Triodos Investment Management

BOSTON PROPERTIES INC.

MEETING DATE	Tue, 23 May 2017 9:00 am	TYPE	AGM	ISSUE DATE	Mon, 08 May 2017
MEETING LOCATION	599 Lexington Avenue, 16th Floor, New York, New York				
CURRENT INDICES	S&P500				
SECTOR	Real estate investment trusts				

	PROPOSALS	ADVICE
1.01	**Re-elect Bruce W. Duncan** Independent Non-Executive Director.	**For**
1.02	**Re-elect Karen E. Dykstra** Independent Non-Executive Director.	**For**
1.03	**Re-elect Carol B. Einiger** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. She is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.04	**Re-elect Jacob A. Frenkel** Independent Non-Executive Director. He is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not support.	**Oppose**
1.05	**Re-elect Joel I. Klein** Independent Non-Executive Director.	**For**
1.06	**Re-elect Douglas T. Linde** President since 2007. His father, Edward H. Linde, is the co-founder and former CEO of the Company.	**For**
1.07	**Re-elect Matthew J. Lustig** Independent Non-Executive Director.	**For**
1.08	**Re-elect Alan J. Patricof** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.09	**Re-elect Owen D. Thomas** Chief Executive Officer.	**For**
1.10	**Re-elect Martin Turchin** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.11	**Re-elect David A. Twardock** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**

2 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 Company identifies certain performance goals, however, there are no indication of targets or measuring the performance goals. The Company has achieved an average balance for rewards. Rewarded CEO pay was not in line with peer group averages, although above the average of companies of a similar market capitalisation. The annual bonus and the long-term incentive are considered excessive and are 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). Performance awards vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, time-based restricted stock units (RSUs) have no performance conditions and vest in three equal instalments beginning on the first anniversary of the grant, which is not considered best practice as it does not link pay with company performance. 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.

The compensation rating is: DCB. Based on this rating, Triodos opposes 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**

PwC LLP proposed. Non-audit fees represented 3.92% of audit fees during the year under review and 18.22% 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 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: D - The Company has achieved a below average level of disclosure due to non-disclosure of performance targets. The Company identifies certain performance goals, however, there are no indication of targets or measuring the performance goals. The Compensation Committee is allowed discretion in determining awards. Long-term awards are granted in the form of performance-based units (PSUs) and time-based restricted stock units (RSUs).

Balance: C - The Company has achieved an average balance for rewards. Rewarded CEO pay was not in line with peer group averages, although above the average of companies of a similar market capitalisation. The annual bonus and the long-term incentive are considered excessive and are 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). Performance awards vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, time-based restricted stock units (RSUs) have no performance conditions and vest in three equal instalments beginning on the first anniversary of the grant, which is not considered best practice as it does not link pay with company 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.

For Private Circulation only

©Copyright 2017 PIRC Ltd

Researcher: Sofie Larsen
Email: pircresearch@pirc.co.uk

Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice. The document is not intended as an offer, solicitation or advice to buy or sell securities. Clients of Pensions & Investment Research Consultants Ltd may have a position or engage in transaction in any of the securities mentioned.

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

Regulated by the Financial Conduct Authority