Triodos Investment Management

ALIGN TECHNOLOGY INC

MEETING DATE	Wed, 15 May 2019 10:00 am	TYPE	AGM	ISSUE DATE	Thu, 09 May 2019
MEETING LOCATION	2820 Orchard Parkway, San Jose, California 95134.				
CURRENT INDICES	S&P500				
SECTOR	Dental equipment and supplies				

	PROPOSALS	ADVICE
1.01	**Elect Director Kevin J. Dallas** Independent Non-Executive Director.	**For**
1.02	**Elect Joseph H. Hogan** Chief Executive Officer.	**For**
1.03	**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**
1.04	**Elect C. Raymond Larkin Jr.** Non-Executive Chair. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.05	**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**
1.06	**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. In addition, he is not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.07	**Elect Andrea L. Saia** Independent Non-Executive Director.	**For**
1.08	**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**
1.09	**Elect Susan E. Siegel** Independent Non-Executive Director.	**For**
1.10	**Elect Warren S. Thaler** Non-Executive Director. Not considered independent as the director serves as a consultant of Gund Investment Corporation, related with Gordon Gund, family members and affiliated entities, a significant shareholder of the Company. In addition, he is 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 proposed. Non-audit fees represented 36.22% of audit fees during the year under review and 40.97% 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 **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 performance targets used to award the variable payout have been disclosed and quantified.

Awards under the annual-incentive plans are tied to multiple performance conditions. Performance measures attached to long-term incentives do not duplicate those attached to other awards. However, the Company uses adjusted performance metrics for most elements of compensation. The annual incentive award made during the year under review is considered to be overly excessive as it amounts to more than 200% of base salary. Executive compensation is not aligned with peer group averages.The Company uses only one performance metrics to determine the payout of performance long term awards. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure.

Change-in-control payments are subject to double-trigger provisions. The Company does not have an appropriate clawback policy in place. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The performance targets used to award the variable payout have been disclosed and quantified. However, the Company has not provided the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency.

Balance: D Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Stock ownership and holding requirements are prescribed and considered appropriate. However, 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 annual incentive award made during the year under review is considered to be overly excessive as it amounts to more than 200% of base salary. Executive compensation is not aligned with peer group averages.The Company uses only one performance metrics to determine the payout of performance long term 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 a non-financial performance criteria. 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. Variable remuneration payouts are considered to be excessive as they represent more than 200% of base salary. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice.

Contract: E Change-in-control payments are subject to double-trigger provisions. Executives do not receive special pension entitlements. However, ’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 Company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary.

For Private Circulation only

ⓒ*Copyright 2019 PIRC Ltd*

Researcher: Patricia Azpurua
Email: pircresearch@pirc.co.uk

Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice. The document is not intended as an offer, solicitation or advice to buy or sell securities. Clients of Pensions & Investment Research Consultants Ltd may have a position or engage in transaction in any of the securities mentioned.

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