Triodos Investment Management

UNIVERSAL DISPLAY CORPORATION

MEETING DATE	Thu, 22 Jun 2017 1:30 am	TYPE	AGM	ISSUE DATE	Thu, 08 Jun 2017
MEETING LOCATION	Element By Westin hotel located at 1000 Sam Weinroth Road East, Ewing, New Jersey 08628				
CURRENT INDICES	PIRC Global				
SECTOR	Electronic components, not elsewhere classified				

	PROPOSALS	ADVICE
1a	**Re-elect Steven V. Abramson** President and Chief Executive Officer.	**For**
1b	**Re-elect Richard C. Elias** Independent Non-Executive Director.	**For**
1c	**Re-elect Elizabeth H. Gemmill** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. She is chair of the Remuneration committee which is not fully independent which Triodos does not support. She is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1d	**Re-elect Rosemarie B. Greco** Independent Non-Executive Director.	**For**
1e	**Re-elect C. Keith Hartley** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1f	**Re-elect Lawrence Lacerte** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1g	**Re-elect Sidney D. Rosenblatt** Executive Vice President, Chief Financial Officer, Treasurer and Secretary.	**For**
1h	**Re-elect Sherwin I. Seligsohn** Executive Chairman. It is a generally accepted norm of good practice that the Chairman of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this. Triodos opposes this resolution.	**Oppose**

2 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.

Annual cash incentives are based on: a revenue goal (30%); a goal for adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) (30%); and upon team and individual key performance indicators using a scorecard (40%). The Company granted long-term incentives in the form of performance units and restricted stock units (RSUs). PSUs vest based on the achievement of cumulative revenue growth over the performance period relative to cumulative revenue growth of the companies in the NASDAQ Electronics Components Index and the achievement of total shareholder return relative to total shareholder return of the companies in the NASDAQ Electronics Components Index. There is no disclosure of the targets for the annual incentive plan or for the PSUs. The Company failed to provide the fees it paid to its external compensation consultant. Also, the use of "adjusted" targets is not best practice. For fiscal 2016, annual cash awards were not excessive, with overall pay levels below peer group averages. However, each Named Executive Officer was eligible to earn an annual cash incentive amount ranging from 0% to 225% of his or her base salary (200% maximum is considered as acceptable practice). Also, there is a concern over the company not disclosing specific performance targets for the short-term and long-term incentive schemes. Half of the long-term incentives have no performance conditions.

The compensation rating is: EC. Based on this rating, Triodos opposes this resolution.

3 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.

4 Appoint the Auditors **Oppose**

KPMG proposed. Non-audit fees represented 48.53% of audit fees during the year under review and 30.71% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

The Company has achieved: a poor level of disclosure; and an average balance for rewards.

Disclosure: E- Annual cash incentives are based on: a revenue goal (30%); a goal for adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) (30%); and upon team and individual key performance indicators using a scorecard (40%). The Company granted long-term incentives in the form of performance units and restricted stock units (RSUs). PSUs vest based on the achievement of cumulative revenue growth over the performance period relative to cumulative revenue growth of the companies in the NASDAQ Electronics Components Index and the achievement of total shareholder return relative to total shareholder return of the companies in the NASDAQ Electronics Components Index. There is no disclosure of the targets for the annual incentive plan or for the PSUs. The Company failed to provide the fees it paid to its external compensation consultant. Also, the use of "adjusted" targets is not best practice.

Balance: C- For fiscal 2016, annual cash awards were not excessive, with overall pay levels below peer group averages. However, each Named Executive Officer was eligible to earn an annual cash incentive amount ranging from 0% to 225% of his or her base salary (200% maximum is considered as acceptable practice). Also, there is a concern over the company not disclosing specific performance targets for the short-term and long-term incentive schemes. Half of the long-term incentives have no performance conditions.

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