Triodos Investment Management

ACUITY BRANDS INC

MEETING DATE	Wed, 06 Jan 2021 11:00 am	TYPE	AGM	ISSUE DATE	Fri, 18 Dec 2020
MEETING LOCATION	Virtual Meeting/ www.virtualshareholdermeeting.com/AYI2021				
CURRENT INDICES	PIRC Global				
SECTOR	Electric lighting and wiring equipment				
FYE	31 Aug 2020				

	PROPOSALS	ADVICE
1.a	**Elect Director Neil M. Ashe** Chief Executive. Acceptable service contract provisions. Triodos supports this resolution.	**For**
1.b	**Elect Director W. Patrick Battle** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.c	**Elect Director Peter C. Browning** Non-Executive Director and member of the Remuneration Committee. Not considered independent owing to a tenure of over nine years. The Remuneration Committee consists of 80% independent directors and there is sufficient independent representation on the Board. Triodos supports this resolution.	**For**
1.d	**Elect Director G. Douglas Dillard, Jr.** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.e	**Elect Director James H. Hance, Jr.** Senior Independent Director. Considered independent. Triodos supports this resolution.	**For**
1.f	**Elect Director Maya Leibman** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.g	**Elect Director Laura G. O'Shaughnessy** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.h	**Elect Director Dominic J. Pileggi** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1.i	**Elect Director Ray M. Robinson** Non-Executive Director and member of the Audit Committee. Not considered to be independent owing to a tenure of nine years. There is sufficient independence on the Board and on the Audit Committee. Triodos supports this resolution.	**For**
1.j	**Elect Director Mary A. Winston** Independent Non-Executive Director. Although there are concerns over potential aggregate time commitments, this director has attended all Board and committee meetings during the year under review. Triodos supports this resolution.	**For**

2 Ratify Ernst & Young LLP as Auditors **Oppose**

EY proposed. Non-audit fees represented 3.95% of audit fees during the year under review and 5.05% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. 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.

3.a Board Proposal to Eliminate Supermajority Voting **For**

It is considered to be best practice that shareholders should have the right to approve most matters submitted for their consideration by a simple majority of the shares voted. There are concerns that the super-majority provisions which relate to the company's corporate governance documents could frustrate attempts by the majority of shareholders to make the company more accountable or strengthen the independence of the Board.

Triodos supports this resolution.

3.b Board Proposal to Introduce Majority Voting for Director Election **For**

It is proposed to amend the company by-laws in order the shareholders to be able to remove any director from office, with or without cause, by the affirmative vote of the holders of at least a majority of the shares then entitled to vote at an election of directors, which is the default standard under the Delaware General Corporation Law. No serious governance concerns has been identified the proposed amendments are in line with market regulations.

Triodos supports this resolution.

4 Right to Call Special Meeting **For**

It is proposed to amend the company by-laws. The proposed amendments will allow the shareholders holding 20% or more of the company outstanding common stock to have the ability to call a special meeting. No serious governance concerns have been identified the proposed amendment is in line with market regulation.

Triodos supports this resolution.

5 Advisory Vote on Executive Compensation **Oppose**

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. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company included non-financial metrics into the annual bonus structure, which is considered best practice. 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. 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. 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 not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure.

The compensation rating is: ADC.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 5 - Advisory Vote on Executive Compensation

Disclosure: A 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: Adjusted operating profit (34%),Adjusted operating profit margin(33%) and Adjusted free cash flow(33%). The performance-based long term incentive is subject to quantified performance targets.

Balance: D 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 included non-financial metrics into the annual bonus structure, which is considered best practice. 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. 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. 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 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. However, a five-year performance period is considered best practice. Executive compensation is not 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. 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.

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