Triodos Investment Management

POWER INTEGRATIONS INC

MEETING DATE	Fri, 08 May 2020 14:00	TYPE	AGM	ISSUE DATE	Fri, 01 May 2020
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 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**
1.4	**Elect Anita Ganti** Independent Non-Executive Director.	**For**
1.5	**Elect William L. George** Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is a non-independent member of the Audit and Remuneration committee which Triodos does not support.	**Withhold**
1.6	**Elect Balakrishnan S. Iyer** Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is a non-independent member of the Audit Committee which Triodos does not support.	**Withhold**
1.7	**Elect Necip Sayiner** Independent Non-Executive Director.	**For**
1.8	**Elect Steven J. Sharp** Non-Executive Director. Not considered independent as he is former Non-Executive Chairman and CEO of the company. There is insufficient independent representation on the Board.	**Withhold**
2	**Advisory Vote on Executive Compensation** 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 Company has failed to provide the fees it paid the Compensation Consultants. The Company uses adjusted performance metrics for most elements of compensation. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Executive compensation is not aligned with peer group averages. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The compensation rating is: ADC Triodos opposes this resolution.	**Oppose**
3	**Appoint the Auditors** Deloitte proposed. Non-audit fees represented 12.16% of audit fees during the year under review and 21.54% on a three-year aggregate basis. This level of non-audit fees does not raise serious 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**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - 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 peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The performance-based long term incentive is subject to quantified performance targets for PRSUs.

Balance: D- 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 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. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Executive compensation is not aligned with peer group averages.

Contract: C- Cash severance is limited to three times base salary; which is welcomed. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. Good reason has been appropriately defined. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 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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