

WATTS WATER TECHNOLOGIES INC
Form DEF 14A
March 27, 2012

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

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN
PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

WATTS WATER TECHNOLOGIES, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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 - (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):
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- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
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Watts Water Technologies, Inc.
March 30, 2012

Dear Stockholder:

It is my pleasure to invite you to attend our 2012 Annual Meeting of Stockholders, which will be held on Wednesday, May 16, 2012 at 9:00 a.m. at our executive offices located at 815 Chestnut Street, North Andover, Massachusetts 01845. On the pages following this letter you will find the notice of our 2012 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 2012 Annual Meeting, we will report on our operations and answer questions from stockholders.

Whether or not you plan to attend the 2012 Annual Meeting, your vote is important and we encourage you to vote promptly. You may vote your shares by telephone or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding all three methods of voting are provided on the proxy card.

We hope that you will be able to join us at the 2012 Annual Meeting.

Sincerely,

DAVID J. COGHLAN
President and Chief Executive Officer

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 16, 2012

To the Stockholders of
Watts Water Technologies, Inc.

Notice is hereby given that the 2012 Annual Meeting of Stockholders of Watts Water Technologies, Inc., a Delaware corporation, will be held at our principal executive offices located at 815 Chestnut Street, North Andover, Massachusetts 01845, on Wednesday, May 16, 2012, at 9:00 a.m., local time, for the following purposes:

1. To elect eight directors to our Board of Directors, each to hold office until our 2013 Annual Meeting of Stockholders and until such director's successor is duly elected and qualified; and
2. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the current fiscal year.

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, 2012 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

By Order of the Board of Directors

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

North Andover, Massachusetts
March 30, 2012

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WATTS WATER TECHNOLOGIES, INC.

**ANNUAL MEETING OF STOCKHOLDERS
May 16, 2012**

PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL MEETING

Our 2012 Annual Meeting of Stockholders will be held on Wednesday, May 16, 2012 at 9:00 a.m., local time, at our principal executive offices located at 815 Chestnut Street, North Andover, Massachusetts 01845. For directions to our principal executive offices, please visit the 2012 Annual Meeting page on our website at <http://www.wattswater.com/2012annualmeeting>. If you have any questions about the 2012 Annual Meeting, please contact Kenneth Lepage, our corporate Secretary, by telephone at (978) 688-1811 or by sending a written request for information addressed to Kenneth Lepage at our principal executive offices.

Information About this Proxy Statement

You have received this proxy statement because the Board of Directors of Watts Water Technologies, Inc. (which we also refer to as Watts Water or the Company) is soliciting your proxy to vote your shares at the 2012 Annual Meeting of Stockholders and at any adjournment or postponement of the 2012 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, 2012 are entitled to receive notice of and to vote at the Annual Meeting.

We are mailing this proxy statement and the accompanying proxy on or about March 30, 2012 to our stockholders of record as of March 21, 2012. We are also mailing our Annual Report for the fiscal year ended December 31, 2011 to such stockholders concurrently with this proxy statement. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 is available on our website at <http://www.wattswater.com>. If you are a stockholder and would like a copy of our Annual Report on Form 10-K or any of its exhibits sent to you, we will send you one without charge. Please address all such requests to Kenneth Lepage at the address provided above.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 16, 2012

The proxy statement and annual report to security holders are available at <http://www.wattswater.com/2012annualmeeting>.

Information About Voting

Each share of our class A common stock, par value \$0.10 per share, outstanding on the record date is entitled to one vote, and each share of our class B common stock, par value \$0.10 per share, outstanding on the record date is entitled to ten votes. As of the close of business on March 21, 2012, there were outstanding and entitled to vote 29,768,126 shares of class A common stock and 6,953,680 shares of class B common stock.

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

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

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

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

You may revoke or change your proxy at any time before it is exercised by (1) delivering to us a signed proxy card with a date later than that of your previously delivered proxy, (2) voting in person at the Annual Meeting, (3) granting a subsequent proxy through the Internet or by telephone, or (4) sending a written revocation to our corporate Secretary at our principal executive offices. 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" each of the eight nominees for the board of directors and the ratification of the selection of KPMG LLP. Attending the Annual Meeting will not revoke your proxy unless you specifically request that it be revoked.

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

Quorum; Required Votes; Abstentions and Broker Non-Votes

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

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

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

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Solicitation of Proxies

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

Other Business to be Considered

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

**PROPOSAL 1
ELECTION OF DIRECTORS**

Our Board has nominated each of the individuals named below for election as a director. If elected, each nominee will serve until our 2013 Annual Meeting of Stockholders 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 presently members of our Board. Management does not contemplate that any of the nominees will be unable to serve, but in that event, proxies solicited hereby may be voted for a substitute nominee designated by our Board or our Board may choose to reduce the number of directors serving on the Board. Holders of shares representing votes sufficient to elect each of the nominees named below have indicated to us their intention to vote in favor of such nominees. Current Board member Ralph E. Jackson, Jr. is not standing for reelection at the 2012 Annual Meeting and the number of directors will be reduced to eight at the time of the 2012 Annual Meeting.

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

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

Set forth below are the names of the nominees for our Board of Directors, their ages, principal occupations for at least the past five years, the years they originally became members of our Board of Directors and certain other information. The information provided below is current as of February 1, 2012 except for the ages of the nominees, which are current as of May 16, 2012, the date of our 2012 Annual Meeting.

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
Robert L. Ayers	66	Mr. Ayers was Senior Vice President of ITT Industries and President of ITT Industries' Fluid Technology from October 1999 until September 2005. Mr. Ayers continued to be employed by ITT Industries from September 2005 until his retirement in September 2006, during which time he focused on special projects for the company. ITT Industries' Fluid Technology manufactures a broad range of pumps, mixers, controls and treatment systems. Mr. Ayers joined ITT Industries in 1998 as President of ITT Industries' Industrial Pump Group. Mr. Ayers served as a member of the Board of Directors of T-3 Energy Services, Inc., a provider of oil field products and services, from August 2007 to January 2011. We believe Mr. Ayers' qualifications to serve on our Board include his extensive international, channel management, operations and sales and marketing experience with manufacturing companies in the fluid control industry.	2006
Bernard Baert	62	Mr. Baert has served as Senior Vice President and President, Europe and International of PolyOne Corporation since January 2010. Mr. Baert served as Senior Vice President and General Manager, Color and Engineered Materials Europe and Asia for PolyOne Corporation from 2006 to December 2009 and as Vice President and General Manager, Color and Engineered Materials Europe and Asia from 2000 to 2006. From 1995 to September 2000, Mr. Baert was General Manager, Color Europe for M.A. Hanna Company, the predecessor to PolyOne Corporation. PolyOne Corporation is a worldwide provider of specialty polymer materials, services and solutions. Prior to joining M.A. Hanna, Mr. Baert was General Manager, Europe for Hexcel Corporation and spent 17 years with Owens Corning where he served as a plant manager and held various positions in the areas of cost control and production. We believe Mr. Baert's qualifications to serve on our Board include his extensive general management and manufacturing experience, international experience, particularly in Europe, and his experience executing and integrating acquisitions in Europe, Asia and South America.	2011

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Name	Age	Present Principal Employment and Prior Business Experience	Director Since
Kennett F. Burnes	69	Mr. Burnes is the retired Chairman, President and Chief Executive Officer of Cabot Corporation, a global manufacturer of specialty chemicals and performance materials. He was Chairman of the Board of Directors from 2001 to March 2008, President from 1995 to January 2008 and Chief Executive Officer from 2001 to January 2008. Prior to joining Cabot Corporation in 1987, Mr. Burnes was a partner at the Boston-based law firm of Choate, Hall & Stewart, where he specialized in corporate and business law for nearly 20 years. Mr. Burnes has been a member of the Board of Directors of State Street Corporation, a provider of financial services to institutional investors, since 2003. Mr. Burnes' community activities include being a member of the Dana Farber Cancer Institute's Board of Trustees, a member of the Board of Trustees of the New England Conservatory, Chairman of the Board of Trustees of the Schepens Eye Research Institute and a member of the Board of Trustees of the Epiphany School. We believe Mr. Burnes' qualifications to serve on our Board include his experience as an operating executive and chief executive officer of an international manufacturing company and his nearly 20 years of experience as a corporate attorney representing public companies.	2009
Richard J. Cathcart	67	Mr. Cathcart was Vice Chairman and a member of the Board of Directors of Pentair, Inc. from February 2005 until his retirement in September 2007. Mr. Cathcart served as President and Chief Operating Officer of Pentair's Water Technologies Group from January 2001 until February 2005. Mr. Cathcart also served as Executive Vice President and President of Pentair's Water Technologies Group from February 1996 to January 2001 and as Executive Vice President, Corporate Development from March 1995 to February 1996. Pentair is a diversified manufacturing company. Pentair's Water Group provides products and systems used in the movement, storage, treatment and enjoyment of water. Mr. Cathcart is also a member of the Board of Directors of Fluidra S.A., an international manufacturer of accessories and products for swimming pools, irrigation, and water treatment and purification systems. We believe Mr. Cathcart's qualifications to serve on our Board include his familiarity with our industry stemming from his service as an operating executive with an international manufacturing company in the fluid control industry, his strategic planning expertise and his extensive international experience as a business executive and as a board member of a public company based in Europe.	2007

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Name	Age	Present Principal Employment and Prior Business Experience	Director Since
David J. Coghlan	53	Mr. Coghlan became our Chief Executive Officer and President in January 2011. He previously served as our Chief Operating Officer from January 2010 to January 2011 and as President of North America and Asia from June 2008 to January 2010. Prior to joining our Company, Mr. Coghlan served as Vice President of Global Parts for Trane Inc. from April 2004 through May 2008. Trane is a global manufacturer of commercial and residential heating, ventilation and air conditioning equipment. Mr. Coghlan also held several management positions in the United States and internationally within the Climate Control Technologies segment of Ingersoll-Rand Company Limited, a manufacturer of transport temperature control units and refrigerated display merchandisers, from 1995 to December 2003. Before joining Ingersoll-Rand, Mr. Coghlan worked for several years with the management consulting firm of McKinsey & Co. in both the United Kingdom and the United States. We believe Mr. Coghlan's qualifications to serve on our Board include his extensive experience as an operating executive with several international manufacturing companies and his depth of knowledge about our Company and our industry.	2011
W. Craig Kissel	61	Mr. Kissel previously was employed by Trane Inc. from 1980 until his retirement in September 2008. During his time at Trane, Mr. Kissel served as President of Trane Commercial Systems from 2004 to June 2008, President of WABCO Vehicle Control Systems from 1998 to 2003, President of Trane's North American Unitary Products Group from 1994 to 1997 and Vice President of Marketing of Trane's North American Unitary Products Group from 1992 to 1994 and held various other management positions at Trane from 1980 to 1991. Trane is a global manufacturer of commercial and residential heating, ventilation and air conditioning equipment, and WABCO is a leading worldwide supplier of commercial vehicle control systems. From 2001 to 2008, Mr. Kissel served as Chairman of Trane's Corporate Ethics and Integrity Council, which was responsible for developing the company's ethical business standards. Mr. Kissel also served in the U.S. Navy from 1973 to 1978. Mr. Kissel has served as a director of Chicago Bridge & Iron Company since May 2009. Chicago Bridge & Iron Company engineers and constructs some of the world's largest energy infrastructure projects. We believe Mr. Kissel's qualifications to serve on our Board include his experience managing manufacturing businesses, his familiarity with commercial and residential construction markets, international experience, product management and distribution experience, and his experience developing ethical business standards at Trane.	2011

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Name	Age	Present Principal Employment and Prior Business Experience	Director Since
John K. McGillicuddy	68	Mr. McGillicuddy was employed by KPMG LLP, a public accounting firm, from June 1965 until his retirement in June 2000. In June 1975, Mr. McGillicuddy was elected into the Partnership of KPMG LLP, where he served as Audit Partner, SEC Reviewing Partner, and Partner-in-Charge of Professional Practice. Mr. McGillicuddy is a former Chairman of the Better Business Bureau of Massachusetts. Mr. McGillicuddy is a member of the Board of Directors of Brooks Automation, Inc., a worldwide provider of automation, vacuum and instrumentation solutions to the global semiconductor and related industries. Mr. McGillicuddy is also a member of the Board of Directors of Cabot Corporation, a manufacturer of specialty chemicals and performance materials. We believe Mr. McGillicuddy's qualifications to serve on our Board include his 35 years of experience working in public accounting and his experience serving as a director of two other publicly traded international manufacturing companies.	2003
Merilee Raines	56	Ms. Raines has served as Chief Financial Officer of IDEXX Laboratories, Inc. since October 2003. Prior to becoming Chief Financial Officer, Ms. Raines held several management positions with IDEXX, including Corporate Vice President of Finance, Vice President and Treasurer of Finance, Director of Finance, and Controller. IDEXX Laboratories develops, manufactures and distributes diagnostic and information technology products and services for pet and production animal health, water quality and milk safety, and human point-of-care diagnostics. We believe Ms. Raines' qualifications to serve on our Board include her extensive financial and accounting experience with a similarly sized international manufacturing company.	2011

Director Compensation

Non-employee directors are compensated for their service as directors. Mr. Coghlan is the only member of our Board of Directors who is an employee of Watts Water, and he does not receive any additional compensation for his service as a director. Set forth below is a description of the annual compensation arrangements in effect for our non-employee directors during 2011.

Annual retainer:	\$ 60,000
Additional annual retainer for the Chairman of the Board of Directors:	\$ 20,000
Additional annual retainer for the Chairman of the Audit Committee:	\$ 15,000
Additional annual retainer for the Chairman of the Compensation Committee:	\$ 10,000
Additional annual retainer for the Chairman of the Nominating and Corporate Governance Committee:	\$ 5,000
Fair market value of annual grant of class A common stock:	\$ 60,000

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We also reimburse non-employee directors for reasonable out-of-pocket expenses incurred in connection with attending Board and committee meetings and for fees and reasonable out-of-pocket expenses for their attendance at director education seminars and programs they attend at the request of the Board.

Mr. McGillicuddy served as both the Chairman of the Board of Directors and the Chairman of the Audit Committee during 2011, but he elected to receive only the additional \$20,000 annual retainer for his service as Chairman of the Board of Directors and to forego the additional \$15,000 annual retainer for his service as Chairman of the Audit Committee.

Each non-employee director receives an annual grant of stock under our 2004 Stock Incentive Plan with a fair market value on the date of grant equal to \$60,000. Our Board typically approves grants of stock awards to non-employee directors at its regularly scheduled third quarter meeting. We have adopted a practice that annual stock awards for non-employee directors are granted on the third business day following the release of our second quarter earnings to the public. The purpose for setting this grant date is to ensure that we are using a date when the public markets have a maximum amount of information about our financial performance and have had a sufficient amount of time to understand and react to such information. The Board also typically grants a pro-rated stock award to Board members who are elected to the Board for the first time during the Board term. The Board's practice is to grant such awards on the third business day following the first earnings release after such director's election. The Board granted 2,065 shares of class A common stock to each of Mr. Ayers, Mr. Baert, Mr. Burnes, Mr. Cathcart, Mr. Jackson, Mr. McGillicuddy, and Ms. Raines on August 5, 2011. The Board also granted 400 shares of Class A Common Stock to Ms. Raines on March 1, 2011 in connection with her initial election as a member of the Board and 1,260 shares of Class A Common Stock to Mr. Kissel on November 7, 2011 in connection with his initial election to the Board.

For the 2011-2012 Board term, we instituted a program under which our non-employee directors may defer receipt of the annual grant of shares of class A common stock issuable to them under our 2004 Stock Incentive Plan. If any dividends are paid on our class A common stock during the period in which the stock is deferred, the non-employee director is credited with cash in the amount he or she would have received if the shares had been issued and held by the director at the time the dividend was paid. The accrued dividends will be distributed, without interest, in cash at the time that the stock is issued to the director at the end of the deferral period chosen by such director. Mr. Ayers, Mr. Burnes, Mr. Cathcart and Mr. McGillicuddy elected to defer their 2011 stock awards.

Our non-employee directors are subject to stock ownership guidelines. These guidelines stipulate that each non-employee director should own shares of our class A common stock with a market value of at least \$180,000. 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 2011, all of our non-employee directors who had been a member of our Board for three or more years were in compliance with our stock ownership guidelines.

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The following table contains information on compensation for the non-employee members of our Board of Directors during the fiscal year ended December 31, 2011.

2011 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$)
Robert L. Ayers	60,000	59,988			119,988
Bernard Baert	30,000	59,988			89,988
Kennett F. Burnes	62,500	59,988			122,488
Richard J. Cathcart	70,000	59,988			129,988
Ralph E. Jackson, Jr.	60,000	59,988			119,988
W. Craig Kissel	15,000	44,982			59,982
Kenneth J. McAvoy(3)	32,500			103,028(4)	135,528
John K. McGillicuddy	80,000	59,988			139,988
Gordon W. Moran(3)	35,342(5)				35,342
Merilee Raines	60,000	75,004			135,004

- (1) The amounts in this column reflect the grant date fair value of the restricted stock awards granted during 2011 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. A discussion of the assumptions used in calculating the amounts in this column may be found in Note 12 to our audited consolidated financial statements for the year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the SEC on February 28, 2012. The amounts reflected in this column for Mr. Ayers, Mr. Burnes, Mr. Cathcart and Mr. McGillicuddy were deferred under our non-employee director stock deferral program described above.
- (2) There were no stock options granted to our non-employee directors during 2011. Mr. McGillicuddy held stock options for the purchase of 3,094 shares of Class A Common Stock as of December 31, 2011. All of Mr. McGillicuddy's stock options were fully vested prior to 2011. None of our other non-employee directors hold any stock options.
- (3) Mr. McAvoy and Mr. Moran retired from our Board of Directors at the 2011 Annual Meeting of Stockholders held on May 11, 2011.
- (4) Consists of retirement benefit payments under our employee pension plan and supplemental employee retirement plan.
- (5) Includes payment of \$5,342 of deferred director fees and accrued interest.

As a former employee of Watts Water, Mr. McAvoy receives retirement benefit payments under our pension plan and our supplemental employee retirement plan. Retirement benefit payments received by Mr. McAvoy pursuant to these plans are reflected in the All Other Compensation column in the above table.

Beginning in 1992 and continuing through the end of 1999, we agreed to defer payment of director fees earned by Mr. Moran for his service as a member of our Board of Directors. The deferred payments accrue interest in June and December of each year at the short-term annual applicable federal rate. Mr. Moran stopped deferring payment of his director fees at the beginning of 2000. We paid Mr. Moran 10% of the deferred fees balance plus accrued interest in each of February and June 2011. The Fees Earned or Paid in Cash column of the above table includes the aggregate amount of \$5,342 in deferred fees and interest paid to Mr. Moran during 2011. As of December 31, 2011, the remaining balance of deferred fees was \$22,825.

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CORPORATE GOVERNANCE

Our Commitment to Good Corporate Governance

We believe that good corporate governance and an environment of the highest ethical standards are important for us to achieve business success and to create value for our stockholders. Our Board is committed to high governance standards and continually works to improve them. We periodically review our corporate governance policies and practices and compare them to those suggested by various authorities on corporate governance and employed by other public companies. We also review guidance and interpretations provided from time to time by the SEC and the New York Stock Exchange 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 2011, our Board met five times and each incumbent director who will be standing for election at the 2012 Annual Meeting attended at least 75% of the total number of meetings of the Board and all committees of the Board on which the director served.

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

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

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Performance of Our Board

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

Business Ethics and Compliance

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