Triodos Investment Management

ALIGN TECHNOLOGY INC

MEETING DATE	Wed, 16 May 2018 10:00 am	TYPE	AGM	ISSUE DATE	Thu, 03 May 2018
MEETING LOCATION	2820 Orchard Parkway, San Jose, California				
CURRENT INDICES	S&P500				
SECTOR	Dental equipment and supplies				

	PROPOSALS	ADVICE
1.1	**Elect Director Kevin J. Dallas** Independent Non-Executive Director.	**For**
1.2	**Re-elect Joseph H. Hogan** Chief Executiv	**For**
1.3	**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**
1.4	**Re-elect C. Raymond Larkin Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.5	**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**
1.6	**Re-elect Thomas M. Prescott** Non-Executive Director. Not considered independent as he is the previous President and Chief Executive Officer from March 2002 to June 2015. There is insufficient independent representation on the Board.	**Oppose**
1.7	**Re-elect Andrea L. Saia** Independent Non-Executive Director.	**For**
1.8	**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**
1.9	**Elect Susan E. Siegel** Independent Non-Executive Director.	**For**
1.10	**Re-elect Warren S. Thaler** Non-Executive Director. Not considered owing to a tenure of more than nine years and additionally he is affiliated with the Gund family. Gordon Gund, family members and affiliated entities own 7.8% of outstanding stock. There is insufficient independent representation on the Board.	**Oppose**
2	**Ratify PricewaterhouseCoopers LLP as Auditors** PwC proposed. Non-audit fees represented 36.02% of audit fees during the year under review and 44.01% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.	**Oppose**

3 Advisory Vote on Executive Compensation **Abstain**

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.

In the third quarter of 2017, the Compensation Committee approved a special one-time RSU grant with a long term incentive value of approximately USD 1 million to each of Messrs. Morici and Hockridge. Such awards are against best practice, as they often fail to link pay to performance. RSUs vest over four years with a fourth vesting annually. MSUs granted in 2017 are earned based on share price appreciation over a three-year performance period, which is a market standard. A five-year performance period is considered best practice. Furthermore, share price is not necessarily a robust indicator of management performance since prices may rise on the back of general movements in the market.

Potential severance awards are considered to be excessive. 'Good reason' is not appropriately defined.

The compensation rating is: BCC.

Triodos abstains this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: B- The Company has achieved a market best practice level of disclosure. The Compensation Committee selected two financial metrics for purposes of funding the overall annual cash incentive pool: Revenue (60%) and Operating Income (40%). The Compensation Committee has the discretion to exclude certain items from Revenue and Operating Income such as significant and/or extraordinary items that are not indicative of the Company's core operating performance that are separately stated on the financial statements or items identified as non-GAAP in Align's quarterly earnings announcement. Such adjustments are not in line with best practice, as they do not permit an assessment on the challenging nature of performance targets. Long-term incentives are granted in the form of restricted stock units (RSUs) and MSUs (50%).

Balance: C- In the third quarter of 2017, the Compensation Committee approved a special one-time RSU grant with a long term incentive value of approximately USD 1 million to each of Messrs. Morici and Hockridge. Such awards are against best practice, as they often fail to link pay to performance. RSUs vest over four years with a fourth vesting annually. MSUs granted in 2017 are earned based on share price appreciation over a three-year performance period, which is a market standard. A five-year performance period is considered best practice. Furthermore, share price is not necessarily a robust indicator of management performance since prices may rise on the back of general movements in the market.

Contract: C- Potential severance awards are considered to be excessive. 'Good reason' is not appropriately defined.

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