Triodos Investment Management

ACUITY BRANDS INC

MEETING DATE	Wed, 08 Jan 2020 11:00 am	TYPE	AGM	ISSUE DATE	Thu, 19 Dec 2019
MEETING LOCATION	Four Seasons Hotel, 75 Fourteenth Street, NE, Atlanta, Georgia 30309				
CURRENT INDICES	PIRC Global				
SECTOR	Electric lighting and wiring equipment				

	PROPOSALS	ADVICE
1a	**Elect Director W. Patrick Battle** Independent Non-Executive Director.	**For**
1b	**Elect Peter C. Browning** Lead Independent Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1c	**Elect G. Douglas Dillard, Jr.** Independent Non-Executive Director.	**For**
1d	**Elect James H. Hance, Jr.** Independent Non-Executive Director.	**For**
1e	**Elect Director 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. Triodos supports this resolution.	**For**
1f	**Elect Vernon J. Nagel** Chief Executive.	**For**
1g	**Elect Director Dominic J. Pileggi** Independent Non-Executive Director.	**For**
1h	**Elect Director Ray M. Robinson** Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is chair of the Remuneration Committee which is not fully independent which Triodos does not support.	**Oppose**
1i	**Elect Director Mary A. Winston** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** EY proposed. Non-audit fees represented 4.30% of audit fees during the year under review and 5.26% 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 ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.	**Oppose**

3 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.

Disclosure: -The Company has failed to provide the fees it paid the Compensation Consultants.

Balance: - The Company uses adjusted performance metrics for most elements of compensation. The Company uses only one performance metrics to determine the payout of performance awards. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term.

Contract: - The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The Company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer.

The compensation rating is: AEE. Based on this rating, opposition is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A - The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets. The performance-based long term incentive is subject to quantified performance targets.

Balance: E - The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The Company included non-financial metrics into the annual bonus structure, which is considered to be best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. The Company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of non-financial performance criteria. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. Five-year vesting would be preferred.

Contract: E - The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Good reason has been appropriately defined. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The Company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer.

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