Triodos Investment Management

ORMAT TECHNOLOGIES INC

MEETING DATE	Wed, 03 Jun 2020 9:30 am	TYPE	AGM	ISSUE DATE	Fri, 29 May 2020
MEETING LOCATION	Virtual Meeting Only:, https://web.lumiagm.com/251938693				
CURRENT INDICES	PIRC Global				
SECTOR	Electric services				
FYE	31 Dec 2019				

	PROPOSALS	ADVICE
1A	**Elect Isaac Angel** Chief Executive. This director serves as the CEO of the company, and he is to become a member of the board in July 2020 when he retires as CEO. As five years will not have passed between his appointment to the board and role as CEO he will not be independent which Triodos does not support.	**Oppose**
1B	**Elect Ravit Barniv** Independent Non-Executive Director.	**For**
1C	**Elect Albertus 'Bert' Bruggink** Non-Executive Director. Not considered independent as the director is considered to be connected with a significant shareholder: ORIX. There is sufficient independent representation on the Board.	**For**
1D	**Elect Dan Falk** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board; however, he is a non-independent director and member of the remuneration committee and chair of the audit committee neither committee is fully independent which Triodos does not supprt. Triodos opposes this resolution.	**Oppose**
1E	**Elect David Granot** Independent Non-Executive Director.	**For**
1F	**Elect Stan H. Koyanagi** Non-Executive Director. Not considered independent as the director is considered to be connected with a significant shareholder: ORIX Corporation. There is sufficient independent representation on the Board.	**For**
1G	**Elect Dafna Sharir** Independent Non-Executive Director.	**For**
1H	**Elect Stanley B. Stern** Independent Non-Executive Director.	**For**
1I	**Elect Hidetake Takahashi** Non-Executive Director. Not considered independent as the director is considered to be connected with a significant shareholder: ORIX. There is sufficient independent representation on the Board.	**For**
1J	**Elect Byron G. Wong** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** PwC proposed. Non-audit fees represented 35.89% of audit fees during the year under review and 32.31% on a three-year aggregate basis. This level of non-audit fees raises 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.	**Oppose**

3 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 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 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 not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance.

The compensation rating is: ACB

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A- 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 grant of performance awards was based on the achievement of set levels of specific performance targets for Adjusted EBITDA, Revenue, Individual Performance Criteria and CEO Goals. The performance-based long term incentive is subject to quantified performance targets for a mix of two-thirds SARs and one-third restricted stock units ("RSUs"). The RSUs and SARs are time-vested.

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 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 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 not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.

Contract: B- Cash severance is limited to three times base salary; which is welcomed. 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.

Researcher: Sefunmi Olatunji
Email: pircresearch@pirc.co.uk

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