Triodos Investment Management

TPI COMPOSITES

MEETING DATE	Tue, 18 May 2021 13:00	TYPE	AGM	ISSUE DATE	Wed, 05 May 2021
MEETING LOCATION	www.virtualshareholdermeeting.com/TPIC2021				
CURRENT INDICES	PIRC Global				
SECTOR	Engines and turbines				
FYE	31 Dec 2020				

	PROPOSALS	ADVICE
1.1	**Elect Paul G. Giovacchini - Senior Independent Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. Not considered independent as the director is considered to be connected with a significant shareholder: The director holds a significant percentage of company shares. There is insufficient independent representation on the Board. Triodos withholds this resolution.	**Withhold**
1.2	**Elect Jayshree S. Desai - Non-Executive Director** Independent Non-Executive Director.	**For**
1.3	**Elect Linda P. Hudson. - Non-Executive Director** Independent Non-Executive Director.	**For**
1.4	**Elect Bavan M. Holloway - Non-Executive Director** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** KPMG proposed. Non-audit fees represented 17.52% of audit fees during the year under review and 16.25% 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 date of appointment of the current audit firm is undisclosed, meaning the length of tenure is not known. Triodos opposes this resolution.	**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 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.

The compensation rating is: ADE.

Triodos opposes this resolution.

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: 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. 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 critertia. 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.

For Private Circulation only

Researcher: Guillermo Rylance
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

Regulated by the Financial Conduct Authority