Triodos Investment Management

WASTE MANAGEMENT INC

MEETING DATE	Tue, 14 May 2019 11:00 am	TYPE	AGM	ISSUE DATE	Fri, 10 May 2019
MEETING LOCATION	The Maury Myers Conference Center Waste Management, Inc. 1021 Main Street Houston, Texas 77002				
CURRENT INDICES	S&P500				
SECTOR	Refuse systems				

	PROPOSALS	ADVICE
1a	**Elect Director Frank M. Clark, Jr.** 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**
1b	**Elect Director James C. Fish, Jr.** Chief Executive.	**For**
1c	**Elect Director Andres R. Gluski** Independent Non-Executive Director.	**For**
1d	**Elect Director Patrick W. Gross** 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**
1e	**Elect Director Victoria M. Holt** Independent Non-Executive Director.	**For**
1f	**Elect Director Kathleen M. Mazzarella** Independent Non-Executive Director.	**For**
1g	**Elect Director John C. Pope** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1h	**Elect Director Thomas H. Weidemeyer** Non-Executive Chair of the Board.	**For**
2	**Appoint the Auditors** EY proposed. No non-audit fees were paid to the auditors in the past three years. This approach is commended. 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**

Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure.The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement. 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. PSUs vest after a three year performance period. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. Good reason has been appropriately defined. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 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 compensation rating is: ADB.

Triodos opposes this resolution.

4 Shareholder Resolution: Limit Accelerated Vesting of Equity Awards Upon a Change in Control — For

Proposed by International Brotherhood of Teamsters General Fund.

The shareholders ask the board of directors of the Company, to adopt a policy that in the event of a change in control (as defined under any applicable employment agreement, equity incentive plan or other plan), there shall be no acceleration of vesting of any equity award granted to any senior executive officer, provided, however, the Board's Compensation Committee may provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, pro rata basis up to the time of the named executive officer's termination, with such qualifications for an award as the Committee may determine.

Proponent's Argument

The Company allows senior executives to receive an accelerated award of unearned equity under certain conditions after a change of control of the Company. We do not question that some form of severance payments may be appropriate in that situation. Current practices at the Company may permit windfall awards that have nothing to do with an executive's performance. Per last year's proxy statement, a termination following a change in control at the end of the 2017 fiscal year could have accelerated the vesting of USD 32.5 million worth of long term equity and grants to five senior executives, with the CEO entitled to USD 11.9 million. In the event of a change in control and termination, Waste Management's performance share units vest pro-rata but the provision is meaningless because the company compensates the executives through a replacement grant for any lost earnings due to proration. Other major corporations, including: Apple, Chevron, Dell, Exxon Mobil, IBM, Intel, Microsoft, and Occidental Petroleum, have limitations on accelerated vesting of unearned equity, such as, providing pro rata awards or simply forfeiting unearned awards. Research from James Reda & Associates found that over one-third of the largest 200 companies now pro rate, forfeit, or only partially vest performance shares upon a change of control.

Company's Argument

The Board does not believe that adoption of a rigid policy restricting the acceleration of vesting and requiring partial forfeiture of named executive officers' equity awards is in the best interests of the Company or stockholders. Such a policy could put the Company at a competitive disadvantage in attracting and retaining key executives, it would disrupt the alignment of interests between our management and our stockholders by discouraging pursuit of any transaction that could result in a change in control, and it would unduly restrict our MD&C Committee from designing and administering appropriate compensation arrangements. In addition, the proposed policy may also make it particularly difficult for us to retain key executives during the pendency of a potential change in control, which could be disruptive to the transaction. Allowing executives to retain the value of their awards encourages our executives to remain with us through consummation of a merger or similar change in control transaction, reinforcing the retention value of those awards. Accelerated vesting provisions therefore help provide stability and ensure continuity of executive management during the critical stages of a potential change in control transaction. Overall, the Board considers that adopting the rigid policy advanced by the proponent would frustrate the purpose of the Remuneration Committee and interfere with the objective of the compensation program. The Board recommends a vote against this proposal.

PIRC's Analysis

The acceleration of unvested stock where that is not based on either the completion of tenure associated with the award nor the achievement of performance targets on which the award is conditional is not supported under any circumstances, regardless of whether the company pro-rates the vesting and then provides a make-whole cash award instead. In addition, executives benefiting so highly from a merger or acquisition might be suspected of a conflict of interest in the case of a significant accelerated equity award. A vote for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A Retention awards made up less than one-third of the awards granted to executives, which is considered best practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Change-in-control payments are subject to double-trigger provisions. Executive compensation is aligned with peer group averages. The Company does not consider non-financial metrics in its assessment of performance. The performance-based long term incentive is subject to quantified performance targets. 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. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. The grant of performance awards was based on the achievement of set levels of specific performance targets, such as TSR relative to the S&P 500. 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. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice.

Balance: D The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement. 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. PSUs vest after a three year performance period. A five year performance period is considered best practice. In addition, executive compensation is aligned with companies of a similar market cap. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company.

Contract: B The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. Good reason has been appropriately defined. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary

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Researcher: Francesco Navarrini
Email: pircresearch@pirc.co.uk

PIRC

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

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