

## EVOQUA WATER TECHNOLOGIES CORP

MEETING DATE	Thu, 14 Feb 2019 9:00 am	TYPE	AGM	ISSUE DATE	Mon, 28 Jan 2019
MEETING LOCATION	2650 Tallevast Road, Sarasota, Florida 34243				
CURRENT INDICES	PIRC Global				
SECTOR	Sewerage systems				

PROPOSALS		ADVICE
<b>1a</b>	<b>Elect Nick Bhambri</b> Non-Executive Director. Not considered independent as he was initially appointed to the Board by AEA, which holds 30.73% of the Company's share capital. There is insufficient independent representation on the Board.	<b>Withhold</b>
<b>1b</b>	<b>Elect Judd A. Gregg</b> Non-Executive Director. Not considered independent as he was initially appointed to the Board by AEA, which holds 30.73% of the Company's share capital. There is insufficient independent representation on the Board.	<b>Withhold</b>
<b>1c</b>	<b>Elect Lynn C. Swann</b> Independent Non-Executive Director.	<b>For</b>
<b>2</b>	<b>Advisory Vote on Executive Compensation</b> 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. In connection with the IPO, the Board adopted the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan. Following the IPO, the Company has granted awards in the form of options and RSUs under the Equity Incentive Plan. As part of the implementation of the long-term incentive award program for fiscal 2018, the NEOs received grants of stock options that vest in four equal annual installments over a period of four years, which is not considered acceptable. Best practice requires a minimum three year performance period before vesting. Additionally, the Company issued IPO RSU's which will vest and settle in full on the second anniversary of the IPO date. During the year under review the CEO received equity payments amounting to 1389.4% of base salary, which is considered to be excessive. Performance targets under the AIP for fiscal 2018 were not achieved, and so no bonus payments were made. The compensation rating is: DEC. Triodos opposes this resolution.	<b>Oppose</b>
<b>3</b>	<b>Approve the Frequency of Future Advisory Votes on Executive Compensation</b> 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.	<b>1</b>

**4 Approve the Evoqua Water Technologies Corp. 2018 Employee Stock Purchase Plan**

**For**

The Evoqua Water Technologies Corp. 2018 Employee Stock Purchase Plan (ESPP) will provide for the issuance of up to 5,000,000 shares of the Company's common stock, \$0.01 par value per share to eligible employees. The ESPP will provide employees with the opportunity to purchase shares through accumulated payroll deductions, at a discount from the market price. The ESPP operates by offering eligible employees Options through a series of successive offering periods beginning on each October 1 and April 1. To be eligible for the plan, an employee of the Company and its designated subsidiaries must be employed for more than 20 hours per week and more than five months in a calendar year, or has been employed for at least one year, or who will not possess five percent or more of the total combined voting power or value of all classes of stock of the Company or any subsidiary following granting. The Company estimates that approximately 2,467 U.S. employees and approximately 949 employees in participating jurisdictions outside of the U.S. will be eligible to participate in the ESPP and applicable sub-plans. The option price of the shares acquired will be equal to 85% of the lesser of the fair market value of a share on the first trading day of each offering period and the applicable exercise date (last day of trading of each offering period).

It is considered that it is in the best interests of the company and its shareholders to provide employees with an opportunity to benefit from business success and increase their share ownership through payroll deductions. As the Plan is open to the majority of employees and is capped at purchase price of no less than 85% of fair market value, a vote for the proposal is recommended. Triodos supports this resolution.

**5 Appoint the Auditors**

**Oppose**

EY proposed. Non-audit fees represented 32.20% of audit fees during the year under review and 32.20% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. Triodos opposes this resolution.

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**SUPPORTING INFORMATION FOR RESOLUTIONS**

**Proposal 2 - Advisory Vote on Executive Compensation**

**Disclosure: D** - The Company awarded equity compensation in the form of stock options under the Evoqua Water Technologies Corp. Stock Option Plan until the initial public offering (IPO). The Company no longer makes new grants under the pre-IPO Option Plan. The Company maintains a Management Incentive Plan (AIP) and links it to Company performance, with achievement measured against Company-wide Adjusted EBITDA goals, Company-wide sales goals and Segment Adjusted EBITDA goals.

**Balance: E** - In connection with the IPO, the Board adopted the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan. Following the IPO, the Company has granted awards in the form of options and RSUs under the Equity Incentive Plan. As part of the implementation of the long-term incentive award program for fiscal 2018, the NEOs received grants of stock options that vest in four equal annual installments over a period of four years, which is not considered acceptable. Best practice requires a minimum three year performance period before vesting. Additionally, the Company issued IPO RSU's which will vest and settle in full on the second anniversary of the IPO date. During the year under review the CEO received equity payments amounting to 1389.4% of base salary, which is considered to be excessive. Performance targets under the AIP for fiscal 2018 were not achieved, and so no bonus payments were made.

**Contract: C** - The Company maintains a pension plan that is restricted to NEOs, which is not considered best practice. Good reason and cause are not appropriately defined.

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