Triodos Investment Management

DENTSPLY SIRONA INC

MEETING DATE	Wed, 24 May 2017 11:00 am	TYPE	AGM	ISSUE DATE	Thu, 11 May 2017
MEETING LOCATION	221 West Philadelphia Street, in York, Pennsylvania				
CURRENT INDICES	S&P500				
SECTOR	Dental equipment and supplies				

	PROPOSALS	ADVICE
1a	**Re-elect Michael C. Alfano** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. It is noted that at the 2016 meeting, Mr. Alfano received 13.96% of votes against his re-election. He is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not support.	**Oppose**
1b	**Re-elect David K. Beecken** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1c	**Re-elect Eric K. Brandt** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1d	**Re-elect Michael J. Coleman** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1e	**Re-elect Willie A. Deese** Independent Non-Executive Director.	**For**
1f	**Re-elect Thomas Jetter** Senior Independent Director.	**For**
1g	**Re-elect Arthur D. Kowaloff** 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**
1h	**Re-elect Harry M. Jansen Kraemer, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1i	**Re-elect Francis J. Lunger** 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**
1j	**Re-elect Jeffrey T. Slovin** Chief Executive Officer.	**For**
1k	**Re-elect Bret W. Wise** Executive Chairman. It is a generally accepted norm of good practice that the Chairman 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. Triodos opposes this resolution.	**Oppose**

2 **Appoint the Auditors** **Oppose**

PWC proposed. Non-audit fees represented 123.17% of audit fees during the year under review and 91.10% on a three-year aggregate basis. This level of non-audit fees raises major concerns about the independence of the statutory auditor. 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.

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.

Executive compensation was aligned with companies of a similar market capitalisation and with peer group averages. While payouts under the annual bonus were within acceptable limit, long-term awards exceeded 200% of base salary. Further, during the year under review, the Company awarded special one-time cash performance bonuses for Ms. MacInnis and Mr. Friedman. Such discretionary payments are not welcomed. Stock option grants vest and become exercisable over three years, while RSUs cliff vest after three years. The Company offers a Supplemental Executive Retirement Plan, which is not considered best practice as executives should not receive special pension entitlements. Cash severance payments are considered excessive (exceeding 300% of base salary). There are no double-trigger provisions in place.

The compensation rating is: CCD. Based on this rating, 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

Disclosure: C- Annual cash award were based on accomplishment of annual financial objectives related to internal sales growth (40%), non-GAAP earnings per share (40%) and strategic objectives (20%). The Company failed to disclose specific strategic objectives. Long-term incentives are awarded in the form of stock options, restricted stock units (RSU) and performance-based restricted stock units (PRSU). PRSUs are based on a three-year annual performance measure (non-GAAP earning per share).

Balance: C- Executive compensation was aligned with companies of a similar market capitalisation and with peer group averages. While payouts under the annual bonus were within acceptable limit, long-term awards exceeded 200% of base salary. Further, during the year under review, the Company awarded special one-time cash performance bonuses for Ms. MacInnis and Mr. Friedman. Such discretionary payments are not welcomed. Stock option grants vest and become exercisable over three years, while RSUs cliff vest after three years.

Contract: D- The Company offers a Supplemental Executive Retirement Plan, which is not considered best practice as executives should not receive special pension entitlements. Cash severance payments are considered excessive (exceeding 300% of base salary). There are no double-trigger provisions in place.

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