



# Sustainability Report



**W**atts is providing this report as a summary of the company's activities in support of our longstanding commitment to corporate sustainability and good citizenship. Included are highlights of initiatives, practices, and achievements related to governance, employee engagement, environmental sustainability, EHS, and social stewardship.

Watts is committed to achieving success and delivering value for customers and shareholders. Our Company has a strong global manufacturing and engineering footprint, leading systems and solutions, a world-class workforce, and an unwavering commitment to corporate sustainability.

## 1. WATTS' COMMITMENT TO SUSTAINABILITY

## 2. COMPANY PROFILE

## 3. ENVIRONMENTAL SUSTAINABILITY

*Watts' innovation and water technologies systems & solutions that help protect natural resources*

- A. Safety & Regulation
- B. Energy Efficiency
- C. Water Conservation

## 4. SOCIAL STEWARDSHIP

*Protecting the health and safety of our employees and communities around the globe through best business practices*

- A. Employee health and safety
- B. Employee engagement
- C. Improving environmental management at Watts' sites
- D. Providing access to clean, safe water globally
- E. Community engagement

## 5. GOVERNANCE

*Our commitment to ethical business practices*

- A. Audit
- B. Nominating and Corporate Governance
- C. Compensation

## 6. USEFUL LINKS

*Learn more about our products in action on the front-line: conserving energy, saving water, and providing solutions that help conserve our natural resources*



# 1. Watts' Commitment to Sustainability

For more than 140 years, Watts has been committed to improving the comfort, safety, and quality of life for people around the world through our expertise in a wide range of water technologies.

Our mission encompasses the development and manufacture of high-quality products, systems and solutions for the conveyance, conservation, control and safe use of water. With more than 50 locations around the world, we are also dedicated to continually increasing energy efficiencies and reducing waste in our manufacturing and distribution facilities.

For Watts, corporate responsibility includes giving back to our employees as well as to the communities we serve. Our employees are the driving force in our business, and we are committed to enhancing their experience, safety, and satisfaction in the workplace. In the cities and neighborhoods where we serve, we are proud to give back locally to those in need and globally through clean water initiatives such as Planet Water.

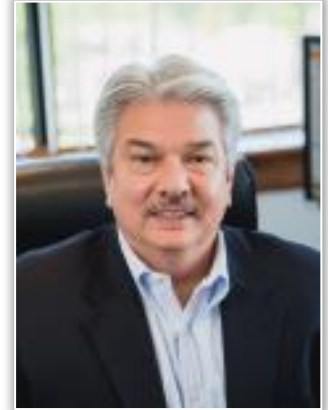
Our customers rely on our products and services to help them remain competitive and environmentally responsible in the marketplace. We are proud that our family of companies provides a wide range of solutions that address plumbing, heating, and water quality needs across the globe.

As a global leader, we remain committed to our employees, customers, and partners in the innovation, development, and manufacturing of water technologies, systems and solutions that protect our natural resources.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert J. Pagano, Jr.'.

Robert J. Pagano, Jr.  
CEO and President



“Our employees are the driving force in our business, and we are committed to enhancing their experience, safety, and satisfaction in the workplace.”

## 2. Company Profile



<b>Mission</b>	To improve comfort, safety, and quality of life for people around the world through our expertise in a wide range of water technologies. To be the best in the eyes of our employees, customers, and shareholders.		
<b>Vision</b>	To be the global leader in providing innovative, high-quality products, systems, and solutions for the conveyance, conservation, control, and safe use of water through a focus on customers, innovation, and continuous improvement.		
<b>Values</b>	<ul style="list-style-type: none"> <li>• Integrity &amp; Respect—Doing the right thing in the right way, always</li> <li>• Accountability—Focusing on results; doing what you say you are going to do</li> <li>• Continuous Improvement &amp; Innovation—Maintaining a customer focus; improving every day</li> <li>• Transparency —Demonstrating candor and openly sharing information</li> </ul>		
<b>Major Brands</b>	AERCO, Ames, Apex, bar, BLÜCHER, Dormont, FEBCO, HF scientific, Microflex, Mueller Steam Specialty, Orion, Powers, Premier, PVI, SOCLA, SunTouch, tekmar, valpes, Watts		
<b>Product Categories</b>	Plumbing & Flow Control, Water Quality & Conditioning, Drainage & Water Reuse, HVAC, Municipal Waterworks		
<b>Vertical End Markets</b>	Healthcare, Hospitality (lodging / food service), Institutional / Educational, Multi Family / Commercial, Sports Complex, Industrial, Marine, Residential		
<b>Customers</b>	Leading wholesalers and distributors, retailers, and Original Equipment Manufacturers (OEMs) worldwide		



**Headquarters**

North Andover, MA

**CEO & President**

Robert J. Pagano, Jr.

**2017 Revenue**

\$1.5B (2017 Sales +4%)

**NYSE Stock Symbol**

WTS

**Employees**

4,800+

**Website**

[www.wattswater.com](http://www.wattswater.com)





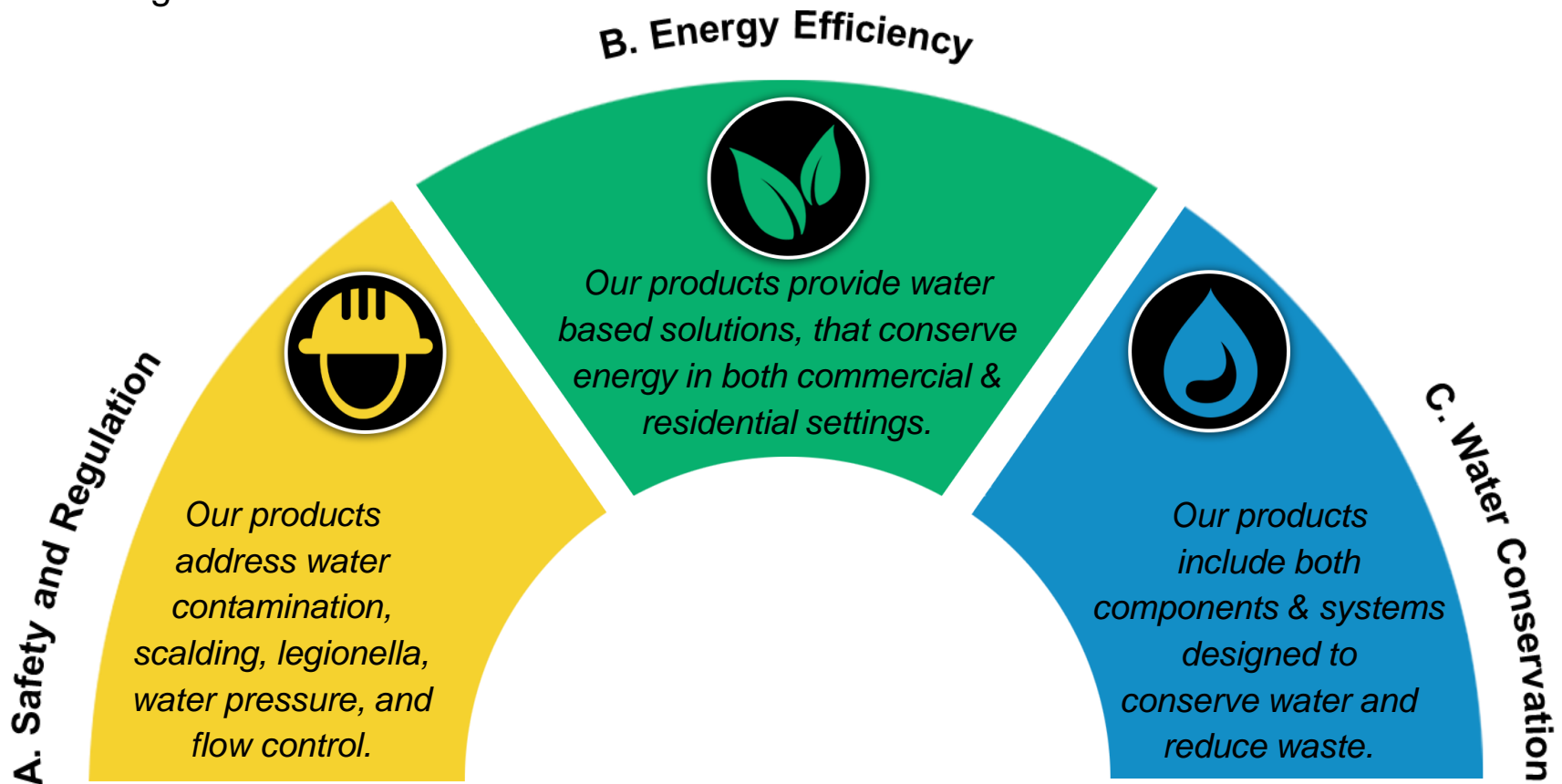
# Environmental Sustainability



# 3. Environmental Sustainability

Our focus on water technology systems and solutions helps sustain a clean and healthy environment for future generations.

Our goal is to help support our natural resources by providing products and services that address the following:



# 3. Environmental Sustainability

## A) SAFETY AND REGULATION

*Watts provides the highest levels of performance in the safeguarding of water systems. We are dedicated to long-term sustainability by developing innovative products according to strict ethical business practices that ensure manufacturing compliance, installation & operational safety, clean and toxin-free water supply, and client satisfaction.*

### Backflow Preventers



**Watts Backflow Prevention Devices** protect residential, commercial, and municipal drinking water by preventing chemicals and pollutants from contaminating drinking water systems. Watts has long been a leader in the development of codes related to backflow and other plumbing safety issues.



*Protects potable water supplies from contamination or pollution.*

### Water Tempering System

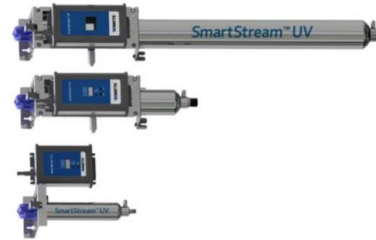


**Powers IntelliStation™** is a digital mixing system used to efficiently monitor and control mixed outlet water temperatures in facilities. As a "smart" system, it provides safer, more efficient hot water delivery at point-of-source, as well as remote monitoring and control through a facility's building automation system.



*Supports energy conservation through more efficient water temperature management, reducing energy costs.*

### UV Water Disinfection System



**Watts SmartStream™** uses ultraviolet lamp technology to inactivate microorganisms such as cysts, bacteria, viruses, and parasites in water sources to prevent serious illnesses. Used in residential and commercial applications, it can disable up to 99.9999% (6-log) of harmful organisms.



*Environmentally friendly. Dimming feature reduces energy consumption during low-demand periods.*

### Automatic Control Valves



**Watts Pressure Reducing Valves** reduce a higher inlet pressure to lower consistent outlet pressure. Maintaining water supply pressures in high-rise buildings, commercial applications, and in water mains. Lower water pressures reduce water consumption and minimize water lost via leakage.



*Reduces a community's waste water treatment load, saving consumers up to 30% on hot water.*



# 3. Environmental Sustainability

## B) ENERGY EFFICIENCY

*Watts is developing critical components that support and enhance the operation of environmentally sustainable and energy-efficient plumbing, heating, and cooling systems. Customers choose Watts for the most efficient conversion of energy sources into useful heat and hot water.*

### Condensing Boilers



**AERCO Benchmark Platinum Boiler** improves energy efficiency by increasing condensing in the heat exchanger, which provides increased energy savings, lower emissions, and seasonal efficiency gain.



AERCO Boiler owners typically enjoy 30% to 40% energy cost reduction as compared to typical non-condensing boiler applications.

### Smart Home Management



**Watts Vision®** electronics enables you to control both hydronic and electric underfloor and radiator heating, lighting, and other electrical appliances from a touchpad, a smartphone, via the internet anytime, anywhere.



Saves energy by monitoring energy consumption.

### Anti-Scale Systems



**OneFlow®** prevents hard water scale in water heaters, pipes, and fixtures without the need for salt required by traditional water softeners. Simple flow-through design offers significant space-savings and the need for external power.



Saves water and electricity by eliminating regeneration cycles.

### Water Balancing Valves



**Watts Balancing Valves** ensures an even flow distribution of water in HVAC water systems to provide the intended indoor climate at optimum energy efficiency and minimal operating cost.



Can reduce energy consumption by 25%~35%



# 3. Environmental Sustainability

## C) WATER CONSERVATION

*For more than 140 years, Watts has developed products, components, and systems that conserve water, reduce waste, and exceed conservation requirements. End users, architects, and engineers choose Watts for our ability to meet the design challenges of a water-scarce world.*

### Water Pressure Regulators



**Watts Water Pressure Regulators** are a primary water conservation control. They save water and energy by regulating incoming water pressure in buildings and homes.



*Saves up to 30% on water consumption per year.*

### Stainless Steel Drains



**BLÜCHER HygienicPro®** drains and channels are designed for the Food & Beverage industry and other markets where sanitary conditions are critical. Their unique construction cleans drains faster and better, significantly reducing wasted water and improving food safety conditions.



*HygienicPro drains use 95% less water than standard drains.*

### Hot Water Recirculating System



**Watts Instant Hot Water Recirculating System** provides instant hot water at every faucet or shower in the home, avoiding the need to run water until it's hot.



*Saves an average of 12,000 gallons per household per year and up to 10% on water bills.*

### Rainwater Harvesting Systems



**Watts RainCycle™** capture, store, pump, and treat rainwater for non-potable reuse, and reduce storm water runoff to sewers. Our systems contribute to LEED green building certification.



*Conserves water, saves natural resources, and helps meet sustainability objectives.*



# Social Stewardship





## 4. Social Stewardship


**W**ith our expertise in water technologies, our goal is to continually improve the comfort, safety, and quality of life for people around the world.



We do this through:

- A. Employee health and safety
- B. Employee engagement
- C. Improving environmental management at Watts' sites
- D. Providing access to clean, safe water globally
- E. Community engagement

**Puerto Rico | March 22, 2018 (World Water Day)**  
Four Watts employee volunteers helped Planet Water install two AquaTowers in San Juan.

 Planet Water & Watts provide clean drinking water to those in need (San Juan, PR) [>>>](#)



# 4. Social Stewardship

## A) EMPLOYEE HEALTH AND SAFETY

- Watts is committed to the health and safety of its more than 4,800 dedicated and focused employees who are located on 5 continents, in more than 24 countries, and collectively speak more than 18 languages.
- We believe that employee well-being and safety are essential in the workplace.
- We maintain that occupational injuries and illnesses are preventable and that activities can be performed safely without compromise. With this belief, we work together toward achieving world-class safety.
- Throughout our facilities, we maintain stringent quality control and testing procedures.
- 79% (22 of 28) of Watts manufacturing facilities are ISO 9001 certified by the International Organization for Standardization.
- Acquisitions provide an opportunity to bring new plants up to the ISO 9001, which is our goal.

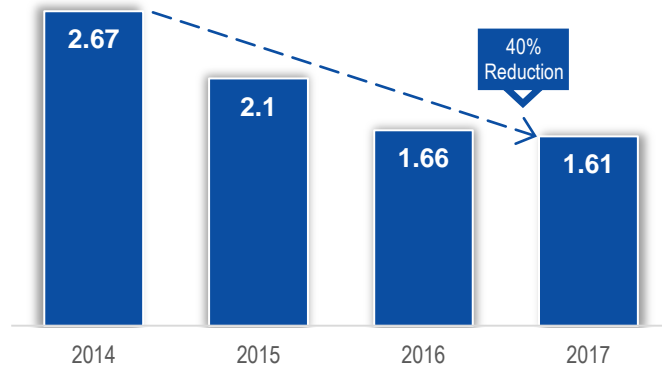


# 4. Social Stewardship

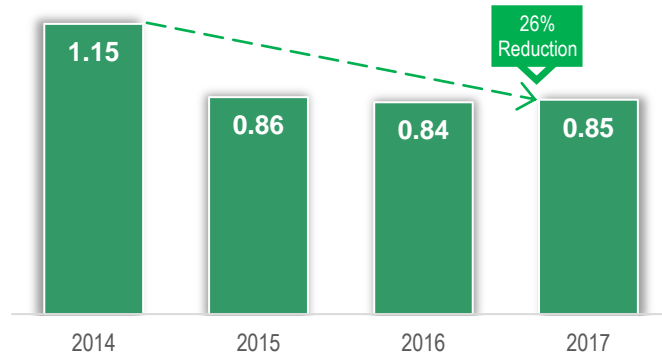
## A) EMPLOYEE HEALTH AND SAFETY (cont'd)

*Watts engages all employees in identifying and eliminating safety risks and hazards.*

Total Recordable Injury Rate (TRIR)  
Recordable injuries per 200,000 hours worked



Lost Time Injuries (LTIR)  
Lost time injuries per 200,000 hours worked



## ZERO HAZARDS = ZERO INJURIES INITIATIVE

- Safety Culture – Engagement of everyone for safety
- Risk Reduction – Job Hazard Analysis (JHA) with risk matrix

## SAFETY SUCCESS STORIES

### Asia-Pacific (September 2016 – December 2017)

- 15 months between recordable injuries

### San Antonio, Texas, USA (April 2017)

- 6 years injury-free operation (no recordable / lost time incident)

### Dattenberg, Germany (October 2017)

- 5 years injury-free operation (no recordable / lost time incident)

### St. Neots, United Kingdom (November 2017)

### Vernon, Canada (October 2017)

- 3 years injury-free operation (no recordable / lost time incident)

### Burlington and Calgary, Canada (April 2017)

### Gardolo, Italy (August 2017)

### Rosieres, France (September 2017)

- 2 years injury-free operation (no recordable / lost time incident)

# 4. Social Stewardship

## B) EMPLOYEE ENGAGEMENT

*Talented, engaged, and dedicated employees are Watts' greatest assets.*

### HIGHLIGHTS

#### 2017 Global Employee Engagement Survey

- **91%** response rate from all employees
- **83%** of employees are clear on how their job links to Company's strategic goals  
(2% above manufacturing benchmarks)
- **84%** of employees indicated they are working in a safe area (3% above manufacturing benchmarks)
- Following survey, Executive Management conducted additional feedback meetings with 200+ employees at all levels

*In general, an 80 percent response rate is considered "best in class."  
Source: Korn Ferry Hay Group*





# 4. Social Stewardship

## B) EMPLOYEE ENGAGEMENT (cont'd)

*Watts is committed to professional development and leadership programs.*

### HIGHLIGHTS

#### Global College Partnership Program

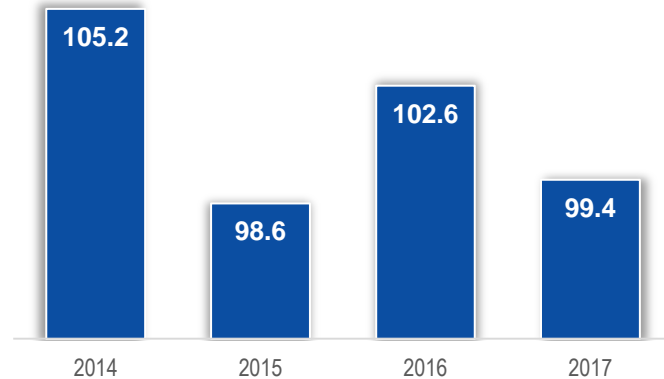
- Since 2016, 22 college graduates completed or continue to work in our **Leadership Rotational Program**, where employees learn about our business and complete assignments over a 3-year period in different functional areas.
- Since 2016, 10 college students have completed or continue to work in our **Co-Op Program** with local colleges. In 2017, one student was hired as a full-time employee.
- In 2017, Watts provided **internships** for 22 college students. Upon completing an internship, one student was hired as a full-time employee.



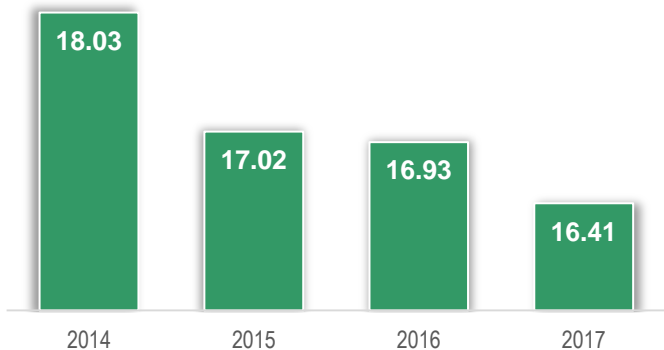
## C) IMPROVING ENVIRONMENTAL MANAGEMENT AT WATTS' SITES

*Watts protects the environment, as well as the health and safety of the communities where we live and work.*

Water Consumption  
Cubic meters per \$1,000,000 revenue



Greenhouse Gas Emissions – Scope 1 and 2  
Metric tons CO<sub>2</sub>e per \$1,000,000 revenue



### IMPROVING WATER UTILIZATION

#### Woodland, California, USA

- Recycling chiller water used to cool hydraulic presses and eliminating grass on the premises in favor of drought-friendly plants reduced water consumption over last 4 years by 83%; from 3 million gallons to less than 500 thousand gallons per year

#### Nogales, Mexico

- Filter and re-use of water for pipe extrusion production which saves over 1,000,000 liters of water annually

### ENERGY EFFICIENCIES

#### Nogales, Mexico

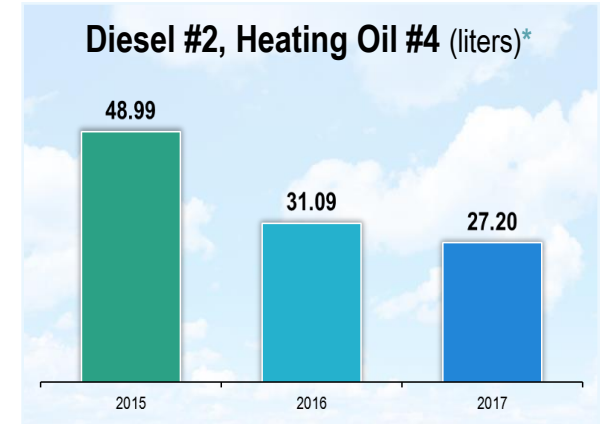
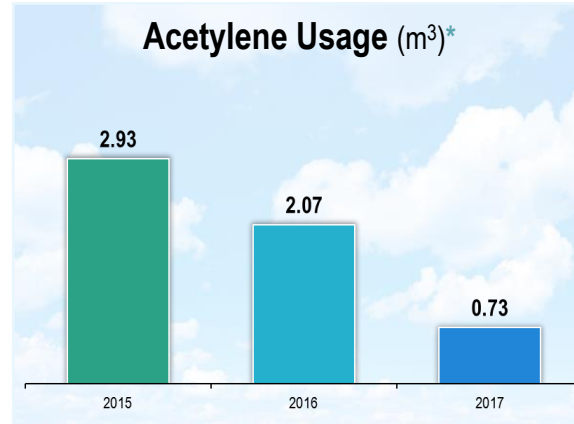
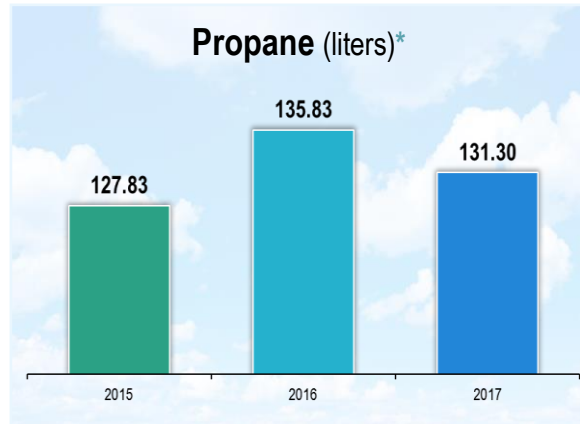
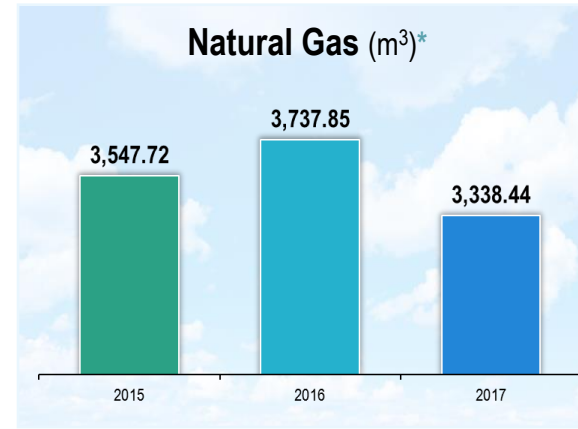
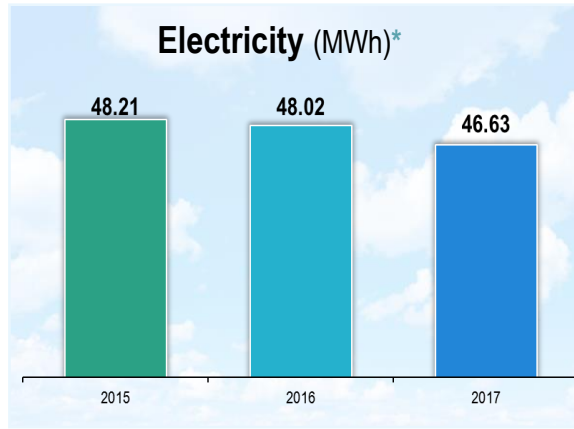
- Chiller renovation and addition of piping insulation that lowers yearly electricity usage by nearly 250,000 kWh

#### Rosieres, France

#### Monastir, Tunisia

- Completed re-lamping both facilities entirely to LED which is over 50% more efficient than previous lighting

## C) IMPROVING ENVIRONMENTAL MANAGEMENT AT WATTS' SITES (cont'd)



\* USAGE INFORMATION PER \$1M OF SALES NOTED



## 4. Social Stewardship

### D) PROVIDING ACCESS TO CLEAN, SAFE WATER GLOBALLY

*Watts focuses on bringing clean water to the world's most disadvantaged communities through the installation of water purification systems in partnership with Planet Water Foundation.*



Since 2016, Watts and Planet Water have brought clean water to 9,000 people in China, Colombia, India, Indonesia, the Philippines, and Puerto Rico.

In 2018, Watts launched a global fundraising campaign to raise money for Planet Water and continued to send employee volunteers to assist with various projects.



## 4. Social Stewardship

### E) COMMUNITY ENGAGEMENT

*Watts' work extends beyond products and customers. Corporate giving and community outreach has been part of our operating philosophy and business practices for decades.*



American Red Cross

In response to the myriad of natural disasters that hit the U.S., Mexico, and Puerto Rico in 2017, Watts launched a company donation match program with our employees.



**Together, we raised tens of thousands of dollars for the American Red Cross.**



## 4. Social Stewardship

### E) COMMUNITY ENGAGEMENT (cont'd)



#### **SPECIAL DELIVERY MEDICAL SUPPLIES ARRIVE IN TEXAS**

Following the 2017 hurricane, we teamed up with a sales representative at PIR Sales, Inc. in Chandler, Arizona, to further support disaster relief. After the sales rep gathered six pallets of specialty medical equipment, Watts arranged for a delivery to benefit special needs children with disabilities in Houston, Texas.



#### **FINANCE TEAM SUPPORTS HABITAT FOR HUMANITY**

The Finance Team in North Andover, MA, teamed up with the Merrimack Valley Habitat for Humanity to work on a local home-building project.



#### **SPECIAL NEEDS SCHOOL RECEIVES DONATED PRODUCTS**

Watts Asia-Pacific donated Water Quality products to the Yueliang Autism School in Shanghai, China, to help provide clean water to the children and staff. Since 2013, Watts employees have served as class-room assistants and provided many volunteer hours to the school.



# 4. Social Stewardship

## E) COMMUNITY ENGAGEMENT (cont'd)



### SUPPORTING LOCAL CHILDREN & FAMILIES IN NEED

Employees in Blauvelt, NY, donated a pallet of turkeys to the People to People organization, a Rockland County food pantry.



### FORT MYERS SUPPORTS "TOYS FOR TOTS"

Our Fort Myers team is a long-standing supporter of the U.S. Marine Corps Reserve's "Toys for Tots" program. In 2017, they successfully executed another toy drive for the holidays.



### ULTIMATE HEATING COMFORT FOR OUR TROOPS

Watts has sponsored a number of "ultimate heating comfort" systems through Home for Our Troops, an organization that provides specialized housing to accommodate severely handicapped soldiers returning home from combat.

# 4. Social Stewardship

## E) COMMUNITY ENGAGEMENT (cont'd)



### GLOBAL HR TEAM BUILDS BIKES

As part of a team building exercise, members of the global HR team, gathered at our headquarters to build bikes for four children, who were selected by a local YMCA chapter.



One child said, *"This was the BEST DAY EVER!"*



### EUROPEAN HEADQUARTERS HOLDS FOOD DRIVE

Watts partnered with the Voedselbank of Amsterdam to support the communities in which they operate.



### VOLUNTEERING IN FRANCE FOR CANCER RESEARCH

In the town of Brives-Charensac, close to our Watts Electronics manufacturing site in Rosieres, France, a group of 21 employees participated at the "La Course des Filles" (Race of the Girls). Reserved for women, this is an annual event meant to educate and inform about breast cancer and contribute to its research.







# Governance





## 5. Governance

**A**t Watts, we remain highly committed to ethical business practices. The information below pertains to Watts Water Technologies, Inc., its offices and employees worldwide, and all of its wholly-owned subsidiaries. To learn more about Watts and its policies, view our [Code of Business Conduct](#), [Supplier Code of Business Conduct](#), and [Governance Information](#).

Watts Water Technologies, Inc. currently has three committees within its Board of Directors structure:

- A. Audit
- B. Nominating and Corporate Governance
- C. Compensation

### A) AUDIT

*The purpose of the Audit Committee of the Board of Directors is to assist the Board in its oversight of:*

- The integrity of Watts' financial statements
- Watts' compliance with legal and regulatory requirements
- The qualifications, independence, and performance of Watts' independent auditor
- The performance of Watts' internal audit function
- The effectiveness of the Watts internal control structure

## B) NOMINATING AND CORPORATE GOVERNANCE

*The Nominating and Corporate Governance Committee of the Board of Directors on behalf of the Board of Directors is responsible for:*

- Identifying individuals qualified to become board members, consistent with criteria approved by the Board
- Recommending that the Board select the director nominees for election at each annual meeting of stockholders
- Developing and recommending to the Board a set of corporate governance guidelines applicable to Watts, periodically reviewing such guidelines, and recommending any changes thereto
- Overseeing the evaluation of the Board and management





### C) COMPENSATION

*The Compensation Committee discharges the Board of Director's responsibilities relating to compensation of Watts' directors and its executive officers.*

The primary objective of the Compensation Committee is to:

- Develop and implement compensation policies and plans that are appropriate for Watts in light of all relevant circumstances
- Provide incentives that further Watts' long-term strategic plan and are consistent with its culture
- Enhance enduring stockholder value





## Useful Links





## 6. Useful Links

### A) PROVEN ON THE FRONT-LINES



#### **WATTS DEMONSTRATES SOLUTIONS AT AHR EXPO**

Watts features energy efficient products at the International Air-Conditioning, Heating, Refrigerating Exposition (AHR Expo) in Chicago.

► [LINK](#)



#### **LAGUNA PUEBLO RESERVATION**

Watts valves secure desert water supply.

► [LINK](#)



#### **CARTWRIGHT PLUMBING, HEATING AND COOLING**

OneFlow® solves multiple water woes.

► [LINK](#)



## 6. Useful Links

### A) PROVEN ON THE FRONT-LINES (cont'd)



#### UNIVERSITY EXPECTS TO SAVE \$600,000 ANNUALLY

Learn how AERCO Benchmark Series Boilers save money by reducing energy costs.

► [LINK](#)



#### BUILT WITH BEER IN MIND

Learn how the HygienicPro® drain system, significantly reduces wasted water on the brew house floor.

► [LINK](#)



#### SMALL CARBON FOOTPRINT WITH A BIG, WARM EMBRACE

The re-Greening of a mountain home.

► [LINK](#)

### A) PROVEN ON THE FRONT-LINES (cont'd)



#### SAN FRANCISCO PIER 27

See how the newest terminal at Pier 27 is all about resource stewardship.

► [LINK](#)



#### IntelliStation™

Learn about the latest solution to control water temperatures in commercial buildings.

► [LINK](#)



#### WATTS VISION

Learn about Watts' participation in a major energy-saving project for a school in Gouda, Holland.

► [LINK](#)



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