Triodos Investment Management

WATERS CORPORATION

MEETING DATE	Wed, 09 May 2018 11:30 am	TYPE	AGM	ISSUE DATE	Mon, 30 Apr 2018
MEETING LOCATION	Waters Corporation, 34 Maple Street, Milford, Massachusetts 01757				
CURRENT INDICES	S&P500				
SECTOR	Laboratory analytical instruments				

	PROPOSALS	ADVICE
1.1	**Elect Director Michael J. Berendt** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.2	**Elect Director Edward Conard** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.3	**Elect Director Laurie H. Glimcher** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.4	**Elect Director Christopher A. Kuebler** 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 Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.5	**Elect Director Christopher J. O'Connell** 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	**Elect Director Flemming Ornskov** Independent Non-Executive Director.	**For**
1.7	**Elect Director JoAnn A. Reed** 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 Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.8	**Elect Director Thomas P. Salice** Lead Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
2	**Ratify PricewaterhouseCoopers LLP as Auditors** PwC proposed. Non-audit fees represented 6.43% of audit fees during the year under review and 11.17% 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.	**Oppose**

3 Advisory Vote to Ratify Named Executive Officers' 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 has achieved a below average balance for rewards. Rewarded CEO pay was not in-line with peer group averages, although in line with 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). PSUs vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, 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.

The compensation rating is: CEC. At the 2017 AGM, the vote to ratify NEO's compensation received 13.63% votes against.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote to Ratify Named Executive Officers' 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 non-GAAP earnings per share (EPS) (75%) and revenue (25%). The Company granted long-term incentives in the form of stock options (70%) and performance-based stock units (PSUs) (30%). The PSUs vest at the end of three years contingent upon achievement of pre-established performance criteria of total shareholder return (TSR). However, the targets for both short-term and long-term incentives were set to a non-GAAP standards, which allows the Company discretion in adjusting the figure.

Balance: E - The Company has achieved a below average balance for rewards. Rewarded CEO pay was not in-line with peer group averages, although in line with 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). PSUs vest after a three year performance period, which is a market standard. However, a five year performance period is considered best practice. Furthermore, 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: 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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