Triodos Investment Management

UNIVERSAL DISPLAY CORPORATION

MEETING DATE	Thu, 18 Jun 2020 14:00	TYPE	AGM	ISSUE DATE	Mon, 15 Jun 2020
MEETING LOCATION	www.virtualshareholdermeeting.com				
CURRENT INDICES	PIRC Global				
SECTOR	Electronic components, not elsewhere classified				
FYE	31 Dec 2019				

	PROPOSALS	ADVICE
1.A	**Elect Steven V. Abramson** Chief Executive.	**For**
1.B	**Elect Cynthia J. Comparin** Independent Non-Executive Director.	**For**
1.C	**Elect Richard C. Elias** Independent Non-Executive Director.	**For**
1.D	**Elect Elizabeth H. Gemmill** Lead Independent Director. Not considered independent owing to a tenure of more than nine years. It is considered that a Lead Independent Director should be independent, in order to fulfil the responsibilities assigned to that role. Opposition is recommended.	**Oppose**
1.E	**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. Opposition is recommended	**Oppose**
1.F	**Elect Celia M. Joseph** Independent Non-Executive Director.	**For**
1.G	**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. Opposition is recommended.	**Oppose**
1.H	**Elect Sidney D. Rosenblatt** Executive Director. Support recommended.	**For**
1.I	**Elect Sherwin I. Seligsohn** Executive Chair. Not independent on appointment. This director served as the Chief Executive Officer of the company from June 1995 through December 2007 and remains an officer of the company. 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 and a vote to oppose is recommended.	**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 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. 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. 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.

The compensation rating is: EDC

Triodos opposes this resolution.

3 **Ratify KPMG LLP as Auditors** **Oppose**

KPMG proposed. Non-audit fees represented 2.30% of audit fees during the year under review and 25.21% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor.

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: 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 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 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. Executive compensation is not aligned with peer group averages.

Contract: C - 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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Researcher: Menelaous Paloumpis
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

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