Triodos Investment Management

EVOQUA WATER TECHNOLOGIES CORP

MEETING DATE	Tue, 16 Feb 2021 13:00	TYPE	AGM	ISSUE DATE	Fri, 05 Feb 2021
MEETING LOCATION	Virtual				
CURRENT INDICES	PIRC Global				
SECTOR	Sewerage systems				
FYE	30 Sep 2020				

	PROPOSALS	ADVICE
1.01	**Elect Gary A. Cappeline - Non-Executive Director** Non-Executive Director. Not considered independent as he served as the Interim CEO of the company. Mr Cappeline was an Operating Partner of AEA from 2007 until December 2018. AEA holds 9.57% of the company's share capital. 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.	**Withhold**
1.02	**Elect Lisa Glatch - Non-Executive Director** Independent Non-Executive Director.	**For**
1.03	**Elect Brian R. Hoesterey - Non-Executive Director** Non-Executive Director. Not considered independent as Mr. Hoesterey is President of AEA, which is the holder of 9.57% of the company's share capital. There are concerns over the director's potential aggregate time commitments. There is insufficient independent representation on the Board. Triodos withholds on this resolution.	**Withhold**
1.04	**Elect Vinay Kumar - Non-Executive Director** Non-Executive Director. Not considered independen as Mr Kumar is a Partner of AEA, which is the holder of 9.57% of the company's share capital. There is insufficient independent representation on the Board. Triodos withholds on this resolution.	**Withhold**
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. The company has failed to provide the fees it paid the Compensation Consultants. 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. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The compensation rating is: BCB The compensation policy has seen improvement since 2019, however the use of adjusted metrics and other practices mean that Triodos is recommended oppose the advisory vote on executive compensation.	**Oppose**

3 Appoint the Auditors **For**

EY proposed. Non-audit fees represented 15.67% of audit fees during the year under review and 22.40% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: B - 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: Evoqua Global Adjusted EBITDA performance metric. Specific performance targets for all long-term awards have not been adequately disclosed.

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. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. 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: B - 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. Change-in-control payments are subject to double-trigger provisions. Equity awards are subject to pro-rata vesting, which is line with best practice. 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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