Triodos Investment Management

# SUNPOWER CORPORATION

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| MEETING DATE | Wed, 03 Jun 2015 10:00 am | TYPE | AGM | ISSUE DATE | Thu, 28 May 2015 |
| MEETING LOCATION | www.virtualshareholdermeeting.com/SPWR | | | | |
| CURRENT INDICES | PIRC Global | | | | |
| SECTOR | Semiconductors and related devices | | | | |

| | PROPOSALS | ADVICE |
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| 1.1 | **Elect Arnaud Chaperon**<br>Non-Executive Director. Not considered independent as he is connected to the controlling shareholder Total Energies Nouvelles Activités USA, SAS. There is insufficient independent representation on the board. | **Withhold** |
| 1.2 | **Elect Jean-Marc Otero del Val**<br>Non-Executive Director. Not considered independent as he is connected to the controlling shareholder Total Energies Nouvelles Activités USA, SAS. There is insufficient independent representation on the board. | **Withhold** |
| 1.3 | **Elect Pat Wood III**<br>Lead Director. Not considered independent as he has been on the Board for more than nine years. There are concerns over his potential aggregate time commitments. There is insufficient independent representation on the board.<br>He is chair of a committee which is not fully independent which Triodos does not support. Furthermore, he is chair of the Nomination committee and there is no gender diversity on the Board which Triodos also does not support. | **Withhold** |
| 2 | **Advisory vote on executive compensation**<br>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.<br>In fiscal 2014, the Company awarded three-quarters of each NEO's annual target cash bonus under the 2014 Annual Bonus Program and one-quarter under the 2014 Quarterly Bonus Program. Payments under the 2014 Annual Bonus Program were based on an annual revenue metric (27%), an annual profitability metric (33%), and an annual free cash flow metric (40%). Payments under the 2014 Quarterly Bonus Program were based on a quarterly profitability metric and quarterly corporate milestones, as well as on the achievement of quarterly personal milestones. Specific targets are disclosed in the compensation analysis; however, shareholders are provided with only limited information with respect to targets under the 2014 Quarterly Bonus Program. The Company awarded long term incentives in the form of performance-based restricted stock units and time-based restricted stock units, all of which would vest over three years. Performance-based restricted stock units were based on the following performance metrics: annual revenue metric (27%), annual profitability metric (33%) and annual free cash flow metric (40%). There is insufficient information provided in the compensation analysis to assure shareholders that targets that determine the award of annual cash incentives and performance-based restricted stock units are challenging.<br>The Company uses the same performance metrics for determining the annual cash incentive payouts and long term incentive payouts. Time-based restricted stock units have no performance criteria beyond time-based vesting. Long term incentives start vesting one year from the grant date. Based on these concerns, Triodos opposes this resolution. | **Oppose** |

**3 Appoint the auditors** **For**

Ernst & Young LLP proposed. Non-audit fees represented 13.24% of audit fees during the year under review and 11% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. The current auditor has been in place for less than five years. Acceptable proposal.

**4 Approve new long term incentive plan** **Oppose**

The Company has put forward a resolution requesting shareholders to approve the 2015 Omnibus Incentive Plan including certain material terms of the performance goals for performance-based awards granted under the 2015 Plan. Section 162(m) of the Internal Revenue Code of 1986. As of March 29, 2015, 5,311,665 shares were subject to outstanding awards granted under the Prior Plan, and 7,533,795 shares remained available for any new awards to be granted in the future. The Plan is open to all employees (approximately 7,303) and permits the Company to grant incentive stock options (ISOs), stock options, Restricted Shares, stock appreciation rights (SARs), Restricted Stock Units, Performance Stock Awards, and Performance Bonus Awards. Under the Plan, no participant may receive options, SARs, Restricted Shares or Restricted Stock Units that are granted as Performance Stock Awards in any calendar year that relate to more than five million shares in the aggregate under all such awards. In addition, for Performance Bonus Awards, the maximum amount that may be paid in cash to any participant in any calendar year is $15,000,000.

It is noted that 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, which are not supported.

There are concerns that awards may not be subject to robust enough performance targets, and be insufficiently challenging. In addition, the bonus limit is considered to be potentially excessive. As a result of these concerns, Triodos opposes this resolution.

**5 Approve equity award grant to executive director** **Oppose**

The Company has put forward a resolution requesting shareholders approve a grant to the Company's CEO, of an award of 125,278 restricted stock units, which, subject to his continued employment with the Company to the vesting date, would vest in full on September 1, 2016. The Proposed Award replaces previously granted equity awards that were rescinded in February 2015. In particular, in 2012, Mr. Werner earned an aggregate of 501,694 shares and in 2013, Mr. Werner earned an aggregate of 625,278 shares and therefore exceeded the Individual Limit. The 2005 Plan provides that no participant may receive stock awards that cover more than 500,000 shares in a calendar year. The Board argues that in June 2014, it received a demand letter from a law firm representing a purported stockholder of the Company demanding that the Company rescind the excess awards granted to Mr. Werner in 2012 and 2013. The Board argues that the Compensation Committee approved the Proposed Award to replace the 2013 portion of the Excess Awards in order to provide appropriate incentives for the retention of Mr. Werner.

It is not considered that such an award of equity is appropriate without reference to performance. Triodos opposes this resolution.

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