Triodos Investment Management

ALIGN TECHNOLOGY INC

MEETING DATE	Wed, 17 May 2017 10:00 am	TYPE	AGM	ISSUE DATE	Mon, 08 May 2017
MEETING LOCATION	2560 Orchard Parkway, San Jose, California 95131				
CURRENT INDICES	PIRC Global				
SECTOR	Dental equipment and supplies				

	PROPOSALS	ADVICE
1.01	**Re-elect Joseph H. Hogan** President and Chief Executive Officer.	**For**
1.02	**Re-elect Joseph Lacob** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.03	**Re-elect C. Raymond Larkin Jr.** Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.04	**Re-elect George J. Morrow** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.05	**Re-elect Thomas M. Prescott** Non-Executive Director. Not considered independent as he is the former President and Chief Executive Officer of the Company. There is insufficient independent representation on the Board.	**Oppose**
1.06	**Re-elect Andrea L. Saia** Independent Non-Executive Director.	**For**
1.07	**Re-elect Greg J. Santora** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.08	**Elect Susan E. Siegel** Independent Non-Executive Director.	**For**
1.09	**Re-elect Warren S. Thaler** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
2	**Appoint the Auditors** PwC LLP proposed. Non-audit fees represented 49.64% of audit fees during the year under review and 44.10% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. In addition, the current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. 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.

Annual cash incentives are based on revenue (60%) and operating income (40%). Payouts are subject to individual performance adjustments. Specific targets are disclosed. However, the targets were set to non-GAAP standards, which allows the Company discretion in adjusting the figure. The Company granted long-term incentives in the form of performance-based market stock units (MSUs) and Restricted Stock Units (RSUs). The actual number of shares of common stock issuable under MSUs varies based on over-or under-performance of the Company's stock price compared to the NASDAQ Composite Index during the three-year performance period. for fiscal 2016, annual cash awards to the CEO were excessive with the actual payout being 301% of base salary. In addition, the Board retains authority to pay additional discretionary bonuses outside the executive bonus plan if warranted by performance not measured under the plan. However, the Compensation Committee did not authorise any such discretionary bonus payments, except with respect to Mr. Morici (Chief Financial Officer) who received a one-time cash bonus payment in connection with commencing employment with the Company. RSUs vests over four-years with 1/4 vesting annually which is not considered sufficiently long-term.

The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward. The compensation rating is: CCE. Based on the concerns noted above, Triodos opposes this resolution.

4 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

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.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; and an average balance for rewards.

Disclosure: C- Annual cash incentives are based on revenue (60%) and operating income (40%). Payouts are subject to individual performance adjustments. Specific targets are disclosed. However, the targets were set to non-GAAP standards, which allows the Company discretion in adjusting the figure. The Company granted long-term incentives in the form of performance-based market stock units (MSUs) and Restricted Stock Units (RSUs). The actual number of shares of common stock issuable under MSUs varies based on over-or under-performance of the Company's stock price compared to the NASDAQ Composite Index during the three-year performance period.

Balance: C- Rewarded executive compensation is below peer group averages. However, for fiscal 2016, annual cash awards to the CEO were excessive with the actual payout being 301% of base salary. In addition, the Board retains authority to pay additional discretionary bonuses outside the executive bonus plan if warranted by performance not measured under the plan. However, the Compensation Committee did not authorise any such discretionary bonus payments, except with respect to Mr. Morici (Chief Financial Officer) who received a one-time cash bonus payment in connection with commencing employment with the Company. RSUs vests over four-years with 1/4 vesting annually which is not considered sufficiently long-term.

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