Triodos Investment Management

ALIGN TECHNOLOGY INC

MEETING DATE	Wed, 20 May 2020 10:00 am	TYPE AGM	ISSUE DATE Mon, 18 May 2020
MEETING LOCATION	Corporate Headquarters, 2820 Orchard Parkway, San Jose, California 95134		
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	**Elect Director Joseph M. Hogan** Chief Executive.	**For**
1.3	**Elect Director 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	**Elect Director 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**
1.5	**Elect Director George J. Morrow** Non-Executive Director. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.6	**Elect Director Anne M. Myong** Independent Non-Executive Director.	**For**
1.7	**Elect Director Thomas M. Prescott** Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is also a previous employee of the Company. There is insufficient independent representation on the Board.	**Oppose**
1.8	**Elect Director Andrea L. Saia** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.9	**Elect Director 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 a non-independent member of the remuneration committee which is not fully independent and he is Chair of the audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.10	**Elect Director Susan E. Siegel** Independent Non-Executive Director.	**For**
1.11	**Elect Director Warren S. Thaler** Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is also considered a significant shareholder. There is insufficient independent representation on the Board. He is a non-independent member of the remuneration committee which is not fully independent which Triodos does not support.	**Oppose**

2 Appoint the Auditors **Oppose**

PwC proposed. Non-audit fees represented 44.92% of audit fees during the year under review and 39.73% 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.

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 Company uses adjusted performance metrics for most elements of compensation. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Performance shares have a three-year performance period, which is a market standard. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive.

Rating: ADC

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A The Company has provided the level of fees paid to the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets: Revenue and Operating Income.

Balance: D 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 Company does not consider non-financial metrics in its assessment of performance. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. 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. 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 made up less than one-third of the awards granted to executives, which is considered best practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is not aligned with peer group averages.

Contracts: C Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Change-in-control payments are subject to double-trigger provisions. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. Equity awards are subject to pro-rata vesting, which is line with best practice. 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.

Rating: ADC

Researcher: Bianca Gill
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