

POWER INTEGRATIONS INC

MEETING DATE	Fri, 15 Jun 2018 14:00	TYPE	AGM	ISSUE DATE	Tue, 05 Jun 2018
MEETING LOCATION	5245 Hellyer Avenue, San Jose, California 95138				
CURRENT INDICES	PIRC Global				
SECTOR	Semiconductors and related devices				

PROPOSALS		ADVICE
1.1	Elect Wendy Arienzo Independent Non-Executive Director.	For
1.2	Elect Balu Balakrishnan Chief Executive.	For
1.3	Elect Alan D. Bickell Non-Executive Director. Not considered independent owing to a tenure of over nine years. 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
1.4	Elect Nicholas E. Brathwaite Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	Withhold
1.5	Elect William George Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	Withhold
1.6	Elect Balakrishnan S. Iyer Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	Withhold
1.7	Elect E. Floyd Kvamme Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Non-Executive Director. He is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not support	Withhold
1.8	Elect Necip Sayiner Newly appointed Independent Non-Executive Director. He is newly appointed to the Board and his appointment does not improve the gender balance on the Board which Triodos does not support	Withhold
1.9	Elect Steven J. Sharp Non-Executive Director. Not considered independent as he is former Non-Executive Chairman and CEO. There is insufficient independent representation on the Board.	Withhold

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 and the terms of executive employment.

A "Bonus" to Mr. Balakrishnan in 2017 was awarded for his work on several patents that were assigned to Power Integrations. Such discretionary bonus awards are not in line with best practice, as they do not always link pay to performance. RSU awards have a four-year vesting period with one-fourth of the RSUs vesting on each anniversary of the grant-date over four years, and have no performance criteria attached. PRSU awards are based on net revenue, as are the PSUs granted annually. Performance metrics are replicated under different incentive plans raising concerns that executives are being rewarded twice for the same performance. The CEO is required to own a number of shares of the Company's common stock having a value equal to at least his current base salary. It is considered best practice for the CEO to own a number of shares with a value equal to at least six times base salary.

The compensation rating is: DDC.

Triodos opposes this resolution.

3 Appoint the Auditors

Oppose

Deloitte proposed. Non-audit fees represented 37.83% of audit fees during the year under review and 24.47% 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 ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: D- The Company has achieved a below average level of disclosure. The Compensation Committee granted performance-based annual equity incentive awards in the form of PSUs determined based upon the Company's 2017 performance in three areas: net revenue, non-GAAP operating income and strategic goals. The Company uses adjusted performance metrics for some elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to fully assess the challenging nature of the performance targets. The Compensation Committee also approved grants of RSUs and PRSUs under the Company's long-term incentive plan.

Balance: D- A "Bonus" to Mr. Balakrishnan in 2017 was awarded for his work on several patents that were assigned to Power Integrations. Such discretionary bonus awards are not in line with best practice, as they do not always link pay to performance. RSU awards have a four-year vesting period with one-fourth of the RSUs vesting on each anniversary of the grant-date over four years, and have no performance criteria attached. PRSU awards are based on net revenue, as are the PSUs granted annually. Performance metrics are replicated under different incentive plans raising concerns that executives are being rewarded twice for the same performance. The CEO is required to own a number of shares of the Company's common stock having a value equal to at least his current base salary. It is considered best practice for the CEO to own a number of shares with a value equal to at least six times base salary.

Contract: C- The named executive officers are employed at-will. Certain change in control payments are not subject to 'double-trigger' provisions, which is not in line with best practice.

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