WATTS WATER TECHNOLOGIES INC
Form DEF 14A
March 29, 2019

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o 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):

ý No fee required

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

April 2, 2019

Dear Stockholder:

It is my pleasure to invite you to attend our 2019 Annual Meeting of Stockholders, which will be held on Friday, May 17, 2019 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 2019 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 2019 Annual Meeting, we will report on our operations and answer questions from stockholders.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders through the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the 2019 Annual Meeting.

Whether or not you plan to attend the 2019 Annual Meeting, your vote is important and we encourage you to vote promptly. After you have read the attached proxy statement, please mark your vote on the proxy card, sign and date the proxy card, and return it per the instructions on the card. Alternatively, you may cast your vote by telephone, or through the Internet. Instructions for voting by telephone or through the Internet are included with your proxy.

We hope that you will be able to join us at the 2019 Annual Meeting.

Sincerely,

ROBERT J. PAGANO, JR.
Chief Executive Officer and President

Table of Contents

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 17, 2019

To the Stockholders of
Watts Water Technologies, Inc.

Notice is hereby given that the 2019 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 Friday, May 17, 2019, at 9:00 a.m., local time, for the following purposes:

1. To elect the nine directors named in the proxy statement to our Board of Directors, each to hold office until our 2020 Annual Meeting of Stockholders and until such director's successor is duly elected and qualified;

2. To approve, by a non-binding advisory vote, named executive officer compensation;

3. To approve an amendment to our Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of class A common stock from 80,000,000 shares to 120,000,000 shares and to increase the number of authorized shares of capital stock from 110,000,000 shares to 150,000,000 shares; and

4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2019.

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, 2019 are entitled to notice of and to vote at the Annual Meeting or any continuation, adjournment or postponement thereof.

By Order of the Board of Directors

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

North Andover, Massachusetts
April 2, 2019

Table of Contents

TABLE OF CONTENTS

Table of Contents

WATTS WATER TECHNOLOGIES, INC.

ANNUAL MEETING OF STOCKHOLDERS
May 17, 2019

PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL MEETING

Our 2019 Annual Meeting of Stockholders will be held on Friday, May 17, 2019 at 9:00 a.m., local time, at our principal executive offices located at 815 Chestnut Street, North Andover, Massachusetts 01845. If you have any questions about the Annual Meeting, you may contact our Investor Relations department by email at *investorrelations@wattswater.com* or by mailing a written request for information addressed to our Corporate Secretary 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 or the Company) is soliciting your proxy to vote your shares at the 2019 Annual Meeting and at any continuation, adjournment or postponement of the 2019 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, 2019 are entitled to receive notice of and to vote at the Annual Meeting.

Beginning on or about April 2, 2019, we are mailing or making available to our stockholders of record as of March 21, 2019 a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement, proxy and 2018 Annual Report and how to vote. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 is available in the Investors section of our website at *https://www.watts.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 it to you without charge. Please address all such requests to our Corporate Secretary at our principal executive offices.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 17, 2019

This proxy statement and annual report to security holders are available at *https://materials.proxyvote.com/942749*.

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 on each matter submitted, 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 on each matter submitted. As of the close of business on March 21, 2019, there were outstanding and entitled to vote 27,738,990 shares of class A common stock and 6,279,290 shares of class B common stock.

Table of Contents

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:

Internet
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;

Phone
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; or

Mail
By mail Stockholders of record may vote by mail by signing and dating the proxy card and returning it in accordance with the instructions on the card.

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 director named in this proxy statement, "FOR" our named executive officer compensation, "FOR" the amendment to our Certificate of Incorporation, and "FOR" the ratification of the appointment of KPMG LLP.

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 a 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 must 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 a majority of the voting power of the outstanding shares of class A common stock and class B common stock entitled to be cast at the Annual Meeting is necessary to constitute a quorum for the transaction of business. 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 street name shares on the approval of the amendment to our Certificate of Incorporation and the ratification of the

Table of Contents

appointment of KPMG LLP as our independent registered public accounting firm, even if the nominee holder does not receive voting instructions from the beneficial owners, but will not have discretionary authority to vote on the election of directors, the approval of our named executive officer compensation, or any other proposals submitted for approval at the Annual Meeting.

Proposal 1: Election of Directors

Under our by-laws, directors are elected by plurality vote. This means that the nine director nominees receiving the highest number of affirmative votes 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 and broker non-votes will not be included in the vote tally for the election of directors and will have no effect on the results of the vote.

Proposal 2: Advisory Vote on the Compensation of Our Named Executive Officers

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 on a non-binding, advisory basis, of the compensation of our named executive officers. 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.

Proposal 3: Approval of the Amendment to Our Certificate of Incorporation

Under our Certificate of Incorporation and the Delaware General Corporation Law, approval of the amendment to our Certificate of Incorporation requires the affirmative vote of the holders of a majority of the votes represented by the outstanding shares of class A common stock and class B common stock, voting together as a class. In addition, the amendment requires the affirmative vote of the holders of a majority of the issued and outstanding shares of class A common stock and the holders of a majority of the issued and outstanding shares of class B common stock, each voting as a separate class. An abstention will have the same effect as a vote against the proposed amendment to our Certificate of Incorporation because such proposal requires an affirmative vote by a majority of the shares outstanding. Because brokers have discretionary authority under NYSE rules to vote street name shares on Proposal 3, we do not expect any broker non-votes on this proposal.

Proposal 4: 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 appointment of KPMG LLP as our independent registered public accounting firm. 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. Because brokers have discretionary authority under NYSE rules to vote street name shares on Proposal 4, we do not expect any broker non-votes in connection with this proposal.

Table of Contents

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.

Table of Contents

PROPOSAL 1
ELECTION OF DIRECTORS

Our entire Board is elected annually at each Annual Meeting. Our Board has nominated each of the nine individuals named below for election as a director at our 2019 Annual Meeting. If elected, each nominee will serve until our 2020 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 are currently members of our Board and were elected by our stockholders at the 2018 Annual Meeting. We expect that all of the nominees will be available for election, but if any of the nominees is not available at the time of the 2019 Annual Meeting, 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.

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, 2019 except for the ages of the nominees, which are current as of May 17, 2019, the date of our 2019 Annual Meeting.

Christopher L. Conway

Age: 63
Director Since: 2015

Mr. Conway was President, Chief Executive Officer and Chairperson of the Board of CLARCOR Inc. from December 2011 until it was acquired in February 2017. Mr. Conway is now retired. Mr. Conway originally joined CLARCOR in 2006 and served in several senior management roles prior to becoming President and Chief Executive Officer, including Chief Operating Officer, President of CLARCOR's PECOFacet division, President of Facet USA, Inc., an affiliate of CLARCOR, and Vice President of Manufacturing of Baldwin Filters, Inc., another affiliate of CLARCOR. CLARCOR was a diversified marketer and manufacturer of mobile, industrial and environmental filtration products sold in domestic and international markets. Prior to joining CLARCOR, Mr. Conway served for two years as the Chief Operating Officer of Cortron Corporation, Inc., a manufacturing start-up based in Minneapolis, Minnesota. Mr. Conway also served for seven years in various management positions at Pentair, Inc., a global provider of products and services relating to energy, water, thermal management and equipment protection.

Skills and Qualifications. Mr. Conway's skills and qualifications to serve on our Board include his extensive operational and management experience as a chief executive officer of an international manufacturing company.

David A. Dunbar

Age: 57
Director since: 2017

Mr. Dunbar has served as President, Chief Executive Officer and a member of the Board of Directors of Standex International Corporation since January 2014, and as Chairperson since October 2016. Standex is a global, multi-industry manufacturer in five broad business segments: Food Service Equipment Group, Engineering Technologies Group, Engraving Group, Electronics Group, and Hydraulics Group. Mr. Dunbar previously served as President of the valves and controls global business unit of Pentair, Inc. from October 2009 to December 2013. The unit was initially owned by Tyco Flow Control, and Tyco Flow Control and Pentair merged in 2012. Pentair is a global provider of products and services relating to energy, water, thermal management and equipment protection. Prior to his tenure at Pentair, Mr. Dunbar held a number of senior positions at Emerson Electric Co., including President of each of the following: Emerson Process Management Europe; Machinery Health Management; and Emerson Climate Technologies Refrigeration.

Skills and Qualifications. Mr. Dunbar's skills and qualifications to serve on our Board include his decades of executive experience with global manufacturing companies and diverse experience at various operational levels, which provides him with a broad management perspective.

Louise K. Goeser

Age: 65
Director since: 2018

Ms. Goeser served as President and Chief Executive Officer of Grupo Siemens S.A. de C.V. from March 2009 until her retirement in May 2018. In this position, Ms. Goeser was responsible for Siemens Mesoamérica, which is the Mexican, Central American and Caribbean unit of multinational Siemens AG, a global engineering company operating in the industrial, energy and healthcare sectors. Ms. Goeser previously served as President and Chief Executive Officer of Ford of Mexico from January 2005 to November 2008. Prior to this position, she served as Vice President, Global Quality for Ford Motor Company from 1999 to 2005. Prior to 1999, Ms. Goeser served as General Manager, Refrigeration and Vice President, Corporate Quality at Whirlpool Corporation and held various leadership positions with Westinghouse Electric Corporation. Ms. Goeser has served as a member of the Board of Directors of MSC Industrial Direct Co., Inc. since December 2009. MSC is a North American distributor of metal working and maintenance, repair, and operations products and services. Ms. Goeser previously served as a member of the boards of directors of Talen Energy from June 2015 to December 2016, PPL Corporation from March 2003 to June 2015, and Witco Corporation from 1997 to 1999.

Skills and Qualifications. Ms. Goeser's skills and qualifications to serve on our Board include her extensive operational and management experience with international manufacturing companies, her knowledge of the markets in Latin America, and her public company board experience.

Table of Contents

Jes Munk Hansen

Age: 51
Director since: 2017

Mr. Hansen joined Terma A/S in April 2019 and is expected to become President and Chief Executive Officer of Terma on June 1, 2019. Terma develops and manufactures mission-critical products and solutions for the aerospace, defense and security sectors. Prior to Terma, Mr. Hansen served as Chief Executive Officer of OSRAM USA and Head of Global Sales for OSRAM GmbH from July 2018 to January 2019. OSRAM is a global lighting manufacturer with a portfolio ranging from high-tech applications based on semiconductor technology to smart and connected lighting solutions in buildings and cities. Mr. Hansen previously served as Chief Executive Officer of LEDVANCE GmbH from July 2015 to December 2017. LEDVANCE is the general lighting lamps business unit of OSRAM GmbH. Prior to his tenure at LEDVANCE, Mr. Hansen served as Chief Executive Officer of the classical lamps and ballast business unit of OSRAM from January 2015 to July 2015 and as Chief Executive Officer of OSRAM Americas and President of OSRAM Sylvania from October 2013 to January 2015. Prior to his tenure at OSRAM, Mr. Hansen served in several senior management roles with Grundfos from 2000 to October 2013, including as Chief Executive Officer and President of Grundfos North America from 2007 to October 2013. Grundfos is a leading global manufacturer of pumps as well as motors and electronics for monitoring and controlling pumps.

Skills and Qualifications. Mr. Hansen's skills and qualifications to serve on our Board include his extensive operational and management experience as a chief executive officer of an international manufacturing company and his extensive international experience.

Table of Contents

W. Craig Kissel

Age: 68
Director since: 2011

Mr. Kissel is the Chairperson of our Board of Directors. Mr. Kissel previously was employed by American Standard Companies Inc. from 1980 until his retirement in September 2008. American Standard was a leading global supplier of air conditioning and heating systems, vehicle control systems and bathroom china and faucet-ware. During his time at American Standard, Mr. Kissel served as President of Trane Commercial Systems from 2004 to 2008, President of WABCO Vehicle Control Systems from 1998 to 2003, President of the Trane North American Unitary Products Group from 1994 to 1997, Vice President of Marketing of the Trane North American Unitary Products Group from 1992 to 1994 and held various other management positions at Trane from 1980 to 1991. From 2001 to 2008, Mr. Kissel served as Chairman of American Standard'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 served as a director of Chicago Bridge & Iron Company from May 2009 until its merger with McDermott International, Inc. in May 2018, and Mr. Kissel has served as a member of the board of directors of McDermott International since the merger. McDermott International is a global provider of technology, engineering and construction solutions for the energy industry.

Skills and Qualifications. 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, public company board experience, and his experience developing ethical business standards at American Standard.

Joseph T. Noonan

Age: 37
Director since: 2013

Mr. Noonan is currently an active entrepreneur, investor and start-up advisor. From November 2013 to January 2018, Mr. Noonan served as Chief Executive Officer of Homespun Design, Inc., an online marketplace for American-made furniture and home accents. Mr. Noonan previously worked as an independent digital strategy consultant from November 2012 to November 2013. Mr. Noonan 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.

Skills and Qualifications. 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.

Robert J. Pagano, Jr.

Age: 56
Director since: 2014

Mr. Pagano has served as Chief Executive Officer and President of our Company since May 2014. He also served as interim Chief Financial Officer from October 2014 to April 2015 and from April 2018 to July 2018. Mr. Pagano previously served as Senior Vice President of ITT Corporation and President, ITT Industrial Process from April 2009 to May 2014. Mr. Pagano originally joined ITT in 1997 and served in several additional management roles during his career at ITT, including as Vice President Finance, Corporate Controller, and President of Industrial Products. ITT Corporation is a diversified manufacturer of highly engineered critical components and customized technology solutions for the energy, transportation and industrial markets. Prior to joining ITT, Mr. Pagano worked at KPMG LLP. Mr. Pagano is a Certified Public Accountant. Mr. Pagano has also served as a member of the Board of Directors of Applied Industrial Technologies, Inc. since August 2017. Applied Industrial Technologies is a distributor of bearings, power transmission products, fluid power components and other industrial supplies and provides engineering, design and systems integration for industrial and fluid power applications, as well as customized mechanical, fabricated rubber and fluid power shop services.

Skills and Qualifications. Mr. Pagano's skills and qualifications to serve on our Board include his extensive experience as an operating executive with an international manufacturing company and his depth of knowledge about our Company and our industry.

Merilee Raines

Age: 63
Director since: 2011

Ms. Raines served as Chief Financial Officer of IDEXX Laboratories, Inc. from October 2003 until her retirement in May 2013. Ms. Raines also served as Executive Vice President of IDEXX from July 2012 until her retirement in May 2013. 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. Ms. Raines served as a member of the Board of Directors of Affymetrix, Inc., a provider of life science and molecular diagnostic products that enable analysis of biological systems at the gene, protein and cell level, from January 2015 until it was acquired in March 2016. Ms. Raines is a member of the Board of Directors of Aratana Therapeutics, Inc., a pet therapeutics company focused on licensing, developing and commercializing biopharmaceutical products for companion animals. Ms. Raines also serves as a member of the Board of Directors of Benchmark Electronics, Inc., a worldwide provider of engineering services, integrated technology solutions and electronic manufacturing services.

Skills and Qualifications. Ms. Raines' skills and qualifications to serve on our Board include her extensive financial and accounting experience with a similarly sized international manufacturing company and her public company board experience.

Joseph W. Reitmeier

Age: 54
Director since: 2016

Mr. Reitmeier has served as Executive Vice President & Chief Financial Officer of Lennox International Inc. since July 2012. Mr. Reitmeier served as Vice President of Finance for the LII Commercial business segment of Lennox International from 2007 to July 2012 and as Director of Internal Audit from 2005 to 2007. Lennox International is a leading global provider of climate control solutions, and it designs, manufactures and markets a broad range of products for the heating, ventilation, air conditioning and refrigeration markets. Before joining Lennox International, Mr. Reitmeier held financial leadership roles at Cummins Inc. and PolyOne Corporation.

Skills and Qualifications. Mr. Reitmeier's skills and qualifications to serve on our Board include his extensive financial and accounting experience with a large international manufacturing company.

Table of Contents

Director Compensation

Our non-employee directors are compensated for their service as directors. During 2018, our Chief Executive Officer, Robert J. Pagano, Jr., was the only member of our Board of Directors who was an employee of Watts, and he did not receive any additional compensation for his service as a director. Our current compensation arrangements for non-employee directors were set effective as of the first quarter of 2019, informed by a comprehensive competitive analysis of non-employee director compensation performed for the Compensation Committee by its independent compensation consultant, Pearl Meyer & Partners, LLC. This review included a consideration of non-employee director compensation practices among a peer group of companies identical to the peer group roster we use when benchmarking executive pay practices. As a result of its review of Pearl Meyer's analysis, in November 2018 the Board approved an increase in the annual cash retainer for non-employee directors from $70,000 to $75,000, an increase in the additional annual retainer for the Chairperson of the Board from $60,000 to $90,000 and an increase in the value of the annual grant of Class A common stock to non-employee directors from $100,000 to $110,000. Set forth below is a summary of all of the current compensation arrangements for our non-employee directors.

Annual cash retainer:	$	75,000
Additional annual retainer for the Chairperson of the Board of Directors:	$	90,000
Additional annual retainer for the Chairperson of the Audit Committee:	$	20,000
Additional annual retainer for the Chairperson of the Compensation Committee:	$	15,000
Additional annual retainer for the Chairperson of the Nominating and Corporate Governance Committee:	$	12,500
Value of annual grant of class A common stock:	$	110,000

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 in connection with their Board service. Non-employee directors do not receive any additional compensation for attendance at Board or committee meetings.

Our Board typically approves grants of stock awards to non-employee directors at its first quarterly meeting following the election of directors at our Annual Meeting of Stockholders. Such awards are not subject to vesting or any other conditions or restrictions. Under our 2004 Stock Incentive Plan, the maximum aggregate number of shares of class A common stock with respect to one or more awards that may be granted to a non-employee director during any one calendar year is 100,000. In 2018, we continued our practice of determining the number of shares awarded to our non-employee directors using a twelve-month trailing average stock price, which resulted in a grant date fair value that is more than the value of the annual stock grant to non-employee directors, which at the time of the grant was $100,000. However, in February 2019, the Board decided that beginning in 2020 the Board would change its practice for determining the number of shares to be awarded to non-employee directors by using a three-month trailing average stock price. On July 30, 2018, we granted 1,356 shares of class A common stock to each of Messrs. Conway, Dunbar, Hansen, Kissel, Noonan and Reitmeier and Mses. Goeser and Raines. Non-employee directors who are first elected to our Board during the year receive a pro-rated award of shares for the remaining portion of the then-current Board term. Ms. Goeser was elected to the Board on March 12, 2018 and received an award of 372 shares of class A common stock, which represented one-quarter of the value of the annual grant of stock awarded to non-employee Board members for the 2017-2018 term.

Table of Contents

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 accrues dividends 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 end of the deferral period chosen by such director when the stock is issued to the director. Messrs. Conway and Reitmeier and Ms. Raines elected to defer receipt of their 2018 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 three times the amount of the annual cash retainer payable to non-employee directors, which market value was $210,000 for 2018. 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 2018, 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, 2018.

2018 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash($)	Stock Awards($)(1)	Total($)
Robert L. Ayers(2)	46,250		46,250
Christopher L. Conway	85,000	113,904	198,904
David A. Dunbar	70,000	113,904	183,904
Louise K. Goeser(3)	52,500	143,738	196,238
Jes Munk Hansen	70,000	113,904	183,904
W. Craig Kissel	133,125	113,904	247,029
Joseph T. Noonan	70,000	113,904	183,904
Merilee Raines	90,000	113,904	203,904
Joseph W. Reitmeier	70,000	113,904	183,904

(1) The amounts in this column reflect the grant date fair value of the stock awards granted during 2018 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 14 to our audited consolidated financial statements for the year ended December 31, 2018 included in our Annual Report on Form 10-K filed with the SEC on February 22, 2019. The amounts reflected in this column for Messrs. Conway and Reitmeier and Ms. Raines were deferred under our non-employee director stock deferral program described above. The stock award value for Ms. Goeser also includes the shares granted to her in March 2018 in connection with her initial election to the Board.

(2) Mr. Ayers retired from our Board as of the date of our 2018 Annual Meeting of Stockholders and thus served as a member of the Board for approximately two quarters during 2018.

(3) Ms. Goeser was elected as a member of our Board on March 12, 2018 and thus served as a member of our Board for only three full quarters during 2018.

Table of Contents

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 2018, our Board met six times and each incumbent director who was a member of our Board during 2018 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 us, including operational, financial, legal, 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 chairperson of the relevant committee reports on the committee's discussion of such risk to the Board during the next 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. The Board does not believe that its role in the oversight of our risks affects the Board's leadership structure.

Management Succession Planning

Our Board believes that one of its primary responsibilities is to oversee the development and retention of executive talent and to ensure that an appropriate succession plan is in place for our

Table of Contents

Chief Executive Officer and other members of senior management. Each year, the Board meets with our Chief Human Resources Officer and Chief Executive Officer to conduct a comprehensive review of management succession planning and to address potential vacancies in senior leadership, including succession planning for our Chief Executive Officer. In addition, each quarter the Board focuses on a particular business unit and/or function and conducts a comprehensive review of that business unit or function, including management succession planning and potential leadership vacancies within such business unit or function. Our Board has also adopted an emergency succession process framework in the event of a sudden or unanticipated absence of our Chief Executive Officer. Under this framework, the Board periodically assesses and updates a prioritized list of emergency interim chief executive officer candidates and the framework outlines other high-level planning, notification and other actions with respect to the temporary or permanent absence of our Chief Executive Officer.

Board Leadership Structure

We separate the roles of Chief Executive Officer and Chairperson of the Board in recognition of the differences between the two roles. Our Chief Executive Officer is responsible for our operational management, providing day-to-day leadership and managing our performance. The Chairperson 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 Board, including executive sessions of the non-management and independent directors.

Performance of Our Board and Committees

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 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 "Investors" section of our website at *https://www.watts.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 March 1, 2019, members of the Horne family beneficially owned 6,229,290 shares of our class B common stock that are subject to The George B. Horne Voting Trust Agreement 1997. These shares represented approximately 68.8% 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 are not required to have a majority of independent directors or compensation or governance committees consisting solely of independent directors. However, we strive to achieve the highest standards of corporate governance, including with respect to director independence, despite our status as a controlled company. Accordingly, 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.

Table of Contents

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 company of which he or she serves as a director. 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 a director's independence and evaluates any other business, legal, accounting or family relationships between all non-employee director nominees and us.

The Nominating and Corporate Governance Committee and our Board reviewed all relationships between us 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 current directors (Messrs. Conway, Dunbar, Hansen, Kissel and Reitmeier and Mses. Goeser and 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. Pagano was deemed not to be independent since he serves as our Chief Executive Officer.

Horne Family Board Participation

As described above, as of March 1, 2019 Timothy P. Horne controlled approximately 68.8% of the voting power of our stock. Mr. 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. Pursuant to our by-laws, Mr. Horne was reappointed as a director emeritus by our Board of Directors in February 2019 to serve a one-year term beginning on the date of our 2019 Annual Meeting and ending on the date of our 2020 Annual Meeting. As a director emeritus, Mr. Horne may be invited by our Board to attend Board or committee meetings, but he does not have the right to vote and he is not considered to be a member of the Board for any purpose (including quorum). Mr. Horne has an agreement with us, which provides Mr. Horne with the use of an office at our corporate headquarters and administrative support. The agreement also provides that Mr. Horne will make himself reasonably available to provide services to us at the request of our management as long as he is physically able to do so. Mr. Horne's obligation to provide services to us will cease upon a change in control of our Company.

In May 2013, Mr. Horne's son-in-law, Joseph T. Noonan, was elected as a member of our Board. We believe that it is strategically important for a Horne family member to be actively engaged in the oversight of our Company, including by serving on our Board of Directors. Through Mr. Noonan's participation on the Board, the Horne family's long-term perspective is considered in 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.

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 "Investors" section of our website at *https://www.watts.com.*

Executive Sessions

In accordance with our Corporate Governance Guidelines, our non-management directors meet in executive session at least quarterly. The Chairperson of the Board or, in his or her 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. Nine of our directors attended the 2018 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 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 "Investors" section of our website at *https://www.watts.com*. The Board also appoints from time to time ad hoc committees to address specific matters.

Table of Contents

Audit Committee

COMMITTEE MEMBERS

Merilee Raines, Chairperson

David A. Dunbar

Joseph W. Reitmeier

The Board has made a determination that each of the members of the Audit Committee satisfies the independence requirements of the NYSE as well as Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In addition, the Board has determined that each of Messrs. Dunbar and Reitmeier and Ms. Raines is an "audit committee financial expert," as defined by SEC rules. Our Audit Committee assists the Board in, among other things:

its oversight of the integrity of our financial statements;

our compliance with legal and regulatory requirements;

assessing the qualifications, independence and performance of our independent registered public accounting firm;

the performance of our internal audit function; and

its oversight of management's assessment of the effectiveness of our internal controls over financial reporting.

The Audit Committee's responsibilities also include:

the appointment and evaluation of our independent registered public accounting firm;

the oversight of our systems of internal control over financial reporting;

the oversight and evaluation of our internal audit function;

- 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.

During 2018, the Audit Committee held six meetings.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is primarily 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;
- periodically reviewing our Corporate Governance Guidelines and recommending any changes thereto, overseeing the evaluation of the Board, and approving related person transactions; and
- monitoring our policies and practices for the development and succession of senior management.

During 2018, the Nominating and Corporate Governance Committee held four meetings.

COMMITTEE MEMBERS

W. Craig Kissel, Chairperson

Christopher L. Conway

David A. Dunbar

Louise K. Goeser

Jes Munk Hansen

Merilee Raines

Joseph W. Reitmeier

Compensation Committee

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;
- administer our stock incentive plans and approve all stock awards granted to our executive officers under our 2004 Stock Incentive Plan and the participants in our Management Stock Purchase Plan;
- review and submit recommendations to our Board of Directors on compensation for non-employee directors; and
- review and discuss with management the Compensation Discussion and Analysis to be included in the proxy statement.

COMMITTEE MEMBERS

Christopher L. Conway, Chairperson

Louise K. Goeser

Jes Munk Hansen

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. During 2018, the Compensation Committee held six meetings. The Chairperson 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 & Partners, LLC 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 us. The Compensation Committee has assessed the independence of Pearl Meyer and whether its work raised any conflict of interest, taking into consideration the independence factors set forth in the NYSE listing standards and SEC rules. Based on that assessment, the Compensation Committee believes that Pearl Meyer is independent and that its work does not raise any conflicts of interest. 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. In addition, the Compensation Committee also considers the recommendations of our Chief Executive Officer when approving the compensation of our executive officers other than the Chief Executive Officer.

In May 2018, the Compensation Committee 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 have a material adverse effect on our business.

Table of Contents

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 at our principal executive offices and marked to the attention of the Nominating and Corporate Governance Committee. 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 Investors section of our website at *https://www.watts.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 by-laws 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".

Criteria and Diversity

We believe that our Board should be composed of directors who, as a group, have the experience and skills that are collectively required to make informed Board decisions and provide effective Board oversight. The composite skills of the Board members and the ability and willingness of individual Board members to complement each other and to rely on each other's knowledge and expertise should produce informed Board members who are not afraid to disagree and who can intelligently assess management's performance and evaluate our strategic direction. In considering whether to recommend any candidate for nomination to the Board, including candidates recommended by stockholders, the Nominating and Corporate Governance Committee must be satisfied that the recommended nominee has, at a minimum:

- 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.

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. In addition, the nominee must not serve on more than two public company boards in addition to our Board.

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

Table of Contents

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 2018, Robert L. Ayers, Christopher L. Conway, Louise K. Goeser and Jes Munk Hansen 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 2018 is or has been an officer or employee of our Company.

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, Pledging and Other Transactions

We prohibit all hedging transactions and short sales involving our securities by all employees and directors under our Insider Trading Compliance Policy. We also prohibit all employees and directors from purchasing our securities on margin or holding any of our securities in margin accounts. In addition, no employee or director may pledge any of our securities as collateral for a loan. Finally, all employees and directors are prohibited from engaging in transactions in puts, calls or other derivative securities involving our securities.

Policies and Procedures for Related Person Transactions

Our Board has adopted a written Related Person Transaction Policy, which requires the review of any transaction, arrangement or relationship in which we are 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 chairperson 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

Table of Contents

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, regardless of the amount of any profit or loss;
- the approximate dollar value involved in the related person transaction;
- whether the transaction was undertaken in the ordinary course of our business;
- 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 material information regarding the related person transaction or the related person.

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, our best interests. 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 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 our Company; and
- a transaction that is specifically contemplated by provisions of our charter or by-laws.

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.

Table of Contents

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our class A and class B common stock 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.

Unless otherwise indicated in the footnotes, the information in the following table is provided as of March 1, 2019. 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 March 1, 2019 through the exercise of stock options 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 March 1, 2019 are deemed to be outstanding, but are not deemed to be outstanding for the purpose of determining the percentages for any other stockholder.

	Shares Beneficially Owned(2)			
Name of Beneficial Owner(1)	**Number**	**Percent of Class A Common Stock**	**Percent of Class B Common Stock**	**Percent of Voting Power**
5% Stockholders				
Timothy P. Horne	6,278,314(3)(4)	18.5	99.2	68.8
Walter J. Flowers	1,894,710(5)	6.4	30.0	0
Daniel W. Horne	1,666,970(6)	5.7	26.3	0
Deborah Horne	1,666,970(6)	5.7	26.3	0
Peter W. Horne	1,580,770(7)	5.4	24.4	*
BlackRock, Inc.	4,445,593(8)	16.0	0	4.9
The Vanguard Group	2,823,858(9)	10.2	0	3.1
Impax Asset Management Group plc, et al.	1,937,564(10)	7.0	0	2.1
Gabelli Funds, LLC, et al.	1,858,429(11)	6.7	0	2.1
Directors and Executive Officers				
Christopher L. Conway	6,490(12)	*	0	*
David A. Dunbar	3,340	*	0	*
Louise K. Goeser	1,728	*	0	*
Jes Munk Hansen	3,340	*	0	*
W. Craig Kissel	13,549	*	0	*
Kenneth R. Lepage	26,697(13)	*	0	*
Elie A. Melhem	29,495(14)	*	0	*
Munish Nanda	28,560(15)	*	0	*
Joseph T. Noonan	5,934(16)	*	0	*
Robert J. Pagano, Jr.	91,368(17)	*	0	*

Shashank Patel	14,667(18)	*	0	*
Merilee Raines	14,754(19)	*	0	*
Joseph W. Reitmeier	5,228(20)	*	0	*
Todd A. Trapp	4,297	*	0	*
All current executive officers and directors (14 persons)	255,014(21)	*	0	*

*

Represents less than 1%

Table of Contents

(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 the address of (i) BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055, (ii) The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355, (iii) Impax Asset Management Group plc is 30 Panton Street, 7th Floor, London, SW1Y 4AJ, United Kingdom, and (iv) Gabelli Funds, LLC et al. is One Corporate Center, Rye, New York 10580.

(2)

The number of shares and percentages were determined as of March 1, 2019 in accordance with Rule 13d-3 of the Exchange Act. At that date, a total of 34,038,401 shares were outstanding, of which 27,759,111 were shares of class A common stock and 6,279,290 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) 49,024 shares of class A common stock held by Timothy P. Horne (for purposes of this footnote 3, "Mr. Horne"), (ii) 1,150,000 shares of class B common stock held by Mr. Horne, (iii) 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 and Daniel W. Horne serve as co-trustees, (iv) 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, (v) 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, (vi) 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, (vii) 130,115 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, (viii) 55,000 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, (ix) 40,000 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, (x) 1,050 shares of class B common stock held by a trust for the benefit of Keira R. Noonan, Mr. Horne's granddaughter, for which Joseph T. Noonan and Walter J. Flowers serve as co-trustees, (xi) 1,050 shares of class B common stock held by a trust for the benefit of Tessa R. Noonan, Mr. Horne's granddaughter, for which Joseph T. Noonan and Walter J. Flowers serve as co-trustees, and (xii) 525 shares of class B common stock held by a trust for the benefit of Liv R. Noonan, Mr. Horne's granddaughter, for which Joseph T. Noonan and Walter J. Flowers serve as co-trustees. All of the shares of class B common stock noted in clauses (ii) through (xii) (6,229,290 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 of such shares, sole power to dispose or to direct the disposition of 1,221,624 of the shares, and shared power to dispose or to direct the disposition of 5,056,690 of the shares.

(4)

6,229,290 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 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 Joseph T. Noonan, Mr. Horne's son-in-law and a director of the Company, and Walter J. Flowers, a partner in the law firm of Flowers and Manning, LLP (each, a "Successor Trustee" and collectively, 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

Table of Contents

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. So long as there are two Successor Trustees, the concurrence of both shall be necessary and sufficient for the validity of any action taken by such trustees and if at any time there is one Successor Trustee, such Successor Trustee's action shall be necessary and sufficient for the validity of any action taken by such trustee. 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 18.5% of the total beneficial interest in the 1997 Voting Trust (the "Beneficial Interest") individually, 26.8% 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, 26.8% of the Beneficial Interest as trustee of a revocable trust for the benefit of Deborah Horne, 24.0% 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, 2.1% of the Beneficial Interest as trustee of the 1997 Voting Trust to which shares held in a revocable trust for the benefit of Tiffany Horne Noonan are subject, 0.9% of the Beneficial Interest as co-trustee of a trust for the benefit of Tara V. Horne, 0.6% of the Beneficial Interest as co-trustee of a trust for the benefit of Tiffany Horne Noonan, 0.02% of the Beneficial Interest as trustee of the 1997 Voting Trust to which shares held in a revocable trust for the benefit of Keira R. Noonan are subject, 0.02% of the Beneficial Interest as trustee of the 1997 Voting Trust to which shares held in a revocable trust for the benefit of Tessa R. Noonan are subject, and 0.01% of the Beneficial Interest as trustee of the 1997 Voting Trust to which shares held in a revocable trust for the benefit of Liv R. Noonan are subject (representing an aggregate of 100% 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 Daniel W. Horne and Mr. Flowers serve as co-trustees, (ii) 130,115 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) 55,000 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, (iv) 40,000 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, (v) 1,050 shares of class B common stock held by a trust for the benefit of Keira R. Noonan, for which Joseph T. Noonan and Walter J. Flowers serve as co-trustees, (vi) 1,050 shares of class B common stock held by a trust for the benefit of Tessa R. Noonan, for which Joseph T. Noonan and Walter J. Flowers serve as co-trustees, and (vii) 525 shares of class B common stock held by a trust for the benefit of Liv R. Noonan, for which Joseph T. Noonan and Walter J. Flowers serve as co-trustees. All of the shares of class B common stock noted in clauses (i) through (vii) (1,894,710 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.

(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.

Table of Contents

(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. Peter W. Horne has no power to vote or direct the vote, 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 13G/A filed with the SEC on January 31, 2019, reporting ownership of shares of class A common stock. BlackRock, Inc. has sole voting power with respect to 4,296,688 of the shares and sole dispositive power with respect to all of the shares.

(9)
The amount shown and the following information are based solely on a Schedule 13G/A filed with the SEC on February 11, 2019, reporting ownership of shares of class A common stock. The Vanguard Group has sole voting power with respect to 44,161 of the shares, shared voting power with respect to 3,729 of the shares, sole dispositive power with respect to 2,778,598 of the shares and shared dispositive power with respect to 45,260 of the shares.

(10)
The amount shown and the following information are based solely on a Schedule 13G filed with the SEC on February 14, 2019 by Impax Asset Management Group plc, Impax Asset Management Limited, Impax Asset Management (AIFM) Limited, and Impax Asset Management LLC reporting their aggregate holdings of shares of class A common stock. Impax Asset Management Group plc owns 100% of Impax Asset Management Limited, Impax Asset Management (AIFM) Limited and Impax Asset Management LLC. Impax Asset Management Limited, Impax Asset Management (AIFM) Limited and Impax Asset Management LLC (collectively, "Impax") are registered investment advisers which act as investment adviser, investment manager or sub adviser to funds, trusts and separate accounts. In certain cases, Impax possesses voting and/or investment power over securities owned within the funds, trusts and separate accounts, however all of the reported shares are owned by the funds, trusts and separate accounts. Impax Asset Management Limited has sole voting and dispositive power with respect to 1,605,272 of the shares. Impax Asset Management (AIFM) Limited has sole voting and dispositive power with respect to 233,866 of the shares. Impax Asset Management LLC has sole voting and dispositive power with respect to 98,426 of the shares. Impax Asset Management Group plc is deemed to have sole voting and dispositive power over all of the shares.

(11)
The amount shown and the following information are based solely on a Schedule 13D/A filed with the SEC on November 24, 2017 by Gabelli Funds, LLC and GAMCO Asset Management Inc. (collectively, for purposes of this footnote, 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 553,000 of the shares. GAMCO Asset Management Inc. has sole power to vote or direct the vote of 1,231,129 of the shares and sole power to dispose or to direct the disposition of 1,305,429 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.

(12)
Consists of 3,565 shares of class A common stock held by Mr. Conway and 2,925 shares of class A common stock the receipt of which Mr. Conway has deferred under our non-employee director stock deferral program.

(13)
Consists of 17,599 shares of class A common stock held by Mr. Lepage and 9,098 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.

(14)
Consists of 10,047 shares of class A common stock held by Mr. Melhem, 9,917 shares of class A common stock issuable upon the exercise of stock options within 60 days after March 1, 2019, and 9,531 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.

Table of Contents

(15)

Consists of 10,538 shares of class A common stock held by Mr. Nanda and 18,022 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.

(16)

Consists of 2,109 shares of class A common stock held by Mr. Noonan, 1,200 shares of class A common stock owned by Mr. Noonan's daughters through custodial accounts for which Mr. Noonan serves as custodian, and an aggregate of 2,625 shares of class B common stock held in trusts for the benefit of Mr. Noonan's daughters for which Mr. Noonan serves as co-trustee and over which Mr. Noonan shares dispositive power. Mr. Noonan's wife is the beneficiary of trusts holding an aggregate of 192,715 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.

(17)

Consists of 50,924 shares of class A common stock held by Mr. Pagano and 40,444 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.

(18)

Consists of 14,667 shares of class A common stock issued as restricted stock awards to Mr. Patel under the Company's 2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares.

(19)

Consists of 13,398 shares of class A common stock held by Ms. Raines and 1,356 shares of class A common stock the receipt of which Ms. Raines has deferred under our non-employee director stock deferral program.

(20)

Consists of 2,303 shares of class A common stock held by Mr. Reitmeier and 2,925 shares of class A common stock the receipt of which Mr. Reitmeier has deferred under our non-employee director stock deferral program.

(21)

Consists of 136,431 shares of class A common stock held directly or indirectly by our current executive officers and directors, 9,917 shares of class A common stock issuable upon the exercise of stock options within 60 days after March 1, 2019, 7,206 shares of class A common stock the receipt of which have been deferred under our non-employee director stock deferral program, 98,835 shares of class A common stock issued as restricted stock awards under our 2004 Stock Incentive Plan, which are subject to certain restrictions with respect to the transfer and disposition of such shares, and 2,625 shares of class B common stock.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The following Compensation Discussion and Analysis describes the material elements of our fiscal year 2018 compensation program and compensation paid thereunder. Most of the discussion relates to our "named executive officers" for fiscal year 2018, who were:

Robert J. Pagano, Jr.	Chief Executive Officer & President
Shashank Patel	Chief Financial Officer
Todd A. Trapp	Former Chief Financial Officer
Munish Nanda	President, Americas & Europe
Elie A. Melhem	President, Asia-Pacific, the Middle East & Africa
Kenneth R. Lepage	General Counsel, Executive Vice President & Secretary

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.

Executive Summary

Company Performance

We are proud to report that Watts successfully executed on its operational and financial commitments in 2018. We delivered a record financial performance and continued to grow, while reinvesting millions of dollars back into our business. Our strong topline performance enabled us to accelerate funding for productivity and growth initiatives with a heavy focus on our smart and connected strategy, increased customer intimacy and innovation.

Sales for 2018 were $1.57 billion, up $108 million, or 7%, from 2017and an all-time record for Watts. This increase was primarily driven by our Americas business, with reported sales up approximately 8%, while our businesses in Europe and Asia-Pacific, the Middle East and Africa, which we refer to as APMEA, reported sales increases of approximately 6% and 2%, respectively. Operating margin for 2018 was 12%, a record result for our Company. We expanded our operating margin while simultaneously investing an additional $16 million in sales and marketing, research and development, information technology and continuous improvement initiatives. Earnings per share for 2018 were $3.73, which represented an increase of 76% over the prior year and another record for our Company, driven by strong operations, reduced restructuring costs, the benefits of tax reform, lower interest expense and favorable foreign currency transaction movements. We saw our stock price hit an all-time high in 2018 following our strong operating and financial performance.

Significant Changes in Our Senior Leadership Team During the Year

This past year we welcomed Shashank Patel as our new Chief Financial Officer, and Todd Trapp left the Company. Mr. Trapp resigned as our Chief Financial Officer in April 2018 and, after a comprehensive search process, Mr. Patel joined the Company in July 2018. As an inducement to join our Company, Mr. Patel received a special performance stock unit award in connection with his hiring that is entirely performance-based in that the number of shares ultimately issued to Mr. Patel, if any, will be determined based on the Company's performance relative to a set of goals with respect to revenue growth and return on invested capital that we consider challenging. Mr. Patel also received a time-vesting restricted stock award that was intended to replace the value of equity grants from his prior employer that he forfeited in order to join us. These initial grants were specific to the hiring of Mr. Patel and are not intended to be continuing.

Table of Contents

Alignment of Pay with Performance

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 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 for 2018.

Total Direct Compensation Opportunity Chief Executive Officer(1)

Fixed vs. Variable Compensation	**Fixed 25%** (Base Salary)	**Variable 75%** (Target Annual Incentive + Long-Term Incentive Value)(2)
Short-Term vs. Long-Term Compensation	**Short-Term 40%** (Base Salary + Target Annual Incentive)	**Long-Term 60%** (Long-Term Incentive Value)(2)
Cash vs. Equity Compensation	**Cash 40%** (Base Salary + Target Annual Incentive)	**Equity-Based 60%** (Long-Term Incentive Value)(2)

(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 Mr. Pagano's annual grants of performance stock unit awards and restricted stock awards based on their grant date fair value as reported in the 2018 Summary Compensation Table below.

Total Direct Compensation Opportunity Other Named Executive Officers(1)

(Average allocation for the Named Executive Officers other than the Chief Executive Officer)

Fixed vs. Variable Compensation	**Fixed 32%** (Base Salary)	**Variable 68%** (Target Annual Incentive + Long-Term Incentive Value)(2)
Short-Term vs. Long-Term Compensation	**Short-Term 51%** (Base Salary + Target Annual Incentive)	**Long-Term 49%** (Long-Term Incentive Value)(2)
Cash vs. Equity Compensation	**Cash 51%** (Base Salary + Target Annual Incentive)	**Equity-Based 49%** (Long-Term Incentive Value)(2)

(1) Other Named Executive Officers include Messrs. Patel, Nanda, Melhem and Lepage. Mr. Trapp is not included as he terminated employment with us in April 2018. 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 annual grants of performance stock unit awards and restricted stock awards based on their grant date fair value as reported in the 2018 Summary Compensation Table below, and does not include the initial equity grant made to Mr. Patel in connection with his hiring.

Other compensation decisions in 2018 reflected our compensation philosophy, as set forth in more detail below. Each of our named executive officers other than Mr. Patel received base salary increases in 2018, reflecting a consideration of individual and Company performance as well as competitive position relative to market, among other factors.

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.

Table of Contents

Our executives are subject to a compensation recovery policy, or "claw back" policy, under which they may be required to repay unearned compensation in the event of a financial restatement due to fraud or misconduct.

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 Compliance Policy prohibits hedging and short sale transactions, and no employee or director may pledge Company securities as collateral.

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

We do not provide excise tax gross-ups under any of our change in control severance arrangements.

We hold an annual shareholder say-on-pay advisory vote.

Say on Pay and Say on Frequency

We submitted our executive compensation program to an advisory vote of our stockholders at our 2018 Annual Meeting and it received the support of over 97% of the total votes present and entitled to vote at the meeting. Our Board of Directors viewed the results of the 2018 advisory vote as broad stockholder support for our executive compensation program and did not make any changes to our executive compensation program or policies as a result of the advisory vote. 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. In considering changes to our compensation programs and policies, the Compensation Committee may seek additional input from stockholders with respect to our executive compensation policies and decisions.

At our 2017 Annual Meeting of Shareholders, our shareholders strongly supported a frequency of "every year" for holding future advisory votes to approve the compensation of our named executive officers, consistent with the recommendation of our Board. As a result, our Board decided to hold annual "Say on Pay" votes, and we are presenting a proposal to our shareholders to approve on an advisory basis the compensation of our named executive officers as disclosed in this proxy statement. See Proposal 2 of this proxy statement.

Compensation Philosophy

Our executive compensation philosophy, as adopted 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 relevant business experience, individual performance and criticality of role.

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

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 Company goals, both financial and strategic in nature.

Long-term incentives, currently consisting of performance stock units and restricted stock awards, which link pay outcomes to long-term stockholder value creation. Executive officers may also purchase restricted stock units under our Management Stock Purchase Plan, providing additional alignment with 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.

During 2018, the Compensation Committee used an executive compensation peer group consisting of the following companies:

Actuant Corporation	Crane Co.	Itron, Inc.
Altra Industrial Motion Corporation	EnPro Industries, Inc.	ITT Corporation
A.O. Smith Corporation	Franklin Electric Co., Inc.	Mueller Industries, Inc.
Barnes Group Inc.	Graco Inc.	Mueller Water Products, Inc.
CIRCOR International, Inc.	IDEX Corporation	Woodward, Inc.

In May 2018, the Compensation Committee requested Pearl Meyer to perform a comprehensive review of our executive compensation peer group. Pearl Meyer used a rules-based process to evaluate the Company's existing executive compensation peer group and to identify proposed changes to the peer group based on the similarity to Watts of the amount of their annual revenues, market capitalization and number of employees as well as the similarity of their industry, business models, scope of international operations, industrial classification codes, customers and analyst coverage, while attempting to minimize year-over-year changes in order to foster consistency in the benchmarking approach. Based on its review, Pearl Meyer recommended retaining the existing peer group with no changes. The Compensation Committee accepted Pearl Meyer's recommendation and approved retaining the existing peer group. At the time of review, the executive compensation peer group had median trailing twelve months annual revenue of approximately $1.5 billion, consistent with our own revenue of approximately $1.5 billion for the same period. At the time of review, this peer group also had median market capitalization of $2.8 billion, as compared to our market capitalization of approximately $2.7 billion.

Table of Contents

Elements of Compensation

The following describes each of the elements of our compensation program for 2018.

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 typically 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 typically 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 2018 the Compensation Committee approved a 3.47% increase in base salary for Mr. Nanda, a 3.02% increase in base salary for Mr. Melhem, a 3.42% increase in base salary for Mr. Lepage, and a 3.56% increase in base salary for Mr. Trapp. The Compensation Committee's considerations included recognition of Mr. Nanda's strong leadership of our transformation efforts and new product development efforts; Mr. Melhem's excellent performance in managing our business in APMEA; Mr. Lepage's strong performance in leading the global legal function; and Mr. Trapp's successful efforts to restructure and upgrade the finance function and implement new information technology systems.

In February 2018, the Compensation Committee conducted a separate review of our Chief Executive Officer's performance and base salary in conjunction with the other independent members of the Board. The independent members of the Board reviewed Mr. Pagano's performance against his established goals for 2017 and input from Pearl Meyer with respect to the competitiveness of Mr. Pagano's base salary relative to the Company's executive compensation peer group. Based on this review and the Board's assessment that Mr. Pagano had done an exceptional job in addressing the Company's business needs and executing on a global growth initiative, in addition to achieving substantially all of his other goals, the Compensation Committee approved a 7.14% increase in Mr. Pagano's base salary from $840,000 to $900,000.

Mr. Patel joined the Company in July 2018, and his base salary of $400,000 was approved by the Compensation Committee following arm's length negotiations in connection with his hire. In approving Mr. Patel's base salary, the Compensation Committee reviewed compensation survey data and Mr. Patel's compensation arrangements with his previous employer and considered the most recent competitive compensation assessment data with respect to the Company's compensation peer group. The Committee also sought the advice and guidance of Pearl Meyer, its independent compensation consultant.

Table of Contents

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 executive compensation 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 Executive Officer. In May 2018, the Compensation Committee approved a modified 2018 bonus target for Mr. Patel in conjunction with his hiring. The modified target included a guaranteed payment of $85,000, to compensate him for the bonus opportunity he forfeited at his previous employer to join us, and six months of bonus earned under the Watts Executive Incentive Bonus Plan at his target percent of salary. The 2018 target bonus amounts for our named executive officers were set as follows:

	Target as a Percent of Salary	Target in Dollars
Robert J. Pagano, Jr.	100%	$ 900,000
Shashank Patel	60%	$ 120,000*
Todd A. Trapp	65%	$ 302,250
Munish Nanda	60%	$ 297,000
Elie A. Melhem	55%	$ 226,875
Kenneth R. Lepage	60%	$ 235,800

* Excludes the guaranteed payment of $85,000.

The actual bonus payout for each named executive officer depends on the level of performance achieved with respect to various performance objectives. The relationship between the level of performance achieved and overall bonus payout for each performance objective is as follows, with bonus payout levels interpolated for performance between Threshold and Target and between Target and Maximum:

Performance Level	Bonus Payout as a % of Target
Maximum	200%
Target	100%
Threshold	50%
Below Threshold	0%

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 2018, the objectives for our named executive officers under the Executive Incentive Bonus Plan consisted of sales objectives, net income and operating earnings objectives, free cash flow objectives and an individual performance objective. Free cash flow represents the amount of cash generated by operations during the year less net capital expenditures. For the individual performance objectives, each executive officer established several personal or team goals related to Company initiatives or segment initiatives that were aligned with the strategy of the business and the goals of our Chief Executive Officer. For 2018, the primary focus areas that were established at the start of the performance period were driving growth in the Americas and in APMEA, launching global product innovation initiatives, driving productivity savings and other key strategic initiatives.

Table of Contents

In setting our 2018 financial performance targets, the Compensation Committee determined that the targets and results should exclude the effect of unbudgeted restructuring, acquisitions, dispositions, foreign exchange, impairments, discontinued operations, legal settlements, employee separation costs, product liability charges, retroactive tax law changes, environmental remediation, adjustments for undifferentiated products, and one-time costs relating to the consolidation of manufacturing facilities and distribution centers. However, the Compensation Committee reviews all excluded items each year and may exercise its discretion to reduce bonus payouts to reflect the impact of any excluded item.

Our bonus 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, cash flow and execution of strategic initiatives. 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, determined the relative weight to be assigned to each objective for 2018. For 2018, the financial objectives for Messrs. Pagano, Patel, Trapp, Lepage and Nanda were based entirely on the performance of our Company as a whole. Since the responsibilities of Mr. Melhem were substantially tied to our APMEA business segment, most of his bonus achievement was based on his segment performance. The following table shows the weighting assigned to each named executive officer for each performance objective:

Named Executive Officer	Consolidated Sales	Consolidated Net Income	Consolidated Free Cash Flow*	Segment Trade Sales	Segment Operating Earnings	Segment Free Cash Flow	Individual Component
Robert J. Pagano, Jr.	25.0%	40.0%	25.0%				