Triodos Investment Management

TPI COMPOSITES

MEETING DATE	Wed, 20 May 2020 13:00	TYPE	AGM	ISSUE DATE	Tue, 19 May 2020
MEETING LOCATION	Hyatt Regency Scottsdale Resort & Spa, 7500 E. Doubletree Ranch Road, Scottsdale, Arizona 85258.				
CURRENT INDICES	PIRC Global				
SECTOR	Engines and turbines				
FYE	31 Dec 2019				

	PROPOSALS	ADVICE
1.01	**Elect Steven C. Lockard** Non-Executive Chair. Not considered independent as the director was previously employed by the company as President and Chief Executive Officer from 2004 and transitioned to Chair of the board in May 2020. There is insufficient independent representation on the Board.	**Withhold**
1.02	**Elect William E. Siwek** Chief Executive. There is insufficient independent representation on the board. Triodos opposes this resolution.	**Withhold**
1.03	**Elect Philip J. Deutch** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Withhold**
2	**Appoint the Auditors** KPMG proposed. Non-audit fees represented 14.95% of audit fees during the year under review. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The date of appointment of the current audit firm is undisclosed, meaning the length of tenure is not known. 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** 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 uses adjusted performance metrics for most elements of compensation. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. 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. Executive compensation is not aligned with peer group averages. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 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' 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 compensation rating is: AEE Triodos opposes this resolution.	**Oppose**

4	**Approve the Frequency of Future Advisory Votes on Executive Compensation** The company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often. The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.	**1**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A- The company has provided the level of fees paid to 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 grant of performance awards was based on the achievement of set levels of specific performance targets: Profitability (35%), Growth (30%), Total Billings (20%), Quality (10%) and Safety (5%). The performance-based long term incentive is subject to quantified performance targets for Time-Based Awards and Performance-Based Awards based on Stock Hurdle PSUs and Adjusted EBITDA PSUs.

Balance: E- 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. The company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of an non-financial performance criteria. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. 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 not aligned with peer group averages.

Contract: E- Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 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' 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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