Triodos Investment Management

UNIVERSAL DISPLAY CORPORATION

MEETING DATE	Thu, 21 Jun 2018 13:30	TYPE	AGM	ISSUE DATE	Tue, 12 Jun 2018
MEETING LOCATION	Sam Weinroth Road East, Ewing, New Jersey 08628				
CURRENT INDICES	PIRC Global				
SECTOR	Electronic components, not elsewhere classified				

	PROPOSALS	ADVICE
1a	**Elect Steven V. Abramson** President and Chief Executive Officer.	**For**
1b	**Elect Richard C. Elias** Independent Non-Executive Director.	**For**
1c	**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	**Elect Rosemarie B. Greco** Independent Non-Executive Director.	**For**
1e	**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	**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	**Elect Sidney D. Rosenblatt** Executive Vice President, Chief Financial Officer, Treasurer and Secretary.	**For**
1h	**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 and the terms of executive employment. 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.

or fiscal 2017, 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.

NEOs compensation consists of exclusive supplemental retirement benefits which is not considered best practice. Change in control payments are subject to 'double-trigger' provisions. Good reason is not appropriately defined.

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

3 **Approve Authority to Increase Authorised Share Capital** **Oppose**

The Board of Directors is seeking approval to an amendment made to the Amended and Restated Articles of Incorporation to increase the number of authorized shares of the common stock from 100,000,000 to 200,000,000 and to increase the aggregate number of authorized shares of capital stock from 105,000,000 to 205,000,000, with no increase in the 5,000,000 authorized shares of preferred stock. The authority to increase the amount of shares is considered excessive as the Company has not duly justified the proposal. There are concerns that the excessive amount requested may potentially lead to a dilution of the existing shareholders voting rights.

Triodos opposes this resolution.

4 **Appoint the Auditors** **Oppose**

KPMG proposed. Non-audit fees represented 50.35% of audit fees during the year under review and 41.18% on a three-year aggregate basis. This level of non-audit fees raises major 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: E- Annual cash incentives are based on: a revenue goal (80%); a goal for adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) (40%); 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 2017, 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.

Contract: E- NEOs compensation consists of exclusive supplemental retirement benefits which is not considered best practice. Change in control payments are subject to ’double-trigger’ provisions. Good reason is not appropriately defined. The Company has an adequate compensation claw back policy.

For Private Circulation only

Researcher: Ahmed Suliman
Email: pircresearch@pirc.co.uk

PIRC

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

Regulated by the Financial Conduct Authority