Triodos Investment Management

TENNECO INC

MEETING DATE	Wed, 17 May 2017 10:00 am	TYPE	AGM	ISSUE DATE	Mon, 08 May 2017
MEETING LOCATION	500 North Field Drive in Lake Forest, Illinois.				
CURRENT INDICES	PIRC Global				
SECTOR	Motor vehicle parts and accessories				

	PROPOSALS	ADVICE
1a	**Elect Director Thomas C. Freyman** Independent Non-Executive Director.	**For**
1b	**Elect Brian J. Kesseler** Chief Executive Officer.	**For**
1c	**Elect Director Dennis J. Letham** 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**
1d	**Elect Director James S. Metcalf** Independent Non-Executive Director.	**For**
1e	**Elect Director Roger B. Porter** 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 Nomination Committee and less than 20% of the Board are women which Triodos does not support. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1f	**Elect Director David B. Price, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1g	**Elect Gregg M. Sherrill** Executive Chairman. It is a generally accepted norm of good practice that the Chairman of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this and a vote to Oppose is recommended.	**Oppose**
1h	**Elect Director Paul T. Stecko** Lead Director. Not considered independent as he previously served as President and Chief Operating Officer from November 1998 to April 1999 and as Chief Operating Officer from January 1997 to November 1998. There is insufficient independent representation on the Board.	**Oppose**
1i	**Elect Director Jane L. Warner** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1j	**Elect Director Roger J. Wood** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** PwC LLP proposed. Non-audit fees represented 10.01% of audit fees during the year under review and 9.62% 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 seven 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 **Abstain**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices.

The Company has achieved an average balance for rewards. Rewarded CEO pay was 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). PRSUs vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, 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 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: CCC. Based on this rating, Triodos abstains on this resolution.

4 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.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - 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 economic value added objectives (75%) and the committee's discretionary determination of company performance (25%). The Company granted long-term incentives in the form of cash-settled long-term performance units and time-based restricted stock units (RSUs). The performance units vest at the end of three years contingent upon achievement of pre-established performance criteria of relative total shareholder return (50%), cumulative earnings before interest, tax, depreciation and amortization (EBITDA) (30%) and cumulative free cash flow (FCF) (20%). However, targets were set to non-GAAP standards, which allows the Company discretion in adjusting the figure.

Balance: C -The Company has achieved an average balance for rewards. Rewarded CEO pay was 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). PRSUs vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, 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: C -The Company has achieved an average 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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