Triodos Investment Management

WASTE MANAGEMENT INC

MEETING DATE	Thu, 12 May 2016 11:00 am	TYPE	AGM	ISSUE DATE	Wed, 04 May 2016
MEETING LOCATION	The Maury Myers Conference Center, Waste Management, Inc., 1021 Main Street, Houston, Texas 77002				
CURRENT INDICES	S&P500				
SECTOR	Refuse systems				

	PROPOSALS	ADVICE
1a	**Elect Bradbury H. Anderson** Independent Non-Executive Director.	**For**
1b	**Elect Frank M. Clark, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. The Remuneration committee is not fully independent which Triodos does not support.	**Oppose**
1c	**Elect Andrés R. Gluski** Independent Non-Executive Director.	**For**
1d	**Elect Patrick W. Gross** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. The Audit committee is not fully independent which Triodos does not support.	**Oppose**
1e	**Elect Victoria M. Holt** Independent Non-Executive Director.	**For**
1f	**Elect Kathleen M. Mazzarella** Independent Non-Executive Director.	**For**
1g	**Elect John C. Pope** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1h	**Elect W. Robert Reum** Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1i	**Elect David P. Steiner** President and Chief Executive Officer.	**For**
1j	**Elect Thomas H. Weidemeyer** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
2	**Ratify the appointment of the auditors** Ernst & Young LLP proposed. Non-audit fees represented 1.96% of audit fees during the year under review and 0.62% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos oppose this resolution.	**Oppose**

3 Advisory vote on executive compensation **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: CDB.

The Company has achieved an average level of disclosure for the fiscal year. The annual bonus is based on income from operations margin, income from operations and cost, and the Management Development and Compensation Committee has the discretion to modify individual payouts by up to 25% based on individual performance. Long-term incentives consisted of 80% performance share units and 20% stock options. Performance share units are based on cash flow generation and total shareholder return over a three-year performance period. Stock options vest in 25% increments on the first two anniversaries of the date of grant and the remaining 50% vest on the third anniversary.

The Company has achieved a poor balance for rewards. Payouts for performance shares exceeded guidelines (110% of target), which indicates that the targets may not have been challenging. The vesting schedule for stock options is not sufficiently long term to link pay with performance. In addition, whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Therefore, an increase in share price over the lifespan of an option can reward executives even in circumstances of poor relative performance.

The Company has achieved a market best practice approach to contracts with executives. 'Good reason' is defined appropriately. Potential severance entitlements in a change of control scenario are within guidelines (three times base salary plus target bonus). The clawback policy is not considered best practice, as it only provides for recoupment if there is fraud or misconduct by an executive.

Based on the lack of performance conditions, Triodos oppose this resolution.

4 Shareholder Resolution: pro-rata vesting of equity awards **For**

Proposed by: International Brotherhood of Teamsters General Fund

The Proponent asks for the Board to adopt a policy that provides for no acceleration of vesting of any equity award to a named executive officer in a change of control situation. The Compensation Committee, however, may provide that unvested awards will grant on a pro-rata basis up to the time of termination. The proposal shall be implemented so as not to violate any contractual obligations already in existence, and it will only apply to incentive plans or amendments approved by shareholders after the 2016 annual meeting.

Supporting Argument: The Proponent states that the Company currently allows for accelerated vesting of equity awards as part of severance following a termination in a change of control scenario, and that the Proponent has concerns about windfall awards that are not linked with performance. The Proponent states a termination and change of control as of December 2014 could have accelerated the vesting of $37 million worth of equity awards. The Proponent argues that several other major companies have limitations on accelerated vesting of equity, including the use of a pro-rata policy.

Opposing Argument: The Board recommends a vote against the proposal. The Board states that the proposed policy would put it at a disadvantage in terms of executive recruitment, as a majority of companies with which the Company competes for talent provide for accelerated vesting of equity in a change of control. The Board also argues that the proposed policy could discourage executives from pursuing change of control transactions where they are in shareholders' best interests. Finally, the Board states that the Management Development and Compensation Committee is in the best position to determine executive compensation arrangements, and that the proposed policy would unduly restrict the committee's discretion.

Conclusion: It is reasonable for executives that are terminated following a change of control to receive only the equity awards to which their performance entitles them. The proposed implementation of the policy is also reasonable, as it applies only to future plans and amendments. Triodos support this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory vote on executive compensation

Disclosure: C - The Company has achieved an average level of disclosure for the fiscal year. The annual bonus is based on income from operations margin, income from operations and cost, and the Management Development and Compensation Committee has the discretion to modify individual payouts by up to 25% based on individual performance. Long-term incentives consisted of 80% performance share units and 20% stock options. Performance share units are based on cash flow generation and total shareholder return over a three-year performance period. Stock options vest in 25% increments on the first two anniversaries of the date of grant and the remaining 50% vest on the third anniversary.

Balance: D - The Company has achieved a poor balance for rewards. Payouts for performance shares exceeded guidelines (110% of target), which indicates that the targets may not have been challenging. The vesting schedule for stock options is not sufficiently long term to link pay with performance. In addition, whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Therefore, an increase in share price over the lifespan of an option can reward executives even in circumstances of poor relative performance.

Contracts: B - The Company has achieved a market best practice approach to contracts with executives. 'Good reason' is defined appropriately. Potential severance entitlements in a change of control scenario are within guidelines (three times base salary plus target bonus). The clawback policy is not considered best practice, as it only provides for recoupment if there is fraud or misconduct by an executive.

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