Triodos Investment Management

# CREE INC

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| MEETING DATE | Mon, 25 Oct 2021 12:00 | TYPE | AGM | ISSUE DATE | Wed, 13 Oct 2021 |
| MEETING LOCATION | 4408 Silicon Drive, Durham, North Carolina 27703, , Virtual Meeting: www.virtualshareholdermeeting.com/CREE2021 | | | | |
| CURRENT INDICES | PIRC Global | | | | |
| SECTOR | Semiconductors and related devices | | | | |
| FYE | 30 Aug 2020 | | | | |

| | PROPOSALS | ADVICE |
|---|---|---|
| 1.1 | **Elect Glenda M. Dorchak - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.2 | **Elect John C. Hodge - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.3 | **Elect Clyde R. Hosein - Non-Executive Director**<br>Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. | **For** |
| 1.4 | **Elect Darren R. Jackson - Chair (Non Executive)**<br>Independent Non-Executive Chair of the Board. | **For** |
| 1.5 | **Elect Duy-Loan T. Le - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.6 | **Elect Gregg Lowe - Chief Executive**<br>Chief Executive. | **For** |
| 1.7 | **Elect John B. Replogle - Non-Executive Director**<br>Independent Non-Executive Director. This director has attended over 75 per cent of the board and committee meetings to which they were entitled to attend.<br>Triodos supports this resolution. | **For** |
| 1.8 | **Elect Marvin A. Riley - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.9 | **Elect Thomas H. Werner - Non-Executive Director**<br>Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. | **For** |
| 2 | **Approve Increase in Size of Board**<br>The company proposes to set the number of directors to be elected to the Board to nine directors. Acceptable proposal, in line with market practice. | **For** |
| 3 | **Appoint the Auditors**<br>PwC proposed. Non-audit fees represented 1.99% of audit fees during the year under review and 2.78% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. | **For** |

**4 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 does not consider non-financial metrics in its assessment of 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. 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. In addition, executive compensation is not aligned with companies of a similar market cap.

Triodos approves of the D&I metric included as part of the annual bonus but is of the opinion that a payout of more than 200% of target in the LTIP is excessive.

The compensation rating is: ADB.

Triodos opposes this resolution.

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## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 4 - 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 grant of performance awards was based on the achievement of set levels of specific performance targets. The performance-based long term incentive is subject to quantified performance targets.

**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 does not consider non-financial metrics in its assessment of performance. 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 non-financial performance criteria. 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 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. In addition, executive compensation is not aligned with companies of a similar market cap.

**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. Equity awards are subject to pro-rata vesting, which is line with best practice. The company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer.

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