Triodos Investment Management

EVOQUA WATER TECHNOLOGIES CORP

MEETING DATE	Tue, 18 Feb 2020 12:30	TYPE	AGM	ISSUE DATE	Fri, 31 Jan 2020
MEETING LOCATION	725 Wooten Road, Colorado Springs, Colorado 80915				
CURRENT INDICES	PIRC Global				
SECTOR	Sewerage systems				

	PROPOSALS	ADVICE
1.1	**Elect Director Ron C. Keating** Chief Executive.	**For**
1.2	**Elect Director Martin J. Lamb** Non Executive Chair, considered to be connected with the controlling shareholder, he is a member of the European Advisory Board of AEA, which holds 30.73% of the Company's share capital. The level of independence on the Board is not considered to be sufficient to offset the power of a director with connections to the controlling shareholder on the Board.	**Withhold**
1.3	**Elect Director Peter M. Wilver** Independent Non-Executive Director.	**For**
2	**Advisory Vote on Executive Compensation** 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.Specific performance targets for all long-term awards have not been adequately disclosed. The Company uses adjusted performance metrics for most elements of compensation. The Company does not consider non-financial metrics in its assessment of 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. Executive compensation is not aligned with peer group averages. The compensation rating is: DEB. Based on this rating, Triodos opposes this resolution.	**Oppose**
3	**Amend Existing Omnibus Plan** It is proposed to amend the Evoqua Water Technologies Corp. 2017 Equity Incentive Plan. The principal purpose of this amendment and restatement is to increase the number of shares of Evoqua common stock, par value USD 0.01 per share (the "Shares"), available for issuance under the 2017 Plan by an additional 5,000,000 Shares. There are concerns with the Plan as the it has various elements bundled together, and although parts of it can benefit the majority of employees, it can still be used as a vehicle for potentially excessive executive payments. As performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging. In addition, maximum award limits are excessive. As a result, opposition is recommended.	**Oppose**
4	**Ratify Ernst & Young LLP as Auditors** EY proposed. Non-audit fees represented 19.57% of audit fees during the year under review and 25.95% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. Non-audit fees exceed 25% of audit fees on a three-year aggregate basis which does not meet Triodos guidelines. Triodos opposes this resolution.	**Oppose**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: D - 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 for individuals within certain subsidiaries. Specific performance targets for all long-term awards have not been adequately disclosed.

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 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. 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. 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. Executive compensation is not aligned with peer group averages.

Contract: B - Change-in-control payments are subject to double-trigger provisions. Good reason has been appropriately defined. 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.

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