Triodos Investment Management

VEECO INSTRUMENTS INC Date: 2013-12-10

1.1 Re-elect Roger D. McDaniel **Withhold**

Lead Director. Independent by Company but not considered to be independent as served on the Board for more than nine years. There is insufficient independent representation on the Board.

1.2 Re-elect John R. Peeler **Withhold**

Newly appointed Chairman and CEO. Combined roles at the head of the Company. There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.

2 Amend existing 2010 Stock Incentive Plan **Oppose**

The Board is seeking shareholder approval to amend and restate the Veeco Instruments Inc. 2010 Stock Incentive Plan (the "2010 Plan") to increase the reserve of shares available under the 2010 Plan by 3,250,000, including up to 212,200 shares subject to awards granted under the Company's 2013 Inducement Stock Incentive Plan (the "Inducement Plan"), and to obtain stockholder re-approval of the material terms of the performance goals that may be considered when granting certain awards under the 2010 Plan intended to constitute "performance-based" compensation for purposes of Internal Revenue Code of 1986, as amended (the "Code") Section 162(m). The increased shares represent 8.3% of the issued share capital. If the 2010 Plan is approved by stockholders, the maximum overhang would be 20%.
The Plan allows for up to 34 different performance conditions which may be used by the Plan administrator. There are no specific performance targets set for any of these criteria.
There are concerns over the level of discretion granted to the Plan administrator with respect to setting performance targets, if any. Furthermore, the potential dilution from this amendment plus currently outstanding awards is considered to be excessive.
Based on these reasons, we oppose.

3 Approve Pay Structure **Oppose**

The company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.
Disclosure: The Company discloses the target for the annual bonus on a retrospective basis; however, the CEO has discretion to

vary the amount paid to the Named Executive Officers based on their individual performance against goals. The amount can vary from zero to 100% of the award. For 2012 the full 100% of bonus was awarded.
Balance: Stock options have no performance conditions attached and one third of the award becomes exercisable on each of the first three anniversaries of the grant. Restricted stock units have only a one year performance period and then vest over a four year period. Vesting is too soon and the lack of performance conditions is against best practice.
Contracts: Stock options automatically vest upon a change in control. There is no clawback provision in place although it is noted that the Company reduced the annual bonus awards for excess payments made under the Management Profit Sharing Plan upon a restatement of financial performance. However, the contracts are in line with US market practice.
Based on the above-mentioned concerns, we oppose.

4 Appoint the auditors **For**

Ernst & Young LLP proposed. Unacceptable non-audit fees represented 3.97% of audit fees for the year under review. This level of non-audit fees does not raise concerns over the independence of the external auditor.