Triodos Investment Management

BADGER METER INC

MEETING DATE	Fri, 28 Apr 2017 8:30 am	TYPE	AGM	ISSUE DATE	Fri, 21 Apr 2017
MEETING LOCATION	Customer Experience Center, 4545 W. Brown Deer Road, Milwaukee, Wisconsin 53223				
CURRENT INDICES	PIRC Global				
SECTOR	Totalizing fluid meters and counting devices				

	PROPOSALS	ADVICE
1.1	**Elect Todd A. Adams** Independent Non-Executive Director. He is newly appointed to the Board and his appointment does not improve the gender balance on the Board which Triodos does not suppor	**Oppose**
1.2	**Re-elect Thomas J. Fischer** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.3	**Re-elect Gale E. Klappa** Lead Director.	**For**
1.4	**Re-elect Gail A. Lione** Independent Non-Executive Director.	**For**
1.5	**Re-elect Richard A. Meeusen** 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.	**Oppose**
1.6	**Re-elect Andrew J. Policano** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not support.	**Oppose**
1.7	**Elect James F. Stern** Independent Non-Executive Director.	**For**
1.8	**Elect Glen E. Tellock** Independent Non-Executive Director.	**For**
1.9	**Re-elect Todd J. Teske** Independent Non-Executive Director.	**For**

2 Advisory Vote on Executive Compensation **Abstain**

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: CCB. Rewarded CEO pay was not in-line with peer group averages, as well as, above the average of companies of a similar market capitalisation. The annual bonus awarded was in line with best practice, which was capped at 200% of base salary. However, the long-term incentive is considered excessive and is not in line with best practice, which considers that variable pay should be capped at 400% of base salary (200% for the annual bonus and 200% for the long-term). The cash-based performance unit program is based on operating income targets. The Company grants stock options as part of its long-term award. Whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Based on these concerns, Triodos abstain this resolution.

3 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.

4 Appoint the Auditors **Oppose**

EY proposed. No non-audit fees were paid to the auditors in the past three years. This approach is commended. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.
Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: C - The overall disclosure is an average level with specific targets for both annual and long-term incentive plans. Annual cash incentives are based on a financial factor based on the attainment of a certain level of adjusted Earnings Before Interest and Taxes (EBIT) and individual performance for all officers except the CEO. The Company granted long-term incentives in the form of cash bonus (40%), stock options (30%) and restricted stock units (RSUs) (30%).

Balance: C - The Company has achieved an average balance for rewards. Rewarded CEO pay was not in-line with peer group averages, as well as, above the average of companies of a similar market capitalisation. The annual bonus awarded was in line with best practice, which was capped at 200% of base salary. However, the long-term incentive is considered excessive and is not in line with best practice, which considers that variable pay should be capped at 400% of base salary (200% for the annual bonus and 200% for the long-term). The cash-based performance unit program is based on operating income targets. The Company grants stock options as part of its long-term award. Whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus, an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance.

Contract: B -The Company has achieved a market best practice approach to contracts with executives. The Company has a compensation claw back policy in place. However, upon termination, cash severance is more than 300% of base salary, which is not in line with best practice.

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