Triodos Investment Management

INTERFACE INC -CL A

Meeting Date:	Mon, 12 May 2014 15:00pm	**Type:**	AGM	**Issue date:**	Fri, 02 May 2014
Meeting Location:	Eastern Time, at the Vinings Club located at 2859 Paces Ferry Road, Atlanta, Georgia				
Current Indices:	PIRC Global				
Sector:	Office Services & Supplies				

	PROPOSALS	ADVICE
1.1	**Elect John P. Burke** Newly nominated Independent Non-Executive Director.	**For**
1.2	**Elect Edward C. Callaway** Non-Executive Director. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independence on the Board.	**Withhold**
1.3	**Elect Andrew B. Cogan** Independent Non-Executive Director.	**For**
1.4	**Elect Carl I. Gable** Non-Executive Director. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independence on the Board.	**Withhold**
1.5	**Elect Daniel T. Hendrix** President and Chief Executive Officer.	**For**
1.6	**Elect Dr. June M. Henton** Non-Executive Director. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independence on the Board.	**Withhold**
1.7	**Elect Christopher G. Kennedy** Non-Executive Director. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independence on the Board.	**Withhold**
1.8	**Elect K. David Kohler** Independent Non-Executive Director.	**For**
1.9	**Elect James B. Miller, Jr.** Non-Executive Director. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independence on the Board.	**Withhold**
1.10	**Elect Harold M. Paisner** Independent Non-Executive Director.	**For**

2 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. The Compensation Rating is: BDD

Disclosure Rating B: There is disclosure of specific targets for short-term incentives however this is not the case for long-term incentive plans. In addition, there is no evidence that pay elsewhere in the Company is considered for the determination of NEO pay.

Reward Balance D: The lack of disclosure of clear targets and vesting scales for long-term incentives does not allow an informed assessment of whether targets are challenging. It is also not clear whether long-term awards vest after a minimum performance period of three years. In addition, targets used for the vesting of short-term awards are not deemed challenging. The Named Executive Officers received an award of restricted stock of which 40% is only based upon time related vesting.

Contracts Rating D: Severance arrangements are clearly described although ‘good reason’ is not adequately determined. Share-based incentive plans provide for accelerate vesting in case of change in control, which does not meet best practice. Potential payouts upon termination exceed three times salary and bonus for most of the NEOs. There is no evidence that ‘clawback’ provisions are in place.

Based on he lack of disclosure of clear targets and vesting scales for long-term incentives which does not allow an informed assessment of whether targets are challenging, the fact that some long-term awards have no performance criteria other than continued employment and the ability to accelerate vesting of awards upon a change in control, Triodos opposes this resolution.

3 Approve a new bonus plan **Oppose**

The Board seeks approval for the adoption of an amended and restated Executive Bonus Plan to continue to award annual bonuses with full tax deductibility under Section 162(m) of the Internal Revenue Code. The maximum potential bonus amount payable under the Bonus Plan to any participant with respect to any fiscal year will be $1,850,000. The Bonus Plan currently applies to eight executive officers of the Company.

It is noted that as performance conditions may be attached to awards at the Compensation Committee’s discretion, there are concerns that the committee will have considerable flexibility in the payout of discretionary awards, which are not supported.

There are concerns that: awards may not be subject to robust enough performance targets, and be insufficiently challenging; the added discretion to make awards from the plan, without strict guidelines upon the Plan’s use, potentially gives less weight to performance based awards; the performance measures added under the amended Plan make no reference to comparative measures with peer company performance, which is considered best practice; the bonus limit is considered to be quite high; and the target awards become payable in full upon a change-in-control.The principle of performance-related pay is supported and it is considered the rationale of 162(m) is to enable shareholders to implement this principle for all awards above $1 million. However, due to the above noted concerns regarding the lack of performance targets, Triodos opposes this resolution.

4 Appoint the auditors **For**

BDO USA, LLP proposed. Non-audit fees amounted to approximately 3.6% of audit fees for the year under review and approximately 4.6% of audit fees on a three-year aggregate basis. Acceptable proposal.

**** = Special resolution***

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