Triodos Investment Management

ACUITY BRANDS INC

MEETING DATE	Fri, 06 Jan 2017 11:00 am	TYPE	AGM	ISSUE DATE	Wed, 07 Dec 2016
MEETING LOCATION	Four Seasons Hotel - Madison Conference Room, 75 Fourteenth Street, NE, Atlanta, Georgia				
CURRENT INDICES	S&P500				
SECTOR	Electric lighting and wiring equipment				

	PROPOSALS	ADVICE
1.01	**Elect W. Patrick Battle** Independent Non-Executive Director.	**For**
1.02	**Elect Gordon D. Harnett** Independent Non-Executive Director.	**For**
1.03	**Elect Robert F. McCullough** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	**For**
1.04	**Elect Dominic J. Pileggi** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** Ernst & Young LLP proposed. Non-audit fees represented 15.71% of audit fees during the year under review. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. 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 opposes this resolution.	**Oppose**
3	**Advisory Vote on Executive Compensation** 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: CEC. For fiscal 2016, annual cash awards were considered excessive. The CEO's actual bonus for fiscal 2016 was $5,000,000, representing 833% of his base salary. The use of an adjusted financial figure (especially earning per share) is not considered appropriate in evaluating the overall performance of the Company. Restricted stock vests over a four-year period and stock options vest over a three-year period which is not considered sufficiently long-term. Based on these concerns, Triodos opposes this resolution.	**Oppose**
4	**Approve an amendment to the Company's Certification of Incorporation to declassify the Board of Directors** The Company has put forward a resolution requesting shareholders approve an amendment to the Company's Restated Certificate of Incorporation to phase out the classified structure of the Board. If shareholders approve the proposal, all directors elected at and after the annual meeting of shareholders for fiscal year 2017 will be elected for one-year terms. The Company's Certificate currently divides the Board into three classes, with directors of each class being elected to serve three-year terms. In addition, the amendment provides that, except for directors who were elected prior to the 2017 Annual Meeting, and any director appointed by the Board to replace any such director, directors may be removed with or without cause by the required shareholder vote. It is considered best practice to declassify the Board as a classified board can be used as an anti-takeover device and could serve to entrench underperforming management. Shareholder concerns in relation to specific issues can more appropriately be raised in the context of individual directors' responsibilities if all directors face election each year. Triodos supports this resolution.	**For**

5 Shareholder Resolution: Dividend Policy **Oppose**

Proposed by: Mr. Stephen Kraus. The Proponent requests the Board of Directors approve a dividend increase that will not jeopardise future potential capital investment returns or attractive strategic acquisition opportunities, but will allow the existing shareholders to deploy the Company's excess cash in a manner they find most appropriate.

Proponent's Argument: The Proponent argues that during the four years ending with fiscal 2015, the annual average compound growth rate for net income after tax, compensation for the Named Executive Officers, and dividends paid on common stock was 20.5%, 26.7% and 0.2% respectively. Dividends paid out as a % of net income has dropped from 21.4% in 2011 to 10.2% in 2015, and 2015' s compensation for Named Executive Officers exceeded the total of all dividends paid to common shareholders. The Proponent argues that shareholders also deserve to participate in that success without having to liquidate a portion of their holdings to realise a cash return.

Board's Argument: The Board recommends shareholders oppose and argues that dividend declaration decisions, including the amount of any cash dividends, are integral parts of the Company's capital management and financing activities and impact implementation of the Company's long-term strategic plan and, as such, are matters relating to its ordinary business operations. The Board argues that the proposal seeks to influence the decisions associated with the Company's capital management activities by directing that capital be allocated towards a dividend increase specifically, without regard to the impact of a dividend increase on other capital management decisions. The Board argues that while it remains committed to payment of dividends, it believes that an absolute commitment to increase the dividend without consideration of other capital management and financing activities and the Company's long-term strategic plan would reduce the Company's flexibility to execute the long-term strategic plan in the best interests of all shareholders.

Analysis: The Proponent highlights a disparity between the compensation paid to the executives and the total dividends paid to common shareholders. However, shareholders should be cautious about over involvement in this issue as it is considered that the directors are best placed to understand and implement the Company's capital management activities. Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; a very poor balance for rewards; and an average approach to contracts with executives.

Disclosure: C- Annual cash incentives are based on adjusted diluted earnings per share, adjusted consolidated operating profit margin and adjusted cash flow. Payouts are subject to individual performance adjustments. The Company granted long-term incentives in the form of restricted stock and stock options. The Company has disclosed the financial targets for its short-term incentives but has not provided information with respect to individual performance factors.

Balance: E- For fiscal 2016, annual cash awards were considered excessive. The CEO's actual bonus for fiscal 2016 was $5,000,000, representing 833% of his base salary (200% maximum is considered as acceptable practice). The maximum award is capped by the Annual Cash Incentive Plan's limit of a $6.0 million maximum award which is considered excessive. Also, maximum long-term award opportunities are limited to 200% of base salary. The use of an adjusted financial figure (especially earning per share) is not considered appropriate in evaluating the overall performance of the Company. Restricted stock vests over a four-year period and stock options vest over a three-year period which is not considered sufficiently long-term.

Contract: C- The Company has a compensation claw back policy. The Company provides for separation payments and benefits upon qualifying terminations of employment in connection with a change in control. However, change in control payments are considered excessive.

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Researcher: Irene Tsopanoglou
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

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