Triodos Investment Management

UNIVERSAL DISPLAY CORPORATION

MEETING DATE	Thu, 20 Jun 2019 14:00	TYPE	AGM	ISSUE DATE	Mon, 17 Jun 2019
MEETING LOCATION	Element Ewing Princeton 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	**Elect Steven V. Abramson** Chief Executive.	**For**
1b	**Elect Richard C. Elias** Independent Non-Executive Director. He is chair of the Nomination Committee. The average tenure on the board is over 19 years and less than 20% of the Board are women which Triodos does not support.	**Oppose**
1c	**Elect Elizabeth H. Gemmill** Lead Independent 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, however Triodos favours a better gender balance on the Board and therefore votes in favour.	**For**
1d	**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. He is chair of the Audit Committee which is not fully independent which Triodos does not support.	**Oppose**
1e	**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**
1f	**Elect Sidney D. Rosenblatt** Executive Director. Support recommended.	**For**
1g	**Elect Sherwin I. Seligsohn** Executive Chair, Founder and the previous CEO and President of the Company. Although it is not explicitly stated in the Annual Report, the Chair is believed to serve an executive role as he is eligible for and participates in the compensation and incentive arrangements intended for the Company's senior executives. It is a generally accepted norm of good practice that the Chair 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. The compensation rating is: ECE. The Company has failed to provide the fees it paid the Compensation Consultants. The performance metrics used to award the Annual bonus have not been disclosed. Specific performance targets for all long-term awards have not been adequately disclosed. The Company uses adjusted performance metrics for most elements of compensation. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern.

Triodos opposes this resolution.

3 Appoint the Auditors **Oppose**

KPMG proposed. Non-audit fees represented 27.41% of audit fees during the year under review and 41.47% 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 and 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

Disclosure: E - The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The performance metrics used to award the Annual bonus have not been disclosed. Specific performance targets for all long-term awards have not been adequately disclosed.

Balance: C - The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The Company included non-financial metrics into the annual bonus structure, which is considered to be best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered to be best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. Five-year vesting would be preferred. Executive compensation is aligned with peer group averages.

Contract: E - The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Change-in-control payments are subject to double-trigger provisions. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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