Triodos Investment Management

FIRST SOLAR INC

Meeting Date:	Wed, 21 May 2014 9:00am	Type:	AGM	Issue date:	Fri, 16 May 2014
Meeting Location:	Tempe Mission Palms Hotel, 60 East Fifth Street, Tempe, Arizona 85281				
Current Indices:	S&P500				
Sector:	Electrical Components & Equipment				

	PROPOSALS	ADVICE
1.01	**Elect Michael J. Ahearn** Non-Executive Chairman. Not considered to be independent as he served as the Company's CEO from August 2000 to September 2009; interim chief executive officer from October 2011 to May 2012; executive chairman from October 2009 to December 2010 and May 2012 to July 2012; and non-executive chairman from January 2011 to October 2011 and July 2012 to present. It is considered that where a Chairman has been the CEO, this could impinge on the responsibilities of the incumbent CEO. It is also viewed that the Chairman should be independent of management. There is insufficient independent representation on the Board.	**Withhold**
1.02	**Elect Sharon L. Allen** Newly appointed independent Non-Executive Director.	**For**
1.03	**Elect Richard D. Chapman** Non-Executive Director. Independent by the Company, but not considered to be independent as he previously served on the Board of Managers of First Solar Holdings LLC. There is insufficient independent representation on the Board.	**Withhold**
1.04	**Elect George A Hambro** Non-Executive Director. Independent by the Company, but not considered to be independent as he has served in various positions in First Solar from 2001-2009, including Chief Operating Officer from February 2005 to May 2007. There is insufficient independent representation on the Board.	**Withhold**
1.05	**Elect James A. Hughes** Chief Executive Officer. There are concerns over his aggregate time commitments.	**Withhold**
1.06	**Elect Craig Kennedy** Independent Non-Executive Director.	**For**
1.07	**Elect James F. Nolan** Non-Executive Director. Independent by the Company, but not considered to be independent as he served as an executive of a predecessor of the company and worked as a part-time consultant for the company from November 2000 until March 2007. There is insufficient independent representation on the Board.	**Withhold**
1.08	**Elect William J. Post** Independent Non-Executive Director.	**For**
1.09	**Elect J. Thomas Presby** Independent Non-Executive Director.	**For**
1.10	**Elect Paul H. Stebbins** Independent Non-Executive Director.	**For**
1.11	**Elect Michael Sweeney** Non-Executive Director. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board.	**Withhold**

2	**Appoint the auditors** PricewaterhouseCoopers LLP proposed. The total unacceptable non-audit fees were approximately 4.5% of audit and audit related fees during the year under review. Non-audit fees over a three-year period were approximately 5.5% of audit and audit related fees. Acceptable proposal.	**For**
3	**Approve 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 our opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: CEB Disclosure rating: C - The annual bonus performance underpin is disclosed but the Company does not publish the full list of performance goals as they are set according to their "confidential business goals". Balance rating: E - The performance shares vest upon achievement of performance targets similar to the annual bonus, to be achieved at any time over a twelve months rolling period. This is not viewed as an appropriate structure for a long-term equity award. Every year, executives are awarded restricted shares which vest in four equal instalments over four years based on continued employment only. Contracts rating: B - In July 2013, the Company introduced a double-trigger provision to the vesting of equity awards but the Compensation Committee has still entire discretion to trigger the vesting of awards following a change in control. The Company extended the claw-back policy in 2013. Based upon the inadequate performance period, the annual vesting of restricted stock awards and the duplication of performance targets for the annual bonus and long term awards, Triodos does not support this resolution. The Company has a triennial 'say-on-pay' vote. In 2011, almost 15% of shareholders did not support the 'say-on-pay' resolution.	**Oppose**

4 Shareholder Resolution: Accelerated vesting of equity awards **For**

Proposed by: The Central Laborers' Pension Fund

The proponent asks the board to adopt a policy that in the event of a change in control, there shall be no acceleration of vesting of any equity award granted to any senior executive, provided, however, that 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 senior executive's termination, with such qualifications for an award as the Committee may determine. The proponent is concerned that current practices at the Company may permit windfall awards that have nothing to do with a senior executive's performance.

The Board recommends to vote against the proposal. It argues that the change in control agreements with newly hired executives no longer provide "single-trigger" vesting upon a change in control. It adds that the provisions of awards that address vesting (in whole or in part) in connection with a change in control were included to ensure that the executives remain focused on the Company's initiatives and performance, even during times of transition. Furthermore, it believes that the current provisions are key to attract and retain top executive talents, and align their interests with those of shareholders.

The Company's decision to introduce a double-trigger provision is welcome. However, the Committee has still entire discretion to accelerate the vesting of awards made under the key staff talent equity performance plan, which is an important component of total pay. It is not considered best practice to reward executives just upon a change-in-control, forfeiting any performance and time elements attached to awards.
As the Company does not have a clear provision prohibiting the accelerated vesting of all awards, Triodos supports this resolution.

Note: A similar resolution at the 2013 AGM received over 34% of the vote in favour.

5 Shareholder Resolution: Introduce majority voting for director elections **For**

Proposed by: The United Brotherhood of Carpenters and Joiners of America

The proponent requests that the Board initiate the appropriate process to amend the Company's corporate governance documents to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats. It believes that a majority vote standard in board elections establishes a challenging vote standard for board nominees, enhances board accountability, and improves the performance of boards and individual directors.

The Board recommends to vote against the proposal. It argues that the proposal may create uncertainty and adversely impact the Company, for example in case the Board faces a situation where it has to fill a significant number of vacancies at one time.

It is viewed that true accountability will only take place when director resignations are irrevocable by the board and all the directors are put for shareholder approval every year.
Triodos supports this resolution.

A similar resolution to the 2013 AGM received approximately 40% of votes cast in favour.
**** = Special resolution***

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