Triodos Investment Management

BADGER METER INC

MEETING DATE	Fri, 24 Apr 2020 8:30 am	TYPE	AGM	ISSUE DATE	Mon, 20 Apr 2020
MEETING LOCATION	Customer Experience Center, 4545 W. Brown Deer Road, Milwaukee, Wisconsin 53223				
CURRENT INDICES	PIRC Global				
SECTOR	Totalizing fluid meters and counting devices				

	PROPOSALS	ADVICE
1.1	**Elect Todd A. Adams as Director** Independent Non-Executive Director.	**For**
1.2	**Elect Kenneth C. Bockhorst as Director** Chair 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. Triodos opposes this resolution.	**Oppose**
1.3	**Elect Gale E. Klappa as Director** Senior Independent Director. Not considered independent owing to a tenure of over nine years. Chair of the compensation committee, and the committee is not fully independent, however as there is over 50% independence on the committee this is within acceptable guidelines. The director has attended at least 75% of board and committee meeting to which he was entitled to attend; however, there are concerns over the director's potential aggregate time commitments, and the director could not prove full attendance of board and committee meetings during the year.	**Withhold**
1.4	**Elect Gail A. Lione as Director** Independent Non-Executive Director.	**For**
1.5	**Elect James W. McGill as Director** Independent Non-Executive Director.	**For**
1.6	**Elect Tessa M. Myers as Director** Independent Non-Executive Director.	**For**
1.7	**Elect James F. Stern as Director** Independent Non-Executive Director.	**For**
1.8	**Elect Glen E. Tellock as Director** Independent Non-Executive Director. There are concerns over the director's potential time commitments, and the director could not prove full attendance of board and committee meetings during the year.	**Withhold**

2 Advisory Vote on Executive Compensation **Abstain**

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 uses adjusted performance metrics for most elements of compensation. 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. Performance shares have a three-year performance period, which is a market standard. 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 Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern.

The compensation rating is: CCC.

Based on this rating,

Triodos abstains this resolution.

3 Appoint the Auditors **Oppose**

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.

Triodos opposes this resolution.

4 Shareholder Resolution: Election of an Employee Representative Director **For**

PIRC's Analysis

The election of an employee-representative director, as is common practice in Germany, among other economies would seem to be an effective way of ensuring that the board hears and understands about employee concerns. Such a director's nominal lack of independence is outweighed by bringing such a stakeholder representative into the boardroom. For these reasons, support for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: C - 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 Company has provided the level of fees paid to 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: 30% restricted stock awards, 30% stock option awards and 40% cash bonus

Balance:C -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 does not consider non-financial metrics in its assessment of performance. 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. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable 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. 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 an non-financial performance critertia. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.

Contract: C -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. Change-in-control payments are subject to double-trigger provisions. Good reason has been appropriately defined. Equity awards are subject to pro-rata vesting, which is line with best practice. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. 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.

Proposal 4 - Shareholder Resolution: Election of an Employee Representative Director

Proponent's Argument

Shareholders believe that fulfilling the Roundtable's commitment to "Invest in our employees" could come from a direct line of communication between employees and the board; In 2018, the Accountable Capitalism Act was introduced into the U.S. Congress to combat "America's fundamental economic problems" such as companies' failure to reinvest proceeds in their operations, including employees. The Act would require that "boards include substantial employee participation ensur(ing) that no fewer than 40% of (a board's) directors are selected by the corporation's employees." Though our Company would not yet be considered a "large entity" under the Act, shareholders recommend the Company plan for such future growth; Several European countries require employee representation on boards. Academic analysis of one such policy stated that it "offer(s) advantages for technical efficiency, skill development and knowledge generation through its protection of specific human capital investments"; A recent poll found that a majority of Americans "would support allowing employees at large companies to elect representatives to those companies' boards of directors"; Shareholders believe that our company can advance long-term value creation through a board that includes non-management employee representation. Resolved: Shareholders of Badger Meter urge the Board of Directors to prepare a report to shareholders describing opportunities for the company to encourage the inclusion of non-management employee representation on the Board. Supporting Statement: The report should be prepared within one year, at reasonable cost and excluding proprietary and privileged information. The Board is encouraged to assess: Any legal, technical, practical, or organizational impediments to non-management employees gaining board nomination; Benefits and challenges associated with board membership of non-management employees; Opportunities or procedures through which non-management employees could gain nomination to the board, such as allocation of board slots or special board nomination process for non-management employees, and any needed changes to corporate governance documents to accomplish such changes.

Company's Argument

Any shareholder already has the ability to recommend a prospective director candidate, including a company employee, for consideration. The process for initiating such a nomination is described in the "Nomination of Directors" section of this Proxy document. Giving non-management employees a dedicated position on the board, a different process for board representation or a different set of qualifications undermines the most important and strategic elements of corporate governance. Our existing director selection process is designed to identify and nominate the strongest director candidates from all available sources, including our employees. We believe that an employee candidate for the Board of Directors should be evaluated by the same criteria and standards as any other candidate. This proposal would require us to deviate from our existing rigorous processes and could thus diminish the effectiveness of the board. Having an independent board is a core hallmark of our governance philosophy. Except for our CEO, all of our current directors are independent. Adding an employee of Badger Meter to the board, as this proposal suggests, would diminish that independence. We wholeheartedly agree that our employees are critical to the achievement of our vision and successful execution of our strategic plans. That fact is evident in our enterprise risk management (ERM) assessment matrix. As such, our Compensation Committee and Board of Directors regularly reviews metrics associated with safety, employee turnover, and other organizational health measures. They also review talent plans, succession plans, training programs, equity compensation, benefits and other programs aimed at attracting and retaining high quality employees including management and top performing staff. These metrics and processes combined provide a state of health of our employees and their satisfaction and engagement. We are proud of the low turnover, lengthy tenure and diverse experience of our employees across the globe and are fully committed to the eight tenants of our employee value proposition supporting that "Every Employee Counts." Our culture places high value on open and direct communication. Employees have numerous ways to be heard and exert influence.

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