plan | 1 | 24,525 | |
| | Excess benefits under Supplemental Plan | | | |
| | Total: | | 24,525 | |
| Kenneth R. Lepage | Pension Plan | 8.76 | 148,481 | |
| | Excess benefits under Supplemental Plan | 8.76 | 71,412 | |
| | Total: | | 219,893 | |
| William C. McCartney | Pension Plan | 27 | 828,430 | |
| | | 20 | 3,005,665 | |

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Tier 1 of
Supplemental Plan

Total: **3,834,095**

- (1) The assumptions regarding the calculation of the present value of the accumulated benefit are as follows:

Measurement Date: December 31, 2012

Interest Rate for Present Value: 4.0% for the Pension Plan and 3.9% for the Supplemental Plan

Mortality (Pre Commencement): None

Mortality (Post Commencement): The prescribed mortality assumption under Section 430(h)(3)(A) of the Internal Revenue Code for ERISA cash funding purposes, using static tables with separate mortality rates for annuitants and non-annuitants.

Withdrawal and disability rates: None

Retirement rates: None prior to normal retirement age

Normal Retirement Age: Age 65 under Pension Plan; age 62 under Supplemental Plan Tier 1; and age 65 for all other Supplemental Plan participants

Accumulated benefit is calculated based on Benefit Service and Compensation as of December 31, 2011, reflecting the plan freeze as of December 31, 2011.

All results shown are estimates only; actual benefits will be based on data, pay and years of service at time of retirement.

Table of Contents**Nonqualified Deferred Compensation**

Prior to 2012, we provided a Nonqualified Deferred Compensation Plan to all of our employees whose annual compensation was greater than \$90,000, including the named executive officers. Of the named executive officers, only Mr. Lepage has deferred compensation under the Nonqualified Deferred Compensation Plan. Under the Nonqualified Deferred Compensation Plan, participants were allowed to defer up to 100% of base salary and bonus. Participant deferrals earn returns based on the participant's selection from a list of investments that are generally the same as those provided in our 401(k) plan. The allocation of investments may be changed once each year. We did not make any matching contributions under the Nonqualified Deferred Compensation Plan.

Generally, account balances under the Nonqualified Deferred Compensation Plan may be paid at the earliest of termination of employment, normal retirement, early retirement, or becoming disabled as a lump sum or systematic installments over ten years. Account balances may be distributed prior to retirement only in the event of a financial hardship due to an unforeseeable emergency, but not in excess of the amount needed to meet the hardship. Distributions from the Nonqualified Deferred Compensation Plan to our named executive officers cannot be made until at least six months after termination of employment. Mr. Lepage did not receive any distributions, or make any withdrawals, from the Nonqualified Deferred Compensation Plan during 2012.

2012 NONQUALIFIED DEFERRED COMPENSATION

| Name | Executive Contributions in Last Fiscal Year (\$) | Company Contributions in Last Fiscal Year (\$) | Aggregate Earnings in Last Fiscal Year (\$) | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance at Last Fiscal Year End (\$) |
|-------------------|---|---|---|--|---|
| Kenneth R. Lepage | | | 28,468 | | 182,571 |

Potential Payments Upon Termination or Change in Control

In May 2012, Mr. McCartney notified us of his decision to retire. In order to incentivize Mr. McCartney to assist us in identifying a successor and to transition his responsibilities and duties to the new Chief Financial Officer, we entered into the Retention Agreement with Mr. McCartney. Following Mr. McCartney's retirement on December 14, 2012, after fulfilling his obligations under the Retention Agreement and providing a general release of claims, we provided him the following under the terms of his Retention Agreement: (i) a lump-sum cash payment equal to \$690,000, which represents two years of Mr. McCartney's 2012 annual salary; (ii) accelerated vesting of all unvested stock options and restricted stock awards as of December 14, 2012, and an extension in the time to exercise all of his stock options until December 14, 2015 or the original term of the option; and (iii) a lump-sum cash payment of \$63,239, which represented the amount of the annual 2012 performance bonus he would have been entitled to receive if he had remained employed by the Company through December 31, 2012. Mr. McCartney also agreed to a non-competition and non-solicitation covenant for two years post-retirement. Additionally, he must repay the value of all his retention benefits under the Retention Agreement in the event that the Company is sued or incurs the cost of resolving and/or settling a matter that arises from Mr. McCartney having committed any violations of law, fraud or financial improprieties while he was employed by the Company.

None of our other named executive officers has any arrangement that provides for severance payments. Under our 2004 Stock Incentive Plan, upon the termination of employment of a participant for any reason other than death or disability, all unvested stock options immediately terminate and unvested shares of restricted stock are automatically forfeited. If the participant's employment is terminated for cause, all stock options immediately terminate regardless of whether they are vested or unvested. If a participant's employment is terminated by reason of death or disability, all unvested stock

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options and shares of restricted stock immediately vest in full and the options may be exercised for a period of twelve months from the date of such termination of employment. Under our Management Stock Purchase Plan, upon the termination of employment of a participant for any reason including death or disability, all vested restricted stock units will be exchanged for shares of class A common stock and the participant will receive a cash payment equal to the lesser of (1) the original purchase price paid for the unvested restricted stock units plus interest, or (2) an amount equal to the number of unvested restricted stock units multiplied by the fair market value of our class A common stock on the termination date.

None of our named executive officers is entitled to payment of any benefits upon a change in control of the Company, except that our 2004 Stock Incentive Plan and Management Stock Purchase Plan provide that in connection with a change in control all unvested stock options, shares of restricted stock, and restricted stock units will become fully vested. As of December 31, 2012, the named executive officers held the following unvested stock options, shares of restricted stock, and restricted stock units that would become fully vested upon a change in control.