Triodos Investment Management

DENTSPLY SIRONA INC

MEETING DATE	Wed, 23 May 2018 11:00 am	TYPE	AGM	ISSUE DATE	Mon, 21 May 2018
MEETING LOCATION	Susquehanna Commerce Center, 221 W. Philadelphia Street, West Building, York, PA 17401				
CURRENT INDICES	S&P500				
SECTOR	Dental equipment and supplies				

	PROPOSALS	ADVICE
1a	**Elect Director 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. He is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not suppor	**Oppose**
1b	**Elect Director 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	**Elect Director Eric K. Brandt** Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1d	**Elect Director Donald M. Casey, Jr.** Chief Executiv	**For**
1e	**Elect Director 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**
1f	**Elect Director Willie A. Deese** Independent Non-Executive Director.	**For**
1g	**Elect Director Betsy D. Holden** Independent Non-Executive Director.	**For**
1h	**Elect Director Thomas Jetter** Lead Independent Director	**For**
1i	**Elect Director 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**
1j	**Elect Director 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**
1k	**Elect Director 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**
1l	**Elect Director Leslie F. Varon** Independent Non-Executive Director.	**For**

2 **Ratify PricewaterhouseCoopers LLP as Auditors** **Oppose**

PwC proposed. Non-audit fees represented 90.52% of audit fees during the year under review and 92.50% 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 ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

3 **Advisory Vote to Ratify Named Executive Officers' 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 compensation rating is: DDE. 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 Mark A. Thierer. 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.

4 **Approve Qualified Employee Stock Purchase Plan** **For**

The Board is proposing shareholders approve the Employee Stock Purchase Plan (the "ESPP"). The maximum aggregate number of shares of common stock that may be purchased under the ESPP will be 1.0 million shares, which represents approximately 0.44% of the total number of shares of the common stock outstanding. The plan is eligible for all employees of the Company and its designated subsidiaries. Administration of the plan will be handled by the Human Resources Committee.

It is considered that it is in the best interests of the company and its shareholders to provide employees with an opportunity to benefit from business success and increase their share ownership through payroll deductions. The Plan is open to the majority of employees and is capped at purchase price of no less than 85% of fair market value.

Triodos supports this resolution.

5 **Eliminate Supermajority Vote Requirement to Amend Bylaws** **For**

The Board proposes to adopt an amendment to the Company's Second Amended and Restated Certificate of Incorporation that would eliminate the supermajority vote requirement for shareholder to amend the Company's Fifth Amended and Restated By-laws.

It is considered to be best practice that shareholders should have the right to approve most matters submitted for their consideration by a simple majority of the shares voted. There are concerns that the supermajority provisions which relate to the Company's corporate governance documents could frustrate attempts by the majority of shareholders to make the Company more accountable or strengthen the independence of the Board.

Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote to Ratify Named Executive Officers' Compensation

Disclosure: D- Annual cash awards 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: D- 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 Mark A. Thierer. Such discretionary payments are not welcomed. Stock option grants vest and become exercisable over three years, while RSUs cliff vest after three years.

Contract: E- 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.

Researcher: Ahmed Suliman
Email: pircresearch@pirc.co.uk

PIRC

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