

ALIGN TECHNOLOGY INC  
Form DEF 14A  
April 04, 2019

SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

ALIGN TECHNOLOGY, INC.

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

.. Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

---

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on Wednesday, May 15, 2019

10:00 a.m.

TO OUR STOCKHOLDERS:

The 2019 Annual Meeting of Stockholders of Align Technology, Inc. ("Align" or the "Company") will be held on Wednesday, May 15, 2019, at 10:00 a.m. Pacific Daylight Time at Align's corporate headquarters located at 2820 Orchard Parkway, San Jose, California 95134.

Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

We are once again pleased to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that this e-proxy process expedites stockholders' receipt of proxy materials, while lowering the costs of printing and distributing our proxy materials and reducing the environmental impact of our annual meeting. On or about April 5, 2019, we mailed to our beneficial and registered stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our Proxy Statement and Annual Report and how to vote online. The Notice also contains instructions on how you can request and receive a printed paper copy of the Proxy Statement, Proxy Card and Annual Report. Your vote is very important. Whether or not you plan to attend the Annual Meeting, we hope that you will vote as soon as possible. You may vote via the Internet or by telephone, or, if you received paper copies of the proxy materials by mail, you may also vote by mail by following the instructions on the proxy card. Voting over the Internet or by telephone or by written proxy will ensure your representation at the Annual Meeting regardless of whether you attend in person.

Thank you for your ongoing support of, and continued interest in, Align Technology, Inc.

Sincerely,

ALIGN TECHNOLOGY, INC.

Roger E. George

Senior Vice President, Chief Legal and Regulatory Officer

	Page
<u>TABLE OF CONTENTS</u>	
<u>NOTICE OF ANNUAL MEETING OF STOCKHOLDERS</u>	
<u>GENERAL INFORMATION</u>	1
<u>Q: Why Am I Receiving These Materials?</u>	1
<u>Q: What Information Is Contained In These Materials?</u>	1
<u>Q: Why Did I Receive a Notice in the Mail Regarding the Internet Availability of the Proxy Materials Instead of a Paper Copy of the Full Set of Proxy Materials?</u>	1
<u>Q: Can I Vote my Shares by Filling Out and Returning the Notice of Internet Availability of Proxy Materials?</u>	1
<u>Q: Who Can Vote At The Annual Meeting?</u>	1
<u>Q: What Is The Difference Between Holding Shares Directly Or As A Beneficial Owner, In Street Name?</u>	1
<u>Q: How Do I Vote?</u>	2
<u>Q: What If I Don't Give Specific Voting Instructions?</u>	2
<u>Q: Can I Change Or Revoke My Vote?</u>	3
<u>Q: What are we Voting on and what Vote Is Required To Approve Each Item?</u>	3
<u>Q: What Constitutes A Quorum?</u>	3
<u>Q: Who Will Bear The Cost Of Soliciting Votes For The Annual Meeting?</u>	4
<u>Q: Who Will Count The Vote?</u>	4
<u>Q: What Is The Company's Website Address?</u>	4
<u>Q: Where Can I Find The Voting Results Of The Meeting?</u>	4
<u>Q: What if multiple stockholders share the same address?</u>	4
<u>Q: Is There Any Information That I Should Know Regarding Future Annual Meetings?</u>	4
<u>PROPOSAL ONE ELECTION OF DIRECTORS</u>	5
<u>Nominees</u>	5
<u>Information Concerning The Nominees</u>	6
<u>Corporate Governance Policies And Practices</u>	10
<u>Director Independence</u>	15
<u>Stockholder Communications With Board</u>	15
<u>Director Compensation</u>	15
<u>PROPOSAL TWO RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS</u>	18
<u>Fees to PricewaterhouseCoopers LLP For 2018 and 2017</u>	19
<u>Audit Committee's Policy Of Pre-Approval Of Audit And Permissible Non-Audit Services</u>	19
<u>REPORT OF THE AUDIT COMMITTEE OF THE BOARD</u>	20
<u>PROPOSAL THREE ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u>	22
<u>EXECUTIVE COMPENSATION</u>	23
<u>Compensation Discussion And Analysis</u>	23
<u>Compensation Committee of the Board Report</u>	38
<u>Summary Compensation Table For Fiscal Year Ended 2018</u>	39
<u>Grants Of Plan-Based Awards For Fiscal Year Ended 2018</u>	40
<u>Outstanding Equity Awards At Fiscal 2018 Year Ended</u>	43
<u>Option Exercises And Stock Vested During Fiscal Year Ended 2018</u>	45
<u>Potential Payment Upon Termination Or Change Of Control</u>	46
<u>PRINCIPAL STOCKHOLDERS</u>	51
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	53
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	54
<u>OTHER MATTERS</u>	55



ALIGN TECHNOLOGY, INC.

2820 Orchard Parkway  
San Jose, California 95134

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Time and Date 10:00 a.m., Pacific Daylight Time, on Wednesday, May 15, 2019

Place Corporate Headquarters, 2820 Orchard Parkway, San Jose, California 95134

Items of Business

1. To elect the ten (10) directors named in this proxy statement
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for the fiscal year ending December 31, 2019
3. To conduct an advisory (non-binding) vote on executive compensation
4. To consider such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof

Adjournments and Postponements Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or postponed.

Record Date Only stockholders who owned shares of our common stock at the close of business on March 20, 2019 are entitled to vote.

Meeting Admission All stockholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Registration will begin at 9:30 a.m. If you attend, please know that you may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts ("street name" holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

Voting Your vote is very important. Regardless of whether you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You may vote your shares over the Internet or by telephone. If you received a paper copy of a proxy card by mail, you may submit your proxy for the annual meeting by completing, signing, dating and returning your proxy card in the pre-addressed envelope provided. For specific instructions on how to vote your shares, please refer to the section entitled General Information - How do I vote? in the proxy statement.

This Notice of Annual Meeting and Proxy Statement and form of proxy are being distributed and made available on the Internet on or about April 5, 2019.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 15, 2019. The Proxy Statement and Align Technology, Inc.'s Annual Report on Form 10-K are available electronically at <http://www.viewproxy.com/aligntech/2019>.



## PROXY STATEMENT SUMMARY

This summary highlights selected information contained in this Proxy Statement. It does not contain all the information you should consider and as such we urge you to carefully read the Proxy Statement in its entirety prior to voting. For additional information, please review the Align's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

## MEETING AGENDA AND VOTING RECOMMENDATIONS

Item	Voting Standard	Vote Recommendation	Page Reference
1 Annual Election of Directors	Majority of votes cast	FOR each nominee	5
<sup>2</sup> Ratification of Independent Registered Public Accounting Firm	Majority of votes cast	FOR	18
<sup>3</sup> Advisory Vote on Named Executive Officer Compensation	Majority of votes cast	FOR	21

## DIRECTOR NOMINEES

You are being asked to vote on the election of these 10 directors. Each member of our Board of Directors is elected annually by majority voting. All directors other than Mr. Prescott and Mr. Hogan are independent.

Name	Age	Director Since	Primary Occupation	Independent?	Committee Memberships*			
					AC	CC	NCCG	TC
Joseph M. Hogan	61	2015	President & CEO, Align Technology, Inc.	No				
Kevin J. Dallas	55	2018	Corporate VP, Artificial Intelligence & Intelligent Cloud Business Development, Microsoft Corporation	Yes				X
Joseph Lacob	63	1997	CEO & Governor of The Golden State Warriors	Yes		C		X
C. Raymond Larkin, Jr. <sup>(1)</sup>	70	2004	Retired, Former Principal of Group Outcome LLC	Yes		X		
George J. Morrow	67	2006	Retired, EVP of Worldwide Sales & Marketing, Amgen, Inc.	Yes		C	X	
Thomas M. Prescott	63	2002	Retired, President & CEO, Align Technology, Inc.	No				X
Andrea L. Saia	61	2013	Retired, Global Head of Vision Care, Novartis AG	Yes	X	X		X
Greg J. Santora	67	2003	Retired, CFO, Shopping.com	Yes	C	X		
Susan E. Siegel	58	2017	CEO, GE Ventures	Yes			X	X
Warren S. Thaler	56	2004	Consultant, Gund Investment Corporation	Yes	X	X		X

<sup>(1)</sup> Mr. Larkin is Chairman of the Board of Directors

\*AC = Audit; CC = Compensation; NCCG = Nominating and Corporate Governance; TC= Technology; X = Member; C = Chair

## CORPORATE GOVERNANCE HIGHLIGHTS

We recognize the importance of corporate governance as a component of providing long-term stockholder value. Since the last Annual Meeting of Stockholders, we have continued to review and update our corporate governance practices to ensure that our policies are aligned with stockholder interests and corporate governance best practices.

### Independence

8 of 10 director nominees are independent

Independent Chairman of the Board has strong role with significant governance responsibilities

Separate CEO and Chairman of the Board roles

The Audit, Compensation and Nominating and Governance Committees are each comprised wholly of independent directors

### Accountability and Diversity

Annual election of directors

Majority voting in uncontested elections

Annual performance self-evaluations by Board and committees

Believe the Company benefits from having directors with a diversity of viewpoints, backgrounds, and experiences. Currently, two of the ten directors on the Board are women.

### Best Practices

Double trigger for all cash compensation arrangement in event of change of control for all executives

Stock ownership requirements for directors and executives that are reviewed annually. In 2018, we increased our stock ownership guidelines from 5.0X annual base salary to 6.0X annual base salary for our CEO and from 2.0X annual base salary to 3.0X annual bases salary for our other executive officers

Independent directors meet without management present

Insider Trading Policy prohibits officers, directors and employees from engaging in hedging transactions or pledging Align's securities as collateral for loans

### Risk Oversight

Board oversight of our overall risk management infrastructure

Committee oversight of certain risks related to each committee's area of responsibility



## FISCAL 2018 PERFORMANCE HIGHLIGHTS

Align's 2018 financial results broke new records and we achieved significant milestones across the Company. 2018 net revenues of \$2.0 billion set a new record, up 33.5% compared to 2017, reflecting record revenues and volumes for both Invisalign and iTero, across all customer channels and country markets, as well as continued strength from teenage patients which grew 40%. The total number of teenagers treated with Invisalign in 2018 was over 333 thousand representing 27% of our volume. Invisalign case shipments of 1.2 million in 2018 were up 31.9% from 2017, reflecting 45.0% volume growth from our International doctors and 24.2% volume growth from our Americas doctors. iTero revenues were \$275.0 million in 2018, up 67.5% compared to 2017.

Total Net Revenues

Invisalign Case Shipments

Return of Capital to Stockholders

In 2018, we generated \$554.7 million cash flow from operations and repurchased \$300.0 million of our common stock, or approximately 1.1 million shares. This reduced our average diluted shares outstanding by 1.3%.

2018 Business Highlights

The following list highlights Align's key announcements in 2018:

- Launched Invisalign treatment with mandibular advancement in the U.S. for teen Class II treatment following FDA approval.
- Introduced Invisalign First clear aligners worldwide for treatment of growing children.
- Launched the new Invisalign Go product with a more user-friendly iTero chair side experience.
- Expanded the iTero Element portfolio with the launch of the iTero Element 2 and the iTero Element Flex scanners, along with new functionality connectivity to exocad and Dextrix.
- Began marketing the iTero Element intraoral scanner in China.
- Reached 6th millionth Invisalign patient milestone with a teenage patient from China.
- Announced the one millionth Invisalign case for the Europe, Middle East and Africa (EMEA) region.
- Opened the first Invisalign treatment planning facility in Europe, located in Cologne, Germany.
- Launched a new digital treatment planning facility and education center in Madrid, Spain.

## FISCAL 2018 EXECUTIVE COMPENSATION HIGHLIGHTS

Our 2018 executive compensation program was designed after consideration of Align's outstanding 2017 business and financial performance which continued throughout 2018. A substantial portion of our targeted direct compensation for our executives is variable compensation with 91% and 84% of our compensation for our CEO and all of our other NEOs, respectively, being variable. Base salary is the only fixed direct compensation component, as outlined in the following table. The percentages in table below exclude the grant date fair value of the CEO Special Equity Award granted to Joe Hogan in June 2018. See further explanation in the Executive Summary of the Compensation Discussion & Analysis on page 22 of the Proxy Statement.

### CEO Special Equity Grant

In June 2018, our CEO was granted a special one-time MSU award. The MSUs were granted with the intent of retaining and incentivizing Mr. Hogan through the three-year performance period as well as further aligning CEO compensation with stockholder returns. In order for Mr. Hogan to fully vest and earn the maximum number of MSUs under the award, Align's market capitalization would need to increase approximately 80%, or \$18 billion (as measured from the 30-trading day average stock price as of May 31, 2018 and assuming 80.1 million shares of common stock outstanding) to approximately \$40 billion and Align's total stockholder return relative to the S&P 500 would be greater than the 80<sup>th</sup> percentile. See further explanation in the Executive Summary of the Compensation Discussion & Analysis on page 22 of the Proxy Statement.

Alignment with Stockholder Interest and Company Performance

---

vii

---

ALIGN TECHNOLOGY, INC.  
2820 Orchard Parkway  
San Jose, California 95134

---

PROXY STATEMENT FOR THE  
2019 ANNUAL MEETING OF STOCKHOLDERS

---

GENERAL INFORMATION

Q: Why am I receiving these materials?

A: Our Board of Directors (the "Board") is providing these materials to you in connection with its solicitation of proxies for use at Align's 2019 Annual Meeting of Stockholders, which will take place on Wednesday, May 15, 2019 at 10:00 a.m. local time, at our corporate headquarters located at 2820 Orchard Parkway, San Jose, California 95134 (referred to in this proxy statement as the "Annual Meeting"). As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this proxy statement.

Q: What information is contained in these materials?

A: The proxy materials include our proxy statement for the Annual Meeting and our 2018 Annual Report on Form 10-K. If you received a paper copy of these materials by mail, the proxy materials also include a proxy card for the Annual Meeting. If you received a notice of the Internet availability of the proxy materials instead of a paper copy of the proxy materials, see "How do I vote?" below. The information in this proxy statement contains important information regarding our Annual Meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information you may find useful in determining how to vote and describes the voting procedures.

Q: Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the full set of proxy materials?

A: In accordance with rules adopted by the SEC, we are making this proxy statement and our Annual Report available to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. Stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice of Internet Availability of Proxy Materials (Notice), which was mailed to most of our stockholders, will instruct you as to how you may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may submit your proxy on the Internet. If you received the Notice by mail and would prefer to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

Q: Can I vote my shares by filling out and returning the Notice of Internet Availability of Proxy Materials?

A: No. The Notice only identifies the items to be voted on at the Annual Meeting. You cannot vote by marking the Notice and returning it. The Notice provides instructions on how to cast your vote.

Q: Who can vote at the Annual Meeting?

A: If you are a stockholder of record or a beneficial owner who owned our common stock at the close of business on March 20, 2019, the record date for the Annual Meeting, you are entitled to vote at the Annual Meeting. As of the record date, 79,994,149 of our common stock were issued and outstanding and no shares of our preferred stock were issued and outstanding.

Q: What is the difference between holding shares directly or as a beneficial owner, in street name?

A: Most of our stockholders hold their shares as a beneficial owner through a brokerage firm, bank or other nominee. As summarized below, there are some differences between shares held of record and those owned beneficially.

Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

Stockholder of Record: If on March 20, 2019, the record date, your shares were registered directly in your name with our transfer agent, Computershare Limited, then you are considered the stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy.

Beneficial Owner: If on March 20, 2019, the record date, your shares were held on your behalf in an account with a brokerage firm, bank or other nominee, you are considered the beneficial owner of those shares held in street name. If you are a beneficial owner, these proxy materials are being forwarded to you by the organization considered the stockholder of

record of your shares. As a beneficial owner, you have the right to direct your nominee on how to vote the shares held in your account. Your nominee has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. Please note that as a beneficial owner, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from the organization that holds your shares and is the stockholder of record, giving you the right to vote the shares at the Annual Meeting.

Q: How do I vote?

Voting via the Internet. You may vote by proxy over the Internet by following the instructions on the Notice.

Stockholders who requested to receive printed proxy materials may submit proxies over the Internet by following the instructions on the proxy card. Most of Align's stockholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their broker or other nominee. A number of banks and brokerage firms are participating in a program provided through Broadridge Investor

A: Communication Solutions that offers the means to grant proxies to vote shares through the Internet. If your shares are held in an account with a broker or bank participating in the Broadridge Investor Communication Solutions program, you may grant a proxy to vote those shares via the Internet by contacting the website shown on the instruction form received from your broker or bank. Your vote must be received by 8:59 p.m. Pacific Time, on May 14, 2019.

Voting by Telephone. Stockholders of record may submit proxies by following the "Vote by Telephone" instructions on their Notice or on their proxy cards (if electing to receive printed proxy materials), as applicable, until 8:59 p.m. Pacific Time, on May 14, 2019.

Voting by Mail. If you requested to receive printed proxy materials, you can also submit proxies by completing, signing and dating their proxy card and mailing it in the accompanying pre-addressed envelope. Proxy cards submitted by mail must be received prior to the closing of the polls at the Annual Meeting in order for the votes to be recorded.

Voting in Person at the Annual Meeting. Shares held in your name as the stockholder of record may be voted in person at the Annual Meeting. If, however, you are the beneficial owner of shares held in street name, and if you wish to vote at the Annual Meeting, you will need to bring a legal proxy from your broker or other nominee authorizing you to vote your shares. Even if you plan to attend the Annual Meeting, we recommend that you also vote by proxy as described below so that your vote will be counted if you later decide not to attend the meeting.

Q: What if I don't give specific voting instructions?

In the election of directors, you may vote "FOR," "AGAINST" or "ABSTAIN." If you elect to "ABSTAIN" in the election of directors, the abstention will not impact the election of directors. In tabulating the voting results for the election of directors, only "FOR" and "AGAINST" votes are counted.

For the other items of business, you may vote "FOR", "AGAINST" or "ABSTAIN". For these other items of business, if you elect to abstain, the abstention will have the same effect as an "AGAINST" vote.

If you indicate your choice on your proxy on a particular matter to be acted upon, the shares will be voted as indicated.

If you are a stockholder of record and you return a signed proxy card but do not indicate how you wish to vote, the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting. If you do not return the proxy card, your shares will not be voted and will not be deemed present for the purpose of determining whether a quorum exists.

If you are a beneficial owner and the organization holding your account does not receive instructions from you as to how to vote those shares, under the rules of various national and regional securities exchanges, that organization may exercise discretionary authority to vote on routine proposals (the ratification of the appointment of PricewaterhouseCoopers LLP as our independent public accountants) but may not vote on non-routine proposals (each of the other proposals). We encourage you to provide instructions to your broker regarding the voting of your shares. If you do not provide voting instructions to your broker and the broker has indicated that it does not have discretionary authority to vote on a particular proposal, your shares will be considered "broker non-votes" with regard to that matter. Broker non-votes will be considered as represented for purposes of determining a quorum but generally will not be

considered as entitled to vote with respect to a particular proposal. Broker non-votes are not counted for purposes of determining the number of votes cast with respect to a particular proposal. Thus, a broker non-vote will make a quorum more readily obtainable, but the broker non-vote will not otherwise affect the outcome of the vote on a proposal that requires the affirmative vote of a majority of the shares present and entitled to vote.

Q: Can I change or revoke my vote?

A: Subject to any rules your broker or other nominee may have, you may change your proxy instructions at any time before your proxy is voted at the Annual Meeting.

If you are a stockholder of record, you may either:

grant a new proxy bearing a later date by following the instructions provided in the Notice or the proxy card, which will automatically revoke the previous proxy;

provide written notice of the revocation to:

Corporate Secretary  
Align Technology, Inc.  
2820 Orchard Parkway  
San Jose, California 95134

prior to the time we take the vote at the Annual Meeting; or

- attend the Annual Meeting and vote in person. Your attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically request.

If you are a beneficial owner of shares held in street name, you may either:

submit new voting instructions to your broker or other nominee; or

if you have obtained a legal proxy from your broker or other nominee giving you the right to vote your shares at the Annual Meeting, attend the Annual Meeting and vote in person.

Q: What are we voting on and what vote is required to approve each item?

A: The proposals that will be presented at the Annual meeting, our Board's voting recommendations, the vote required and the way the vote is calculated for the proposals are as follows:

PROPOSAL	Vote Required	Board's Voting Recommendation	Broker Discretionary Voting Allowed?
Proposal 1 — To Elect Ten (10) Director Nominees	A nominee must receive more "for" votes than "against" votes and the number of votes "for" must be the majority of the required quorum	FOR	NO
Proposal 2 — To Ratify the Appointment of PwC as Align's Independent Registered Public Accounting Firm for Fiscal 2019	Majority of Shares Entitled to Vote and Present in Person or Represented by Proxy	FOR	YES
Proposal 3 — To Consider an Advisory Vote to Approve the Compensation of our Named Executive Officers	Majority of Shares Entitled to Vote and Present in Person or Represented by Proxy	FOR	NO

We will also consider any other business that properly comes before the Annual Meeting. As of April 5, 2019, we are not aware of any other matters to be submitted for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, the persons named in the proxy cards will vote the shares they represent using their best judgment.

Q: What constitutes a quorum?

A: A quorum, which is a majority of the outstanding shares of our common stock as of the record date, must be present or represented by proxy in order to hold the Annual Meeting and to conduct business. As of the record date,



79,994,149 shares of common stock, representing the same number of votes, were outstanding. That means that we need the holders of at least 39,997,075 shares of common stock to be represented for us to have a quorum. Your shares will be counted as present at the Annual Meeting if you attend the Annual Meeting in person. Your shares will be considered present and represented by proxy if you submit a properly executed proxy card or vote via the Internet or by telephone. Under the General Corporation Law of

the State of Delaware, abstentions and broker “non-votes” are counted as present and entitled to vote and so are included for purposes of determining whether a quorum is present at the Annual Meeting.

Q: Who will bear the cost of soliciting votes for the Annual Meeting?

We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing and mailing of proxy materials. The original solicitation of proxies by mail may be supplemented by solicitation by telephone and other means by directors, and employees of Align. None of these officers, directors or employees will receive special compensation for such services. In addition, we may reimburse brokerage firms and other custodians for their reasonable out-of-pocket expenses for forwarding these proxy materials to you.

Q: Who will count the vote?

A: We expect a representative from Align will tabulate the proxies and act as inspector of the election.

Q: What is Align’s website address?

Our website address is [www.aligntech.com](http://www.aligntech.com). We make this proxy statement, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended available on our website in the Investor Relations section, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission (“SEC”).

This information is also available free of charge at [www.sec.gov](http://www.sec.gov), an Internet site maintained by the SEC that contains reports, proxy and information statements and other information regarding issuers that are filed electronically with the SEC. Stockholders may obtain free copies of the documents filed with the SEC by contacting our Investor Relations department by sending a written request to Align Technology, Inc., 2820 Orchard Parkway, San Jose, California 95134, Attn: Investor Relations or by sending an email to [investorinfo@aligntech.com](mailto:investorinfo@aligntech.com).

Q: Where can I find the voting results of the meeting?

A: The preliminary results will be announced at the Annual Meeting. The final results will be published in a Current Report on Form 8-K, which we will file with the SEC by May 21, 2019.

Q: What if multiple stockholders share the same address?

A: To reduce expenses, we are delivering a single copy of the Notice and, if applicable, the proxy materials to certain stockholders who share a single address, unless otherwise requested by one of the stockholders. A separate proxy card is included in the voting materials for each of these stockholders. To receive a separate copy of the Notice and, if applicable, the proxy materials you may contact us by calling (408) 470-1000 or by writing to us at Align Technology, Inc., 2820 Orchard Parkway, San Jose, California 95134, Attn: Investor Relations. You may also contact us by calling or writing if you would like to receive separate materials for future annual meetings.

Q: Is there any information that I should know regarding future annual meetings?

Stockholder proposals may be included in our proxy statement for an annual meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. For a stockholder proposal to be considered for inclusion in our proxy statement for the annual meeting to be held in 2020, we must receive the proposal at our principal executive offices, addressed to the Corporate Secretary, no later than December 6, 2019. In addition, a stockholder proposal that is not intended for inclusion in our proxy statement under Rule 14a-8 may be brought before the 2020 annual meeting so long as we receive information and notice of the proposal in compliance with the requirements set forth in our Bylaws, addressed to the Corporate Secretary at our principal executive offices, not later than February 14, 2020 nor earlier than January 15, 2020.

PROPOSAL ONE  
ELECTION OF DIRECTORS

Nominees

Our Board is elected each year at the annual meeting of stockholders. As of the date of this proxy statement, our current number of directors is set at 10. On the recommendation of the Nominating and Governance Committee, the Board has nominated the 10 persons named below for election as directors this year, each to serve for a one-year term or until the director's successor is elected and qualified.

In the event any of the nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the then current Board to fill the vacancy. As of the date of this Proxy Statement, our Board is not aware of any nominee who is unable or will decline to serve as a director.

Our Bylaws require that a director nominee will be elected only if he or she receives a majority of the votes cast with respect to his or her election in an uncontested election (that is, the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). Each of our director nominees is currently serving on the Board. If a nominee who is currently serving as a director is not re-elected, Delaware law provides that the director would continue to serve on the Board as a "holdover director." Under our Bylaws and Corporate Governance Guidelines, each director submits an advance, contingent, irrevocable resignation that the Board may accept if stockholders do not re-elect the director. In that situation, our Nominating and Governance Committee would make a recommendation to the Board about whether to accept or reject the resignation, or whether to take other action. The Board would act on the Nominating and Governance Committee's recommendation, and publicly disclose its decision and the rationale behind it within 90 days from the date that the election results were certified.

You may either vote "For" or "Against" any nominee you specify, or "ABSTAIN" from voting for any nominee. Unless marked otherwise, proxies returned to us will be voted for each of the nominees named below. If you hold your shares through a bank, a broker or other holder or record you must instruct your bank, broker or other holder of record to vote so that your vote can be counted on this Proposal 1.

OUR BOARD RECOMMENDS THAT YOU VOTE "FOR" ALL NOMINEES

Information Concerning the Nominees

Kevin J. Dallas has served as a director of Align since March 2018. In his current role at Microsoft Corporation, Mr. Dallas is Corporate Vice President, Artificial Intelligence & Intelligent Cloud Business Development. At Microsoft, his team creates partnerships that help enable the digital transformation of customers and partners across a range of industries including: connected/autonomous vehicles, industrial IoT, discrete manufacturing, retail, financial services, media and entertainment, and healthcare. With advanced technologies that include intelligent cloud and intelligent edge services, Microsoft enables business outcomes that include: transforming products, optimizing operations, empowering employees, and enhancing customer engagement. Prior to joining Microsoft in 1996, Mr. Dallas held roles at NVIDIA Corporation and National Semiconductor (now Texas Instruments Inc.) in the U.S., Europe and the Middle East in roles that included microprocessor design, systems engineering, product management, and end-to-end business leadership. He holds an Executive M.B.A. from the Kellogg School of Management at Northwestern University, and a B.S. degree in Computer Science from Staffordshire University, Stoke-on-Trent, Staffordshire, England.

Kevin J. Dallas  
 Age: 55  
 Director since 2018  
 Board committees:  
 Technology

Mr. Dallas joins the Board with considerable business experience in the technology industry. With over 20 years' at Microsoft Corporation in senior leadership roles, including his current executive position, Mr. Dallas brings a broad understanding of the operational, financial and strategic issues facing technology companies today, including cybersecurity risks in enterprise operations, making him well qualified for service as a director and as a member of our Technology Committee.

Mr. Hogan has served as our President and Chief Executive Officer and a member of our Board since June 2015. Prior to joining us, Mr. Hogan was Chief Executive Officer of ABB Ltd., a global power and automation technologies company based in Zurich, Switzerland, from 2008 to 2013. Prior to ABB, Mr. Hogan worked at General Electric Company (GE) in a variety of executive and management roles from 1985 to 2008, including eight years as Chief Executive Officer of GE Healthcare from 2000 to 2008. Mr. Hogan earned a MSBA from Robert Morris University and a B.S. in Business Administration from Geneva College.

Joseph M. Hogan  
 Age: 61  
 Director since 2015  
 No Board committees

Mr. Hogan is an accomplished chief executive with extensive experience in leading the strategic and operational aspects of large and complex, international organizations in the healthcare and technology industries. As the President and Chief Executive Officer of Align, Mr. Hogan is responsible for management's execution of operational objectives and serves as an integral connection between the Board of Directors and Align's management team, enabling alignment between the Board's strategic expectations and Align's current and future strategy and operations.

Joseph Lacob  
 Age: 63  
 Director since 1997  
 Board committees:  
 Nominating and Governance  
 (Chair) and Technology

Mr. Lacob has served as a director of Align since August 1997. In 2010, Mr. Lacob acquired The Golden State Warriors of the National Basketball Association. He is currently the CEO and Governor of the Warriors. From 1987 to 2018, Mr. Lacob was a partner of Kleiner Perkins Caufield & Byers (KPCB), a venture capital firm. Prior to joining KPCB in 1987, Mr. Lacob was an executive with Cetus Corporation (now Chiron), FHP International, a health maintenance organization, and the management

consulting firm of Booz, Allen & Hamilton. He previously served on the board of directors of Orexigen Therapeutics, a biopharmaceutical company focused on the development of pharmaceutical product candidates for the treatment of obesity. Mr. Lacob received his B.S. in Biological Sciences from the University of California at Irvine, his Masters in Public Health from the University of California at Los Angeles and his M.B.A. from Stanford University.

Mr. Lacob has demonstrated success in his business and leadership skills, serving as a partner of KPCB since 1987. In his role at KPCB, he has gained considerable technology, health care and life sciences industry experience. During his career at KPCB, Mr. Lacob has been closely involved with investments in over fifty life science companies, including the start-up or incubation of a dozen ventures, and with KPCB's medical technology practice, which includes over thirty therapeutic and diagnostic medical device companies. With this extensive business background, Mr. Lacob also brings considerable finance and investment experience that has proven to be valuable in addressing issues that arise at Align.

C. Raymond Larkin Jr.  
(Chairman of the Board)  
Age: 70  
Director since 2004  
Board  
committees:  
Nominating and Governance

Mr. Larkin has served as a director of Align since March 2004. In February 2006, Mr. Larkin was appointed as Chairman of the Board. Until 2018, he was a Principal of Group Outcome L.L.C., a merchant banking firm concentrating on medical technologies. From 2001 to 2007, he served as a part time Venture Partner at Cutlass Capital, a venture capital firm. Mr. Larkin was previously Chairman and Chief Executive Officer at Eunoe, Inc., a medical device company. From 1983 to March 1998, he held various executive positions with Nellcor Puritan Bennett, Inc., a medical instrumentation company, for which he served as President and Chief Executive Officer from 1989 until 1998. Mr. Larkin also held various positions of increasing responsibility at Bentley Laboratories/American Hospital Supply from 1976 to 1983. He currently serves on the board of directors of REVA Medical Inc., a medical device company developing and commercializing bioresorbable stents for the treatment of coronary artery disease. He also served on the board of directors of Heartware, Inc. prior to its acquisition by Medtronic, plc in 2016. Mr. Larkin received his B.S. in Industrial Management from LaSalle University.

Mr. Larkin brings with him considerable business experience in the medical device industry serving as President and CEO of a large public company. In his role as President and CEO of Nellcor Puritan Bennett, Inc., Mr. Larkin took on significant management, strategic and operational responsibilities leading that business through significant growth, including numerous mergers & acquisitions. This operational experience has proven valuable in addressing issues that have arisen at Align. With his knowledge of the medical device and health care industry, Mr. Larkin provides valuable insight to our Board. Mr. Larkin's experience as a member of the board of directors of various public companies provides Mr. Larkin a deep understanding of the role of the board of directors and positions him well to serve as our Chairman.

George J. Morrow  
Age: 67  
Director since 2006  
Board  
committees:  
Compensation (Chair)  
Nominating and Governance

Mr. Morrow has served as a director of Align since February 2006. From February 2011 until January 2013, Mr. Morrow served as a consultant to Amgen Inc., a global biotechnology company. From 2003 until his retirement in February 2011, he was the Executive Vice President, Global Commercial Operations at Amgen Inc., where he also served as Executive Vice President of Worldwide Sales and Marketing between 2001 and 2003. From 1992 to 2001, Mr. Morrow held multiple leadership positions at GlaxoSmithKline Inc. and its subsidiaries, including President and Chief Executive Officer of Glaxo Wellcome Inc. He currently serves on the board of directors of Vical Incorporated, a company that researches and develops biopharmaceutical products, and Neurocrine Biosciences, a biotechnology company focused on neurologic, psychiatric and endocrine related disorders. He also served on the board of Safeway Inc., a food and drug retailer from May 2013 until February 2015. From April 2015 to June 2018, he served on the board of Otonomy, Inc., a clinical-stage biopharmaceutical company focused on the development and commercialization of innovative therapeutics for diseases and disorders of the inner and middle ear. Mr. Morrow holds a B.S. in Chemistry from Southampton College, Long Island University, an M.S. in Biochemistry from Bryn Mawr College and an M.B.A. from Duke University.

As a former executive vice president at Amgen and Glaxo, two large public companies, Mr. Morrow brings to our Board considerable business experience in the medical technology industry. As part of the executive leadership at Amgen, Mr. Morrow has recent front-line exposure to many of the issues facing public companies today, particularly on the operational, regulatory, financial and corporate governance fronts. Mr. Morrow's leadership skills and experience make him knowledgeable of the complex issues facing global companies today and give him an understanding of what makes businesses work effectively and efficiently. These skills and experience are extremely valuable to our Board and enable Mr. Morrow to be an effective Compensation Committee chairman and an asset to the Nominating and Governance Committee.



Thomas M. Prescott  
 Age: 63  
 Director since 2002  
 Board committees:  
 Technology

Mr. Prescott served as our President and Chief Executive Officer from 2002 until his retirement in June 2015. Prior to joining Align, Mr. Prescott was President and Chief Executive Officer of Cardiac Pathways, Inc. from May 1999 to August 2001 and a consultant for Boston Scientific Corporation from August 2001 to January 2002 after its acquisition of Cardiac Pathways in August 2001. Prior to Cardiac Pathways, Mr. Prescott held various sales, general management and executive roles at Nellcor Puritan Bennett, Inc. from April 1994 to May 1999, and various management positions at GE Medical Systems from October 1987 to April 1994. In addition, Mr. Prescott served in sales, marketing and management roles at Siemens AG from December 1980 to July 1986. He received his B.S. in Civil Engineering from Arizona State University and Masters in Management from Northwestern University. Mr. Prescott has served as a member of the Board since joining Align in 2002.

Mr. Prescott's 13 years of experience at our Company as our CEO gives him deep knowledge and understanding of Align and its business. Mr. Prescott's prior experience as CEO of another publicly traded medical device company demonstrates his leadership capability and business acumen. His experience with strategic and operational issues in the life sciences industry along with his service on the board of directors of other companies in this industry gives him insight into the issues facing this industry and brings valuable expertise to our Board and our Technology Committee.

Andrea L. Saia  
 Age: 61  
 Director since 2013  
 Board committees:  
 Audit,  
 Compensation  
 and Technology

Ms. Saia has served as a director of Align since July 2013. Ms. Saia was previously the Global Head of Vision Care in the Alcon division of Novartis AG, from 2011 until her retirement in 2012. Prior to this role, she served as President and Chief Executive Officer of CibaVision Corporation, a subsidiary of Novartis, from 2008 to 2011. From 2005 to 2007, she relocated to Switzerland and served as President of Europe, Middle East, and Africa operations, CibaVision's largest regional business unit. She initially joined CibaVision in 2002 as Global Head of Marketing and was promoted to President of the Global Lens Business the following year. Prior to Novartis, Ms. Saia was the Chief Marketing Officer for GCG Partners Inc. Ms. Saia also held senior management and marketing positions with global consumer products companies such as Procter & Gamble Co., Unilever, and Revlon, Inc. Ms. Saia earned an M.B.A. from J.L. Kellogg Graduate School of Management and a B.S. in Business Administration from Miami University. Ms. Saia also served on the board of directors of Coca-Cola Enterprises, Inc., the marketer, producer and distributor of Coca-Cola products in European markets from 2012 to 2016. Since July 2016, Ms. Saia has also served on the board of directors of LivaNova PLC, a global medical technology company.

Ms. Saia comes to the Board as an accomplished global business executive with over 30 years' experience in the medical device and consumer products industries with multinational companies including Novartis, Unilever, brings to the Board extensive global business experience, a broad understanding of the healthcare, medical device and consumer products industries, strong management skills and operational expertise through her positions at Novartis. In those positions, she dealt with a wide range of issues as they rebuilt and strengthened the innovation and operating functions, and delivered industry leading sales and profit growth. The Board believes that her extensive knowledge of healthcare, medical device and consumer products industries provides her with insights that are particularly helpful and valuable to our Board. In addition, Ms. Saia also serves on the board of directors of another publicly traded company which gives her insight and perspective into current best practices at the board level and enables her to be an effective contributing member of our Board and our Audit Committee and a strong addition to the Compensation Committee and Technology Committee.





Greg J. Santora  
 Age: 67  
 Director since  
 2003  
 Board  
 committees:  
 Audit (Chair) and  
 Compensation

Mr. Santora has served as a director of Align since July 2003. Mr. Santora served as Chief Financial Officer at Shopping.com, a provider of internet-based comparison shopping resources, from December 2003 until September 2005. From 1997 through 2002, he served as Senior Vice President and Chief Financial Officer for Intuit, Inc., a provider of small business and personal finance software. Prior to Intuit, Mr. Santora spent nearly 13 years at Apple Computer in various senior financial positions including Senior Finance Director of Apple Americas and Senior Director of Internal Consulting and Audit. Mr. Santora, who began his accounting career with Arthur Andersen L.L.P., has been a CPA since 1974. He served on the board of directors of RetailMeNot, Inc., a digital coupon site, from May 2013 until its sale in May 2017. Mr. Santora holds a B.S. in Accounting from the University of Illinois and an M.B.A. from San Jose University.

Mr. Santora is an experienced financial leader with over 35 years of finance and accounting experience gained through his education and work at a major accounting firm and his later positions as Chief Financial Officer of Intuit and Shopping.com. The compliance, financial reporting and audit expertise Mr. Santora gained in his senior finance and operations roles, including as chief financial officer, has proven valuable in addressing issues that have arisen at Align during Mr. Santora's tenure as Audit Committee chairman. Mr. Santora's service on the board of directors and audit committee of another publicly traded company, gives him insight and perspective into current best practices with respect to finance organizations and the audit committee function.

Susan E. Siegel  
 Age: 58  
 Director since  
 2017  
 Board  
 committees:  
 Nominating and  
 Governance and  
 Technology

Susan E. Siegel has served as a director of Align since 2017. In November 2017, she was appointed Chief Innovation Officer at GE and Chief Executive Officer of GE Business Innovations, GE's growth and innovation business. Since 2012, she has been Chief Executive Officer of GE Ventures, now subsumed into her new role. Prior to joining GE, from May 2006 to May 2012, she was a General Partner at Mohr Davidow Ventures, where she led healthcare and lifescience investments. From April 1998 to April 2006, Ms. Siegel was at Affymetrix, Inc. where she served as President and as a member of the board of directors. Since February 2019, Ms. Siegel has served on the board of directors of Illumina, Inc., a leading developer, manufacturer and marketer of life science tools and integrated systems for the analysis of genetic variation and function. Ms. Siegel holds a B.S. in Biology from the University of Puerto Rico and a M.S. in Biochemistry and Molecular Biology from Boston University Medical School.

We believe that Ms. Siegel possesses specific attributes that qualify her to serve as a member of our Board of Directors, including her experience of growing biotechnology companies for over 30 years by bringing key enabling technologies to the forefront of biomedical research and healthcare and for her pioneering leadership in personalized medicine. This experience also brings valuable expertise to our Board and as a member of our nominating and governance and technology committees.

Warren S. Thaler  
 Age: 56  
 Director since  
 2004  
 Board  
 committees:  
 Audit,  
 Nominating and  
 Governance, and

Mr. Thaler has served as a director of Align since June 2004. Since July 2017, Mr. Thaler has been a consultant to Gund Investment Corporation, an investment firm owned by Gordon Gund with holdings in real estate and private equity securities. Prior to acting as a consultant for Gund Investment Corporation, Mr. Thaler served as its president. Since 1990, Mr. Thaler has served on the board of directors of several privately held companies owned by the Gund family. From 1990 to 2005, Mr. Thaler was on the board of directors of the Cleveland Cavaliers and Gund Arena Company and from 2001 to 2005 represented the Cleveland Cavaliers as its Alternate Governor at meetings of the National Basketball Association's Board of Governors. Mr. Thaler received his B.A. from Princeton University and his M.B.A. from Harvard University.

Technology

Mr. Thaler's demonstrated executive level management skills make him an important advisor to our Board. His success in building businesses as well as his finance and investment experience gained at Gund and through his education makes Mr. Thaler well suited for our Audit Committee. Mr. Thaler's business background makes him a valuable component of a well rounded Board and a key member of the Board's audit, nominating and governance, and technology committees.

There are no family relationships between any director or any of Align's executive officers.

## CORPORATE GOVERNANCE

### Corporate Governance Policies and Practices

We are committed to implementing and following high standards of corporate governance, which we believe are important to the success of our business, creating stockholder value and maintaining our integrity in the marketplace. Align also maintains a corporate governance page on its website that includes additional related information, as well as our code of business conduct and ethics, principles of corporate governance, and the charters for each of the standing committees of the Board of Directors. The corporate governance page can be found by clicking on the "Corporate Governance" link of the "Investors" section of our website at [www.aligntech.com](http://www.aligntech.com).

We continue to maintain a variety of policies and practices to foster and maintain responsible corporate governance, including the following:

**Anti-Hedging and Anti-Pledging Policy.** Our Insider Trading Policy prohibits executive officers, directors and employees from engaging in hedging transactions or pledging the Company's securities as collateral for loans.

**Declassified Board.** We have a declassified Board and our bylaws provide for one-year terms for our directors. All of our directors will stand for election to one-year terms at this Annual Meeting.

**Majority Voting for Election of Directors.** The Board of Directors has adopted majority voting for uncontested elections of directors. For this purpose, "a majority of votes cast" means that the number of votes cast "FOR" a director's election exceeds the number of votes cast "AGAINST" that director's election. However, in the case of a contested election (i.e., an election in which the number of candidates exceeds the number of directors to be elected), directors will be elected by plurality vote.

As a condition of nomination, all directors are required to submit to Align an irrevocable resignation that becomes effective if the nominee does not receive majority vote (in an uncontested election) and the Board of Directors accepts the resignation. If the director fails to receive the requisite votes, the Nominating and Governance Committee will promptly consider the resignation and recommend to the Board whether to accept or reject it, or whether other action should be taken.

**Corporate Governance Guidelines.** Our Board has set out its corporate governance practices in the Corporate Governance Guidelines of Align Technology, Inc., a copy of which is available on the Investor Relations section of our website located at <http://investor.aligntech.com>.

**Code of Business Conduct and Ethics.** Our Board has adopted a Code of Business Conduct and Ethics that is applicable to all directors, officers and employees of Align, including Align's principal executive officer, principal financial officer and controller. This Code is intended to deter wrongdoing and promote ethical conduct among our directors, executive officers and employees. The Code of Business Conduct and Ethics is available on the Investor Relations section of our website located at [investor.aligntech.com](http://investor.aligntech.com). Stockholders may request in writing free printed copies of our Code of Business Conduct and Ethics from Align Technology, Inc., 2820 Orchard Parkway, San Jose, California 95134, Attn: Investor Relations or by sending an email to [investorinfo@aligntech.com](mailto:investorinfo@aligntech.com). We will post on our website at <http://investor.aligntech.com> any amendments to our Code of Business Conduct and Ethics, as well as any waivers to our Code of Business Conduct and Ethics that are required to be disclosed by the rules of the SEC or the NASDAQ Stock Market LLC.

**Increased Stock Ownership Guidelines.** To align the interests of Align's executive officers and members of our Board of Directors with those of Align's stockholders, we maintain stock ownership guidelines for our executive officers and non-employee directors. In 2018, the Compensation Committee increased the stock ownership guidelines as set forth

Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

in the table below. These increases were intended to illustrate our commitment to sound corporate governance and to demonstrate to stockholders that our executive officers and directors have a meaningful “long position” in Align.

Position	Previous Stock Ownership Guidelines	Current Stock Ownership Guidelines
CEO	5.0x annual base salary	6.0x annual base salary
Executive officers	2.0x annual base salary	3.0x annual base salary
Non-Employee Directors	Amount equal in market value to \$250,000	Amount equal in market value to \$400,000

Each executive officer and non-employee director is subject to these guidelines, provided he or she has five years from the date such individual first becomes subject to the guidelines to attain the requisite stock ownership. Currently, each executive officer and non-employee director is in compliance with the stock ownership guidelines.

For purposes of this policy, “ownership” includes:

- shares of Align common stock held directly by the director or officer or in trust for the benefit of the director or officer or his or her family member living in the same household,
- 50% of the gain on vested in-the-money stock options, and
- shares of underlying Align restricted stock units held directly by a director or officer, whether or not yet vested.

The term “ownership” does not include unvested options to purchase common stock or shares underlying unvested market stock units.

**Role of Board.** The Board has responsibility for reviewing our overall performance rather than day-to-day operations. The Board’s primary responsibility is to oversee the management of Align and, in so doing, serve the best interests of Align and its stockholders. The Board selects, evaluates and provides for the succession of executive officers and, subject to oversight by the Nominating and Governance Committee, the Board nominates for election at annual stockholder meetings individuals to serve as directors of Align and elects individuals to fill any vacancies on the Board. The Board reviews corporate objectives and strategies, and evaluates and approves significant policies and proposed major commitments of corporate resources. The Board participates in decisions that have a potential major economic impact on Align. Management keeps the directors informed of Company activity through regular written reports and presentations at Board and Committee meetings.

**Board Leadership Structure; Executive Sessions.** We currently separate the roles of chief executive officer (CEO) and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for setting our strategic direction and the day-to-day leadership and performance of Align, while the Chairman of the Board provides guidance to the CEO and, in consultation with the CEO and other members of our Board, sets the agenda for Board meetings and presides over meetings of the full Board. We believe that this separation of duties allows the CEO and Chairman to most efficiently use their time and to most effectively fulfill their respective responsibilities, which are critical to the future success of Align. While our bylaws and corporate governance guidelines do not require that our Chairman and CEO positions be separate, the Board believes that having separate positions and having an independent outside director serve as chairman is the appropriate leadership structure for Align at this time. Our Corporate Governance Guidelines provide that the independent directors of the Board will meet in executive session at least twice a year. The Board of Directors held six meetings in 2018 and the independent directors met in executive sessions four times.

**Board Effectiveness.** To ensure that our Board of Directors and its committees are performing effectively and in the best interests of Align and its stockholders, the Board performs an annual assessment of itself, its committees and each of its members.

**Meetings of the Board.** For the period of his or her Board service in 2018, each director attended at least 75 percent of the aggregate of the total number of meetings of the Board and the committees on which he or she serves.

**Committees.** During the year, the Board maintained an Audit Committee, a Compensation Committee, a Nominating and Governance Committee and a Technology Committee. Each committee has adopted a written charter that establishes practices and procedures for such committee in accordance with applicable corporate governance rules and regulations. These charters are available on the Investor Relations section of our website located at [investor.aligntech.com](http://investor.aligntech.com).

Outside Advisors. The Board of Directors and each of its committees may retain outside advisors and consultants at its discretion and at Align's expense.

Audit

Committee

2018 Meetings: Oversees and monitors our accounting and financial reporting processes, our financial statement  
9 audits, and our internal accounting and financial controls

Members: Responsible for appointing, compensating, retaining, terminating and overseeing the work of our independent auditors

Greg J. Santora Responsible for reviewing the auditors proposed scope, approach and independence  
(Chair) Pre-approves audit and non-audit services

Andrea L. Saia Provides oversight and monitors our Internal Audit Department

Warren S.  
Thaler

Reviews, approves and monitors our Code of Business Conduct and Ethics

Oversees and reviews our Anti-Bribery and Anti-Corruption Compliance Program

Oversees and reviews our cybersecurity, data privacy, and other information technology risks, controls and procedures

Establishes procedures for receiving, retaining and treating complaints regarding accounting, internal accounting controls or auditing matters

None of the Audit Committee members are employees of Align, and our Board has determined that each member is independent within the meaning of the NASDAQ listing standards and the rules and regulations of the SEC

Our Board has determined that Mr. Santora is qualified as an “audit committee financial expert” within the meaning of the rules of the SEC and has confirmed that the other members of the Audit Committee are able to read and understand financial statements

Compensation

Committee

2018 Meetings: 9 Ensures that the Align’s compensation programs successfully align the interest of employees,  
Members: including executive officers, with those of the Align’s stockholders

George J. Morrow Reviews and administers all compensation arrangements for executive officers and reviews  
(Chair) Andrea L. Saia general compensation goals and guidelines for Align’s employees and the criteria for which  
bonuses are to be determined

Greg J. Santora Retains, oversees, and assesses the independence of compensation consultants and advisors  
Assists the Board in fulfilling its oversight responsibilities with respect to the management  
of risks arising from our compensation policies and programs

May form and delegate authority to subcommittees when appropriate, although no such delegation is currently in effect

None of the Compensation Committee members are employees of Align, and our Board has determined that each member is independent within the meaning of the NASDAQ listing standards

Nominating and Governance Committee

2018 Meetings: 2

Members:

Identifies, evaluates and recommends nominees to the Board

Evaluates the composition, organization and governance of the Board and its committees

Joseph Lacob (Chair)

C. Raymond Larkin Jr. George J. Morrow Warren S.

Develops and recommends corporate governance principles applicable to Align

Thaler Susan E. Siegel

Technology Committee

2018 Meetings: 2

Members:

Reviews Align's technology and development activities Oversees and advises the Board on matters of innovation and technology

Kevin J. Dallas Joseph Lacob



Thomas M. Prescott Andrea L. Saia  
Susan E. Siegel  
Warren S. Thaler

12

---

## Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is or has been one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the Compensation Committee or director (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any entity that has one or more executive officers serving on our Compensation Committee or our Board of Directors.

**Process for Identifying and Evaluating Nominees and Relevant Criteria.** The Nominating and Governance Committee considers candidates for board membership suggested by Board members, management and stockholders of Align. The Nominating and Governance Committee has also retained from time to time a third-party executive search firm to identify independent director candidates. In considering candidates for director nominee, the Nominating and Governance Committee generally assembles all information regarding a candidate's background and qualifications. While Align does not have a formal diversity policy for Board membership, the Board seeks directors who represent a mix of backgrounds and experiences, including candidates of gender and ethnic diversity, that will enhance the quality of the Board's deliberations and decisions. Currently, we have two women on our Board. Moreover, our directors have diverse business and professional backgrounds, including experience in finance and accounting, venture capital, medical device, consumer products, technology, and brand management. Such diversity considerations are discussed by the Nominating and Governance Committee in connection with the general qualifications of each potential nominee. The Nominating and Governance Committee, in its discretion, may designate one or more of its members to interview any candidate. In addition, the Nominating and Governance Committee may seek input from Align's management or the Board, who may interview any candidate. The Nominating and Governance Committee recommends director nominees to the Board based on its assessment of overall suitability to serve on the Board in accordance with Align's policy regarding nominations and qualifications of directors.

The Nominating and Governance Committee has specified the following minimum qualifications that it believes must be met by a nominee for apposition on the Board:

- the highest personal and professional ethics and integrity;
- proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- skills and experience that are complementary to those of the existing Board;
- the ability to assist and support management and make significant contributions to Align's success; and
- an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities.

**Recent Board Refreshment.** As a result of the foregoing process, the Board has added two new directors over the last two years, each of whom have brought valuable and diverse backgrounds and perspectives to the overall composition of the Board. The most recent appointment was Mr. Dallas in March 2018. Mr. Dallas is a current executive at Microsoft who brings to our Board deep experience in the technology industry, as well as a deep understanding of cybersecurity and other risks facing businesses today.

**Stockholder Recommendation of Nominees.** Under our Corporate Governance Guidelines, the Nominating and Governance Committee is required to consider recommendations for candidates to the Board from stockholders holding at least 1% of the total outstanding shares of Align common stock (stockholders must have held such common stock continuously for at least 12 months prior to the date of the submission of the recommendation). The Nominating and Governance Committee will consider persons recommended by Align's stockholders in the same manner as a nominee recommended by the Board, individual board members or management.

A stockholder may also nominate a person directly for election to the Board at an annual meeting of our stockholders provided their proposal meets the requirements set forth in our bylaws and the rules and regulations of the SEC related to stockholder proposals. The process for properly submitting a stockholder proposal, including a proposal to

nominate a person for election to the Board at an annual meeting, is described above in the answer to the question “Is there any information that I should know regarding future annual meetings?”

Annual meeting attendance. Align encourages, but does not require, Board members to attend the annual meeting of stockholders. Last year, no director attended our annual meeting of stockholders.

The Board’s Role in Risk Oversight. Management is responsible for the day-to-day management of risks Align faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk management role, the Board has the responsibility to satisfy itself that the risk management processes implemented by management are adequate and functioning as designed. As a critical part of this risk management oversight role, the Board encourages management to promote a culture that actively manages risks as part of Align’s corporate strategy and day-to-day business operations. Furthermore, our Board encourages full and open communication between management and the Board. Our Chairman meets regularly with our CEO and

other senior members of management to discuss strategy and risks facing Align. Senior management attends the quarterly Board meetings and is available to address any questions or concerns raised by the Board on risk management-related and other matters. The Board regularly receives presentations from senior management on strategic matters involving our operations to enable it to understand our risk identification, risk management and risk mitigation strategies. The Board also holds strategic planning sessions with senior management to discuss strategies, key challenges, and risks and opportunities for Align.

Our Board does not have a standing risk management committee, but rather administers this oversight function directly through our Board as a whole, as well as through various standing committees of our Board that address risks inherent in their respective areas of oversight. In particular, the Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in areas of financial risk, internal controls, and compliance with legal and regulatory requirements. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The Nominating and Governance Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with Board organization, membership, and structure. When a committee receives a report, the chairman of the committee discusses it with the full Board during the committee reports portion of the next Board meeting. This enables the Board to coordinate the risk oversight role.

**Cybersecurity.** To more effectively address the cybersecurity threats posed today, Align has a dedicated Chief Information Security Officer (CISO) who is responsible for leading enterprise-wide information security strategy, policy, standards, process, and technology. Align's information security program includes, among other things, vulnerability management, antivirus and malware protection, technology compliance and risk management, encryption, identity and access management, application security, and security monitoring and incident response. In 2019, we updated our Audit Committee Charter to make explicit the Committee's responsibility for reviewing cybersecurity risks and the cybersecurity program. In 2018, the Chief Information Security Officer met with the Audit Committee two times to discuss Align's cyber risks and threats.

**Data Privacy.** Align has various technical, administrative, and physical safeguards in place to help protect against unauthorized access to, use, or disclosure of customer, consumer, and patient information and data we collect and store. Align has a dedicated Data Privacy Officer who advises the business on privacy risks and assesses the effectiveness of privacy controls and compliance with various legislative and regulatory requirements. In 2019, we updated our Audit Committee charter to make explicit the Committee's responsibility for reviewing data privacy risks, as well as steps taken by management to understand and mitigate such risks. In 2018, the Data Privacy Officer briefed the Audit Committee on data privacy risks facing Align and recommended actions to mitigate those risks.

**The Compensation Committee's Role in Risk Oversight.** In fulfilling its role in assisting the Board in its risk oversight responsibilities, the Compensation Committee believes that the various elements of our compensation program mitigates against and does not encourage excessive risk taking and instead encourages behaviors that support sustainable value creation. The Compensation Committee annually assesses our compensation programs and has concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on Align. To arrive at this conclusion, the Committee assessed our executive and broad-based compensation programs and determined that the following design features of our compensation programs did not create undesired or unintentional risk of a material nature and guarded against excessive risk-taking:

- our compensation program is designed to provide a balanced mix of cash and equity, annual, and longer-term incentives in order to encourage strategies and actions that are in Align's long-term best interests;

- base salaries are consistent with an employee's responsibilities so that they are not motivated to take excessive risks to achieve a reasonable level of financial security;

we establish performance goals under our annual cash incentive plan that we believe (A) are reasonable in light of past performance and market conditions, and (B) encourage success without encouraging excessive risk taking to achieve short-term results, and, therefore, do not encourage unnecessary or excessive risk-taking;

the performance goals that determine payouts under our annual cash incentive plans are company-wide in order to encourage decision-making that is in the best long-term interests of Align and our stockholders as a whole;

under our annual cash incentive plans, achievement of performance goals at levels below full target reduces only the payout related to that goal, not the other goals, and therefore does not result in an “all-or-nothing” approach;

our executive officers can receive a maximum award of 240% of their target under our cash incentive compensation plan in order in part to avoid excessive risk taking;

the Compensation Committee has discretion over annual cash incentive program payouts;

for our executive officers, we use a portfolio of equity based incentives that incentivize performance over a variety of time periods with respect to several balanced goals:

Restricted Stock Units ("RSUs") retain value even in a depressed market making it less likely that employees take unreasonable risks to get, or keep, equity grant "in the money"; and

Performance-based market stock units ("MSUs") measure relative stockholder return over a three-year performance cycle, thereby retaining value even if the price of Align's stock decreases in a market downturn;and

executive officers are subject to share ownership guidelines.

#### Director Independence

In accordance with the NASDAQ listing standards, the Board undertook its annual review of the independence of its directors and considered whether any director had a material relationship with Align or its management that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, the Board affirmatively determined that Kevin J. Dallas, Joseph Lacob, C. Raymond Larkin Jr., George J. Morrow, Andrea L. Saia, Greg J. Santora, Susan E. Siegel and Warren S. Thaler are "independent directors." Since Mr. Prescott was employed by Align as recently as 2015 and since Mr. Hogan is currently employed by Align, neither was determined by the Board to be independent.

#### Stockholder Communications with Board

Stockholders may communicate directly with the non-management directors of Align by sending an email to Board@aligntech.com. Our General Counsel monitors these communications and ensures that appropriate summaries of all received messages are provided to the Board at its regularly scheduled meetings. In addition, the Chairman of the Nominating and Governance Committee has access to this email address and may monitor communications at his option. Where the nature of a communication warrants, our General Counsel may decide to obtain the more immediate attention of the appropriate committee of the Board or a non-management director, or Align's management or independent advisors. After reviewing stockholder messages, our Board will determine whether any response is necessary or warranted.

#### Director Compensation

For the purpose of determining non-employee director compensation for 2018, the Compensation Committee engaged Compensia to assist in evaluating the competitiveness of our director compensation program. The Compensation Committee considered an overview of the corporate governance environment as well as recent trends and developments relating to director compensation. The Compensation Committee also specifically considered the amounts payable under and the various components of our director compensation program, as well as the aggregate director compensation cost, in comparison to the boards of directors of the same group of peer companies that the Compensation Committee used in determining executive compensation. The analysis showed that the Board compensation practices for cash compensation (other than for our Chairman) were generally aligned with market norms and emerging best practices and no changes were made to the program. For our Chairman, however, the Compensation Committee, with the approval of the Board, reduced the annual retainer from \$210,000 to \$100,000. With respect to our equity compensation, the Board also determined to reduce the value of annual equity awards granted to our Board of Directors and made the following changes.

2017	2018
Target	Target

	Value of Equity Awards	Value of Equity Awards
Board (other than Chairman)	\$380,000	\$300,000
Chairman	\$530,000	\$400,000

In addition, in 2017 the actual number of restricted stock units granted was calculated using the average closing price of our stock over the 60-day period commencing 60 days prior to the May 17, 2017 grant date. Due to the significant rise in the price of our stock over this 60-day period, the actual value of the 2017 equity award increased by approximately 11% compared to the intended target value. As a result, for the 2018 equity grant, the Compensation Committee determined to use the price of our stock on the date of grant, thereby ensuring that the target value and the actual delivered value are the same.

## Cash Compensation

As a result of the changes noted above, our cash compensation program for non-employee directors for fiscal 2018 was as follows:

Description	Current Fee
Annual Retainer for Board Membership (other than Chairman)	\$ 50,000
Annual Retainer for membership on the Compensation and/or Audit Committee	\$ 13,500
Annual Retainer for Chair of Compensation Committee and/or Audit Committee	\$ 27,000
Annual Retainer for membership on the Nominating and Governance Committee and/or Technology Committee	\$ 5,000
Annual Retainer for Chair of Nominating and Governance Committee and/or Technology Committee	\$ 10,000
Annual Retainer for Chairman of the Board	\$ 100,000

Equity Compensation. On May 16, 2018, the date of our annual meeting of stockholders, each non-employee director (other than Mr. Larkin) was granted 1,042 RSUs which represented approximately \$300,000 in delivered value. For his service as Chairman of the Board, Mr. Larkin was granted 1,390 RSUs, which represented approximately \$400,000 in delivered value. These RSUs vest 100% upon the earlier of (i) the one-year anniversary of the grant date or (ii) the date of the next annual meeting of stockholders following the grant date. Assuming the continued service of the non-employee director, each of these equity awards will vest 100% on May 15, 2019. Mr. Dallas, who joined our Board in March 2018, was also granted an initial award of RSUs equivalent to the pro rata portion of the period of time he served as a director prior to the 2018 annual meeting of stockholders (or 3 months). As a result, in March 2018, Mr. Dallas was awarded 374 RSUs, 100% of which vested on May 16, 2018, the date of the 2018 annual meeting of stockholders.

Total Compensation. The table below summarizes the compensation paid to our non-employee directors for the year ended December 31, 2018. Mr. Hogan, our President and CEO, is not included in this table because he is an employee of Align and, as such, receives no compensation for his service on the Board. The compensation received by Mr. Hogan is shown in the Summary Compensation Table on page 38.

Name	Fees		Total (\$)
	Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	
Kevin J. Dallas	45,833	391,890	437,723
Joseph Jacob	65,000	300,054	365,054
C. Raymond Larkin Jr. <sup>(2)</sup>	136,667	400,264	536,931
George J. Morrow	82,000	300,054	382,054
Thomas M. Prescott	55,000	300,054	355,054
Andrea L. Saia	82,000	300,054	382,054
Greg J. Santora	90,500	300,054	390,554
Susan E. Siegel	59,167	300,054	359,221
Warren S. Thaler	73,500	300,054	373,554

The amounts reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of

<sup>(1)</sup> awards of RSUs. There can be no assurance that the grant date fair value amounts will ever be realized. The RSUs are time based awards and are not subject to performance or market conditions.

<sup>(2)</sup> Mr. Larkin is the Chairman of the Board.





The aggregate number of stock awards outstanding at December 31, 2018 for each non-employee director is as follows:

Name	Stock Awards
Kevin J. Dallas	1,042
Joseph Lacob	1,042
C. Raymond Larkin Jr. <sup>(2)</sup>	1,390
George J. Morrow	1,042
Thomas M. Prescott	13,292
Andrea L. Saia	1,042
Greg J. Santora	1,042
Susan E. Siegel	1,042
Warren S. Thaler	1,042

PROPOSAL TWO

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of our Board has selected PricewaterhouseCoopers LLP, independent registered public accountants (“PwC”), to audit the financial statements of Align for the year ending December 31, 2019. In making its recommendation to appoint PwC as Align’s independent registered public accountants, the Audit Committee has considered whether the provision of the non-audit services rendered by PwC is compatible with maintaining the firm’s independence.

Representatives of PwC are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Although stockholder ratification of the selection of PwC as our independent registered public accountants is not required by our Bylaws or any other applicable law, the Audit Committee is submitting the selection of PwC to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, our Audit Committee, at its discretion, may direct the appointment of a different firm to act as our independent registered public accountants at any time during the year if it determines that such a change would be in our best interests and in the best interests of our stockholders. In addition to the selection of the firm, the Audit Committee and its chairman were directly involved in the selection of PwC’s new lead engagement partner.

Ratification of the selection of PwC requires that the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting vote “FOR” this Proposal 2. An “ABSTAIN” vote will have the same effect as an “AGAINST” vote in this Proposal 2. Discretionary votes by brokers, banks and related agents on this routine proposal will be counted towards the quorum requirement and will affect the outcome of the vote. **OUR BOARD RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS ALIGN’S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE YEAR ENDING DECEMBER 31, 2019**

## Fees to PricewaterhouseCoopers LLP for 2018 and 2017

The following table presents fees for professional services rendered by PwC for the audit of Align's annual financial statements for 2018 and 2017 and fees billed for audit-related services and tax services rendered by PwC for fiscal 2018 and 2017:

	2018	2017
Audit fees <sup>(1)</sup>	\$3,174,667	\$2,930,511
Audit-related fees <sup>(2)</sup>	100,000	258,175
Tax fees <sup>(3)</sup>	1,144,806	1,048,526
All other fees <sup>(4)</sup>	5,040	6,965
Total fees:	\$4,424,513	\$4,244,177

Audit fees — These are fees for professional services performed by PwC for the annual audit of Align's financial statements and review of financial statements included in Align's quarterly filings, and services that are normally provided in connection with statutory and regulatory filings or engagements, and attest services, except those not required by statute or regulation.

(2) Audit-related fees — These are fees related to assurance and related services that are also performed by PwC. More specifically, these services include accounting consultations, due diligence and internal control reviews.

(3) Tax fees — These are fees for professional services performed by PwC with respect to tax compliance, tax advice and tax planning.

(4) All other fees — These consist of all other fees billed to us for professional services performed by PwC and not reported under "Audit fees," "Audit-related fees" and "Tax fees."

## Audit Committee's Policy of Pre-Approval of Audit and Permissible Non-Audit Services

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accountants subject to limited discretionary authority granted to our Chief Financial Officer. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accountants and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accountants in accordance with this pre-approval and the fees for the services performed to date. All PwC services in 2018 and 2017 were pre-approved by the Audit Committee.

## REPORT OF THE AUDIT COMMITTEE OF THE BOARD

The following is the report of the Audit Committee of the Board of Directors with respect to Align's audited financial statements for the year ended December 31, 2018, which include the consolidated balance sheets of Align as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years ended December 31, 2018, 2017 and 2016 and the notes thereto.

The Audit Committee of the Board of Directors of Align is comprised entirely of independent directors who meet the independence requirements of the Listing Rules of the NASDAQ Stock Market and the SEC. In accordance with the written charter adopted by the Board of Directors of Align, the purpose of the Audit Committee is to assist the Board of Directors in its oversight and monitoring of:

- the integrity of Align's financial statements;
- Align's compliance with legal and regulatory requirements;
- the independent registered public accountant's qualifications, independence and performance;
- adequacy of Align's internal accounting and financial controls; and
- Align's internal audit department.

The full text of the Audit Committee's charter is available on the Investor Relations section of Align's website ([www.aligntech.com](http://www.aligntech.com)). The Audit Committee regularly reviews its charter to ensure that it is meeting all relevant audit committee policy requirements of the SEC and the NASDAQ listing standards.

In carrying out its responsibilities, the Audit Committee, among other things, is responsible for:

- providing guidance with respect to Align's relationship with the independent auditors, including having responsibility for their appointment, compensation and retention;
- involved in the selection of the audit firm's lead engagement partner;
- reviewing the results and audit scope;
- approving audit and non-audit services;
- reviewing and discussing with management the quarterly and annual financial reports;
- overseeing and reviewing Align's enterprise risk, privacy and data security; and
- overseeing management's implementation and maintenance of effective systems of internal controls.

The Audit Committee recognizes the importance of maintaining the independence of Align's independent accountants. Each year, the Committee evaluates the qualifications, performance and independence of Align's independent accountants and determines whether to re-engage the current independent accountants. This included a review of the qualifications of the engagement team, the quality control procedures the firm has established, as well as its reputation for integrity and competence in the fields of accounting and auditing. Based on this evaluation, the Audit Committee has retained PwC as Align's independent accountants for 2019.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2018 with Align's management and PwC. The Audit Committee has also discussed with PwC the matters required to be discussed by Auditing Standard No. 1301, "Communications with Audit Committees" issued by the Public Company Accounting Oversight Board ("PCAOB").

The Audit Committee also has received and reviewed the written disclosures and the letter from PwC required by applicable requirements of the PCAOB regarding PwC's communications with the Audit Committee concerning independence, and has discussed with PwC its independence. The Audit Committee has concluded that the provision by PwC of non-audit related services is compatible with maintaining the independence of PwC as our independent accountants.

Based upon the Audit Committee's discussion with management and the independent accountants and the Audit Committee's review of the representations of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Directors include Align's audited consolidated financial statements in Align's Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

20

---

Respectfully submitted by:  
AUDIT COMMITTEE  
Greg J. Santora, Chair  
Andrea L. Saia  
Warren S. Thaler

21

---

## PROPOSAL THREE

### ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Board believes that an annual advisory vote to approve the compensation of our named executive officers allows our stockholders to provide us with their direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year, and is consistent with our policy of seeking input from, and engaging in discussions with, our stockholders on these matters. Accordingly, this year, we are again requesting you to approve, on an advisory basis, the compensation of our named executive officers disclosed in "Compensation Discussion and Analysis," the Summary Compensation table and the related compensation tables, notes and narrative in this proxy statement. Our executive compensation program is designed to motivate and reward exceptional performance in a straight-forward and effective way, while also recognizing the success of Align's business. Align delivered a year of extraordinary performance and reached many significant milestones in 2018. Record net revenues of almost \$2.0 billion, representing 33.5% year-over-year growth with clear aligner revenues were up 29.2% and iTero scanner revenues were up 67.5% year-over-year. We believe the compensation paid to our NEOs for 2018 appropriately reflects and rewards their contributions to our performance and is aligned with the long-term interests of our stockholders.

We encourage stockholders to read the Compensation Discussion and Analysis, beginning on page 22 of this Proxy Statement, which describes the details of our executive compensation program and the decisions made by the Compensation Committee in 2018.

We value the feedback provided by our stockholders. At the 2018 annual meeting of stockholders, 95% of votes cast supported our executive compensation program. We have discussions with many of our stockholders regarding various corporate governance topics, including executive compensation, and take into account the views of stockholders regarding the design and effectiveness of our executive compensation program.

Shareholders are being asked to approve the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the named executive officers, as disclosed in this Proxy Statement pursuant to the SEC's executive compensation disclosure rules, which disclosure includes the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany the compensation tables, is hereby approved."

As an advisory vote, this proposal is not binding on Align, the Board, or the Compensation Committee. However, the Compensation Committee and the Board value the opinions expressed by stockholders in their votes on this proposal and will consider the outcome of the vote when making future compensation decisions regarding named executive officers. It is expected that the next say-on-pay vote will occur at the 2020 annual meeting of shareholders.

You may vote "FOR", "AGAINST," or "ABSTAIN" from voting on this matter.

**OUR BOARD RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**



## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

This section explains how we compensate our NEOs. Our NEOs for fiscal 2018 are:

• Joseph M. Hogan, our President and CEO

• John F. Morici, our Chief Financial Officer and Senior Vice President, Global Finance

• Emory M. Wright, our Senior Vice President, Global Operations

• Zelko Relic, our Chief Technology Officer and Senior Vice President, Global Research & Development

Raphael S. Pascaud, our Senior Vice President, Business Development and Strategy (Prior to October 2018, Mr. Pascaud was our Chief Marketing Portfolio and Business Development Officer, and Senior Vice President iTero Scanner and Services. In October 2018, we announced that Mr. Pascaud was transitioning his marketing responsibilities, but would continue as our lead business development and strategy executive.)

### Executive Summary

2018 executive compensation program was designed based on Align's outstanding 2017 business and financial performance.

Our executive compensation program emphasizes performance-based pay:

- 91% of our CEO's total-target annual compensation was subject to annual performance goals or tied to the value of our common stock. Taking into account the special CEO equity award granted in June 2018, 97% of our CEO's total-target annual 2018 compensation was subject to annual performance goals or tied to the value of our common stock.

- 84% of our other NEO's total-target annual compensation was subject to annual performance goals or tied to the value of our common stock.

Based on outstanding performance against aggressive 2018 objectives, NEOs received maximum annual incentive payments (bonuses) of 240% of their target award opportunity.

Core governance principles and practices are employed to align executive compensation with stockholder interests.

### Strong Compensation Pay Practices

Stockholders indicated strong support for our executive compensation program in 2018 with approximately 95% of the total votes cast at our 2018 annual meeting voting in favor of our NEO compensation.

We continue to carefully manage equity burn rates with our overall equity-based burn rate for 2018 was .4% and our adjusted gross burn rate was 1.1%.

Although our stock price decreased in 2018, we outperformed the NASDAQ Composite and S&P 500 Index. Our three-year total stockholder return of 273% far exceeds the NASDAQ Composite Index three-year total stockholder return of 40% and the S&P 500 Index three-year Total Stockholder Return ("TSR") of 21%.

### Strong 2018 Company Performance

2018 net revenues were a record \$2.0 billion, a 33.5% increase from 2017.

We shipped a record 1.2 million Invisalign cases, an increase of 31.9% compared to 2017.

2018 operating income was \$466.6 million, up 31.9% compared to 2017, and 23.7% of net revenues.



## 2018 Business Highlights

In determining our executive compensation program for 2018, the Compensation Committee considered, among other things, Align's outstanding business and financial performance in 2017 which continued throughout 2018.

We repurchased a total of 1.1 million shares under a share repurchase program, returning approximately \$300 million of cash to stockholders, approximately 1.3% of our diluted shares outstanding, which was approximately three times greater than our 2018 equity burn rate of 0.4%.

Our executive officers continued to demonstrate solid execution of Align's strategic growth drivers. In 2018, we:

- Launched Invisalign treatment with mandibular advancement in the U.S. for teen Class II treatment following FDA approval
- Introduced Invisalign First clear aligners worldwide for treatment of growing children
- Expanded the Invisalign product portfolio with new options and greater flexibility for a broader range of patients
- Launched the new Invisalign Go product with a more user-friendly iTero chair side experience
- Began marketing the iTero Element intraoral scanner in China
- Reached our 6th millionth Invisalign patient milestone with a teenage patient from China
- Announced the one millionth Invisalign case for the EMEA region. Opened the first Invisalign treatment planning facility in Europe located in Cologne, Germany
- Launched a new digital treatment planning facility and education center in Madrid, Spain

## Alignment of Executive Compensation with Performance

We believe the executive compensation program was instrumental in helping Align achieve continued strong execution of our strategic growth drivers as well as solid financial performance.

• We have created long-term, sustained value for our stockholders. Our three-year TSR is 273% compared with the three-year NASDAQ Composite Index TSR and S&P 500 TSR of 40% and 21%, respectively.

Stockholders continue to indicate strong support for our executive compensation program. In 2018, we held our seventh annual stockholder advisory vote on the compensation of our named executive officers. Approximately 95% of the total votes cast at our 2018 annual meeting voted in favor of our named executive officer compensation. As we evaluated our executive compensation practices since that vote, we were mindful of the strong support our stockholders expressed for our executive compensation program. As a result, the Compensation Committee generally believes that the stockholder advisory vote affirmed stockholder support of our approach to executive compensation and they did not believe it was necessary to make any significant changes to our executive compensation program.

Our compensation program continues to emphasize performance-based pay. Our compensation program is designed to pay more when our financial and strategic performance is robust and less when it is not, providing built-in flexibility in the management of our operating expenses and enabling us to preserve strategic programs when economic conditions are unfavorable. A significant portion of our executive officers' compensation is variable and tied to the success of our business and the individual performance of our executives. Consistent with this pay-for-performance orientation, Align believes that annual cash incentive (bonus) awards and long-term equity compensation should together represent the most significant portion of total target direct compensation. As a result, a larger portion of our executive officers' total target compensation

is at risk relative to Align's other employees. We believe this is appropriate because our executive officers bear the greatest responsibility for Align's results and can exert the greatest influence on Align's performance. As illustrated by the chart below, in fiscal 2018, approximately 70% of Mr. Hogan's total target direct compensation was completely "at-risk" based on our performance against measurable performance objectives.

\* The percentages above do not include the CEO Special Equity Award.

Annual cash incentive awards reflected positive 2018 Corporate performance. The Committee seeks to motivate executive management to continuously improve the financial performance of Align through a cash incentive (bonus) plan that rewards higher performance with increased incentive opportunities. This provides us with a variable expense structure, allowing us to reduce our compensation costs in challenging times and reward performance when business conditions and results warrant. Based on our strong 2018 financial results, we achieved a weighted average of 240% of our financial targets, which is the maximum achievement under our plan. As a result, the annual incentive payments for our NEOs were 240% of their target award opportunity, the maximum they could receive.

Equity awards are tied to the value of our common stock. Value received under our annual equity awards varies based on our stock price performance. In particular, payouts of our MSUs awarded to our executive officers vary based on the relative performance of our stock compared to the NASDAQ Composite Index. MSUs granted in 2018 are earned based on Align's relative stockholder return over a three-year performance period, with 100% of the earned shares vesting at the end of three years. For MSUs granted in February 2015 that vested in February 2018, Align stock outperformed the NASDAQ Composite Index by 283% during the applicable performance period. As a result, due to Align's continued outstanding stock price performance compared to the NASDAQ Composite Index during the performance period, the NEOs who were granted February 2015 MSUs earned a maximum payout of 150% of their February 2015 target awards.

When our CEO joined Align in June 2015, he was granted an MSU award which vested in June 2018. During the performance period of this MSU award, Align outperformed the NASDAQ Composite Index by 329%. As a result, Mr. Hogan also earned a maximum payout of 150% of his June 2015 target award. Our Compensation Committee specifically designed our MSU award program to closely tie actual long-term performance with long-term pay, and total stockholder return has been, and is expected to continue to be, the key measurement of our performance under this program. In 2017, our Compensation Committee elected to increase the maximum payout under our MSU program from 200% to 250% of target to recognize and reward the tremendous stock price appreciation of Align stock over the past several years. As a result, MSU awards made in February 2018 included this higher maximum payout opportunity.

CEO Special Equity Award. In June 2018, our CEO was granted a special one-time MSU award. The MSUs were granted with the intent of retaining and incentivizing Mr. Hogan through the three-year performance period as well as further aligning CEO compensation with stockholder returns. The MSUs are subject to a three-year performance period and thus do not vest for three years, if at all. In order for Mr. Hogan to fully vest and earn the maximum number of MSUs under the award, Align's market capitalization would need to increase by approximately 80%, or \$18 billion (as measured from the 30-trading day average stock price as of May 31, 2018 and assuming 80.1 million shares of common stock outstanding) to approximately \$40 billion and Align's total stockholder return relative to the S&P 500 would be greater than the 80<sup>th</sup> percentile.

While this grant is significant, it is 100% performance-based. Mr. Hogan's leadership and vision are at the core of our record setting performance since his arrival in June 2015, and we believe his continued commitment and leadership is critical to Align's long-term success. To realize any value from the special equity award, Align and Mr. Hogan must perform.

In designing the special equity award, the Compensation Committee considered the following factors:

The desire to reward our CEO for exceptional leadership that delivered multiple consecutive record financial years and resulted in a strong stock price performance with Align's stock price increasing by 472% from his first day of employment with Align compared to the June 2018 grant date;

The goal of retaining Mr. Hogan given the competitive talent market by providing an upside opportunity similar to his original equity grant, the majority of which fully vested in June 2018; and

The desire to align CEO compensation with stockholder interest by focusing on two performance metrics, total stockholder return and absolute stock price.

In determining the size of the grant, the Compensation Committee also took into account the factors above as well as consideration of the level of grant that would be considered meaningful for retention purposes. The target value for the special one-time MSU award was \$12 million based on the 30-day trading price of our common stock for the period ending May 31, 2018. The amounts shown in the Summary Compensation Table below reflects the grant date fair value computed in accordance with FASB ASC Topic 2018, for a total grant date fair value of \$27,572,363. Using the 30-day trading price of our common stock for the period ending May 31, 2018, the MSU award covers a target number of 43,100 MSUs. Depending on Align's performance over a three-year period beginning on June 1, 2018, Mr. Hogan may earn up to a maximum of 300% of the Target MSUs (or 129,300 shares).

The actual number of MSUs that will be eligible to vest will be determined based on level of achievement against the following two performance metrics:

A comparison of Align's total stockholder return during the 3-year performance period relative to the total stockholder return of the companies in the S&P 500 Index at the beginning of the 3-year performance period and who remain in the Index through the end of the 3-year performance period; and

Align's stock price at the end of the 3-year performance period.

If Align's TSR during the 3-year performance period is negative based on the 30-day trading price of our common stock for the period ending May 31, 2018, the maximum number of MSUs that will actually vest will not be more than 43,100 shares (100% of the target MSUs).

## Compensation Policies and Practices

We maintain compensation governance best practices, including the following:

**Compensation Committee Composed Solely of Independent Directors.** The Compensation Committee is composed solely of independent directors and it directly retains an independent compensation consultant.

**Annual Say-on-Pay Votes.** We elected to hold an annual stockholder advisory ("say-on-pay") vote, and the Compensation Committee considers the outcome of the advisory vote in making compensation decisions.

**Stock Ownership Guidelines.** To align the interests of Align's executive officers and members of our Board of Directors with those of Align's stockholders, we maintain stock ownership guidelines for our executive officers. In 2018, the Compensation Committee increased the stock ownership guidelines for our executive officers other than our CEO from 2.0X annual salary to 3.0X annual salary. Ownership guidelines for our CEO were increased from 5.0X his annual salary to 6.0X his annual salary.

**No "single-trigger" on Cash Compensation.** All of our post-employment cash compensation arrangements in the event of a change in control of Align are "double-trigger" arrangements that require both a change in control of Align plus a qualifying termination of employment before any cash payments are paid. In addition, the employment agreements entered into by our CEO and any other executive who join us after September 2016, including Mr. Morici, provide that such executive will only receive accelerated vesting of their stock if such executive is terminated for convenience within 18 months of the change of control (double trigger).

**Annual Compensation-Related Risk Assessment.** Align's executive compensation policies are structured to discourage inappropriate risk-taking by our executives. Our annual cash bonus incentive awards are capped at 240% of target for our executive officers in part to discourage excessive risk taking. The Compensation Risk Assessment located on page 14 of this proxy statement describes the Compensation Committee's assessment that the risks arising from our company-wide compensation programs are reasonable, in the best interest of our stockholders, and not likely to have a material adverse effect on us.

**No Hedging or Pledging Company Stock.** Employees may not directly or indirectly engage in transactions intended to hedge or offset the market value of Align's common stock owned by them. In addition, our Insider Trading Policy further prohibits employees from directly or indirectly pledging Align common stock as collateral for any obligation.

**Carefully Manage Equity Burn Rates.** We are committed to carefully managing the dilutive impact of equity compensation awards. Management and the Board regularly evaluate share utilization levels by reviewing the dilutive impact of stock compensation. Align's overall equity-award-based gross burn rate for fiscal 2018 was 0.4% and Align's adjusted gross burn rate was 1.1%. Gross burn rate is defined as the number of equity awards granted in the year divided by shares outstanding. Adjusted gross burn rate includes a premium applied to full-value shares (e.g., RSUs and MSUs) of 2.5:1.

## Executive Compensation Philosophy and Core Objectives

The objective of our executive compensation program is to encourage management to achieve our financial and strategic objectives and create value for our stockholders. We remain committed to our longstanding compensation philosophy which incorporates the following principles:

**Offer competitive compensation.** We seek to provide competitive compensation opportunities to attract, retain and incent superior talent.

Reward performance. A significant portion of total target compensation for our NEOs is tied to the achievement of financial objectives. We believe that this supports our pay-for-performance philosophy by directly and substantially linking rewards to the achievement of measurable financial targets and a shared set of critical strategic priorities. By also rewarding individual performance, we seek to recognize outstanding individual contributions.

Link the interests of our executives with those of our stockholders. A significant portion of total target compensation for our NEOs is tied to the achievement of financial and strategic objectives and is in the form of long-term equity-

based compensation. This structure is designed to focus decision-making and behavior on goals that are consistent with Align's overall strategy.

#### How We Implement and Manage our Executive Compensation Programs

The table below specifies the responsible parties and their respective roles in the determination of our NEOs compensation:

Responsible Party	Roles and Responsibilities
Compensation Committee	<p>Sets Align's overall compensation philosophy, which is reviewed and approved by the Board of Directors</p> <p>Reviews and approves our compensation programs; designs and monitors the execution of these programs</p> <p>Reviews and approves all cash based compensation arrangements for our executive officers (other than our CEO)</p> <p>Reviews and recommends to our Board of Directors all cash based compensation arrangements for our CEO</p> <p>No member of the Compensation Committee is a former or current officer of Align or any of its subsidiaries. No executive officer of Align serves as a member of the Board or compensation committee of any entity that has one or more executive officers serving on Align's Board or Compensation Committee</p>
<p>Consultant to the Compensation Committee (Compensia, Inc. an independent executive compensation consulting firm retained directly by the Compensation Committee to assist it in performing its responsibilities.)</p>	<p>Compensia attends meetings of the Compensation Committee and communicates outside of meetings with its members and management with respect to the design and assessment of compensation packages for our executive officers. In 2018, Compensia provided the services below on behalf of the Committee</p> <p>Analyzed whether the compensation packages of our executive officers were consistent with our compensation philosophy and competitive within the market relative to our peer companies</p> <p>Assisted in defining the appropriate peer group of comparable companies</p> <p>Assisted in the design of our compensation programs for executives and board members, including discussing evolving compensation trends</p> <p>Reviewed the effectiveness of our compensation programs</p> <p>Provided advice on stock ownership guidelines for executive officers and directors</p> <p>Compiled and provided market data to assist in setting our compensation philosophy, plan parameters and measures</p> <p>Conducted a comprehensive review of compensation paid to the Board and provided recommendations to the Committee and the Board regarding director pay structure</p> <p>Provided updates on NASDAQ listing standards, Say-on-Pay results, and regulatory developments</p> <p>In addition, the Compensation Committee conducted a formal review of Compensia's independence and is satisfied with the qualifications, performance and independence of Compensia. Compensia performed no other work for Align</p>



Executive Officers (Assisted by Company Staff) Management's role is to advise the Compensation Committee regarding the alignment and weighting of our performance measures under our annual cash incentive awards with our overall strategy, the impact of the design of our equity incentive awards on our ability to attract, motivate and retain highly talented executives and the competitiveness of our compensation program. Our CEO plays a significant role in setting the compensation for other NEOs. The CEO conducts performance reviews for the other NEOs, and makes recommendations to the Compensation Committee with respect to the other NEOs' compensation. The Compensation Committee has the discretion to accept, reject, or modify the CEO's recommendations. The CEO leaves the meetings during discussions and deliberations of individual compensation actions affecting him personally. Ultimately all decisions regarding executive compensation are made by the Compensation Committee or in the case of CEO cash compensation, the full Board upon the recommendation of the Compensation Committee.

#### How We Determine Compensation

Competitive Positioning. Within the overall framework of the objectives and principles discussed above, the Compensation Committee exercises its judgment in making executive compensation decisions. The Compensation Committee takes into consideration the unique roles played by each executive officer and seeks to individually tailor their compensation to align their pay based on the factors below:

- market comparison data (peer group data and survey data);

subjective elements, such as:  
the scope of the executive’s role;  
the executive’s:  
experience;  
qualifications;  
skills; and  
performance during the fiscal year (see discussion below on “Role of Individual Performance”);  
internal equity; and  
Align’s operational and financial performance.

After reviewing these various competitive positioning factors (none of which is determinative), the Compensation Committee relies upon the judgment of its members and makes adjustments to an executive’s compensation as appropriate to meet our objectives.

**The Use of Market Comparison Data.** In connection with the Compensation Committee’s continuing assessment of the competitiveness of Align’s executive pay levels and practices relative to its peers, the Compensation Committee considers data gathered from: (i) compensation data from a selected peer group of companies, and (ii) published surveys with data from a broader mix of technology and life science companies.

#### Peer Group

The Compensation Committee reviews Align’s peer group at least annually and makes adjustments to its compositions, taking into account changes in both Align’s business and the businesses of the companies in the peer group. For compensation decisions made in fiscal 2018, the Compensation Committee, with the assistance of Compensia, reviewed and approved a peer group that consists entirely of medical device and technology product companies, which are the industries from which we primarily recruit executive talent. The peer group was chosen based on the following selection criteria:

Industry-medical device companies and technology product companies, which are the industries from which we primarily recruit executive talent;

Market Capitalization-companies with a market capitalization of between approximately \$2.6 billion and \$41.9 billion based upon the companies’ trading ranges at the time of selection which approximates 0.25 to 4.0 times Align’s market capitalization at that time; and

Revenue-companies with revenue of between approximately \$385 million to \$3.5 billion based upon the last four quarters of revenue at the time of selection which approximates 0.3 to 3.0 times Align’s rolling four quarters of revenues at that time.

Primarily as a result of Align’s revenue and market capitalization growth, the following five companies were removed as they no longer met the selection criteria: Haemonetics, Fitbit, Myriad Genetics, Bio-Rad Laboratories and Bruker. The Compensation Committee also removed Cepheid because it had been acquired. The Compensation Committee elected to retain the other twelve medical device companies in the existing peer group and added six new companies, each of which satisfied the primary selection criteria detailed above. At the time of the Compensation Committee’s assessment in the second quarter of 2018, Align compared to the peer group as follows:

	Revenue (\$B)	Market Capitalization (\$B)	Market Capitalization as a Multiple of Revenue
Peer Group 50th Percentile	\$1.4	\$7.4	5.7X
Align	\$1.2	\$10.5	9.1X
Percentile Rank	48%	66%	79%



Based on this analysis, the Compensation Committee determined that the following peer group constituted an appropriate comparative reference for determining executive compensation in fiscal 2018:

ABIOMED	Insulet
Bio-Techne	Integra LifeSciences
Dentsply Sirona*	Intuitive Surgical
DexCom	Masimo*
Edwards Lifesciences	NuVasive
Globus Medical	Resmed
Hologic*	The Cooper Companies
IDEXX Labs*	Varian Medical Systems*
Illumina	Wright Medical Group *

\* Indicates new additions to the peer group.

#### Reference Peers

The Committee also considers the compensation data of other companies as reference peers, which are companies identified by management as key business or labor market comparators. The compensation data of these companies is used for informational purposes only and are not used in setting executive compensation levels because the financial profiles of these companies are outside the peer group development parameters.

#### Survey Data

When peer data is not available, the Compensation Committee reviews various pay surveys, including the Radford Technology Survey. In addition, the Compensation Committee may review the data separately to understand pay differences, if any, by industry or business segment and to assess whether any changes in pay data from year to year reflect true market trends.

#### Role of Competitive Data and Compensation Committee's Discretion

The Compensation Committee uses the following percentiles of peer group and survey data as a reference point for assessing appropriate base salary, target total cash compensation and equity compensation for our executive officers:

Element of Compensation	Target Percentile
Base salary	50 <sup>th</sup> percentile
Target total cash compensation	65 <sup>th</sup> to 75 <sup>th</sup> percentile
Equity compensation	50 <sup>th</sup> to 75 <sup>th</sup> percentile

While we believe that comparisons to market data are a useful tool, we do not believe that it is appropriate to establish executive compensation levels based solely on a comparison to market data. Due to the variations between companies reporting and the roles for which compensation for these companies is ultimately disclosed, directly comparable information is not available from each peer group company with respect to each of our NEOs. In considering market compensation data, the Compensation Committee recognizes that executives at different companies can play significantly different roles, with different responsibilities and scopes of work, even though they may hold similar titles or nominal positions. The Compensation Committee therefore uses the market data only as a reference point and incorporates flexibility into our compensation programs and in the assessment process to respond to and adjust for the evolving business environment and other subjective elements described in the competitive positioning factors above. After reviewing these various factors, the Compensation Committee relies upon the judgment of its members and makes adjustments to an executive's compensation below or above these percentile ranges.

**Role of Individual Performance.** Although the Compensation Committee believes that the largest portion of each executive's total target compensation should be based on our executive officers' success as a team and thus based on achievement of shared financial and critical strategic goals, it also believes that there should be some ability to reward individual contributions. To evaluate individual performance, individual goals are set each year for the executive officers. These include shared financial and strategic objectives as well as objectives that are directly related to each

executive officer's specific business function. Except with respect to his own performance, this assessment is based on our CEO's recommendation to the Compensation Committee on how well the executive performed his or her job, and such assessment is largely (although not exclusively) qualitative, not quantitative, in nature. There is no specific weight given to any one individual goal or objective. This subjective evaluation of the impact of the individual contributions on actual compensation is not a formula based process resulting in a quantifiable amount of impact, but rather involves

30

---

the exercise of discretion and judgment. This enables the Compensation Committee to differentiate among executives and emphasize the link between personal performance and compensation.

**Role of Company Performance.** The Compensation Committee believes that our executives should be rewarded based on their success as a team. Consistent with this belief, the achievement of shared financial and critical strategic goals, which we describe below under “Annual Cash Incentive Compensation” is the primary factor in determining the amount of cash incentive payments.

**The Use of Tally Sheets.** The Compensation Committee uses tally sheets to understand the total annual compensation of the executive officers and to provide perspective on the executive’s wealth accumulation from our compensation programs. Compensation previously paid to the executive officers, including amounts realized under prior equity-based compensation awards, did not affect the Compensation Committee’s compensation decisions for 2018. The Compensation Committee believes that compensation should reflect the executive’s performance and the market value of his or her services and does not want to create a disincentive for exceptional performance.

**The Principal Components of Compensation of our Executive Officers**

The principal components of each executive officer’s target total compensation package at Align are:

- base salary;
- annual cash incentive awards; and
- long-term equity-based incentive grants.

In determining the mix of compensation among these elements, the Compensation Committee does not assign specific ratios. The Compensation Committee, however, typically structures executive compensation so that a significant portion of the target total direct compensation is "at-risk" or performance-based, with the actual value realized subject to the achievement of short-term or long-term corporate and financial performance goals. In 2018, approximately 70% and 64% of our CEO's and NEOs target total direct compensation, respectively, was structured as "at-risk" performance-based (which calculation excludes the special, one-time MSU grant awarded to Mr. Hogan). By linking a significant portion of our executives' compensation to performance, the Compensation Committee emphasized incentive-based variable pay, which is consistent with our pay-for-performance philosophy and creates a strong alignment with long-term stockholder value. The Compensation Committee believes that the NEOs compensation should be tied more closely to Align’s performance and determined to set a greater percentage of all NEOs long-term equity compensation as performance-based. As a result, in reviewing the equity portfolio for our NEOs for 2018 focal awards, the Compensation Committee determined to increase the percentage of total compensation that is “at risk” for our NEOs by changing our equity portfolio mix from 50/50 MSUs and RSUs to 67% MSUs and 33% RSUs, thereby more closely aligning all of our NEOs compensation with the interests of our shareholders.

\*Target Total Direct Compensation reflects annual base salary, annual cash incentive opportunity and the grant date fair value of equity awards. It does not include the special, one-time MSU grant awarded to Mr. Hogan.

## Base Salary

Base salary is intended to provide a fixed, baseline level of compensation that is not contingent upon Align's performance. Consistent with our pay-for-performance philosophy, base salaries generally represent a modest proportion of the total compensation opportunity for our executive officers. In January 2018, the Compensation Committee reviewed the base salaries of our NEOs, comparing these salaries to the base salary levels at the companies in our peer group, as well as considering the roles and responsibilities and potential performance of the NEOs and their positioning for other elements of their compensation. After this review, the Compensation Committee made the adjustments to base salary set forth in the table below.

Name	2017 Base Salary	2018 Base Salary	Percentage Increase over 2017
Joseph M. Hogan	\$1,000,000	\$1,075,000	7.5%
John F. Morici	\$428,000	\$460,000	7.5%
Emory M. Wright	\$420,000	\$440,000	4.8%
Zelko Relic	\$400,000	\$425,000	6.3%
Raphael S. Pascaud	\$386,000	\$409,000	6.0%

The increases for each NEO reflects the significant growth of Align and each NEOs achievement of their individual goals. In general, with the increases set forth above, the base salaries of our NEOs approximate the 50th to 60th percentile of similarly-situated executives among our peer group, with the exception of Mr. Hogan, whose base salary approximates the 75th percentile of similarly-situated executives. Mr. Hogan's salary increase was in part to recognize his significant leadership contributions since he joined Align in 2015.

## Annual Cash Incentive Compensation

**Annual Cash Incentive Plan.** Align uses a cash incentive compensation plan to reward our NEOs for achieving and surpassing pre-established financial goals. All of our NEOs participated in the executive bonus plan. In December 2017, the Compensation Committee conducted a review of our Annual Cash Incentive Award plan. Based on this review, the Compensation Committee determined that the pool of funds available to pay out awards to our executive officers is based on the extent to which Align meets or exceeds predetermined goals under selected financial metrics. The Compensation Committee selected two financial metrics, weighted as identified below, for purposes of funding the overall pool:

- Revenue - 60%
- Operating Income - 40%

Considered in the aggregate for 2018, these metrics are strong indicators of our overall performance and our ability to create stockholder value. These measures were balanced among propelling growth while encouraging efficiency and are aligned with our business strategies. In determining actual bonuses to be awarded to each individual NEO, bonus amounts will be adjusted upward or downward based on an executive officer's overall performance and his or her contribution to the achievement of our performance goals.

**Target Bonus Percentage.** The target award opportunity is the amount of cash incentive compensation that our NEOs could expect to earn if Align's financial and strategic performance goals for the year are achieved. The incentive targets of the NEOs were set by the Compensation Committee based on the scope and significance of their roles as the leaders of Align, with the CEO receiving the highest target due to his greater responsibilities. Based on market practices, the Committee made changes to the target awards as a percent of base salary for each executive officer (other than our CEO) increasing the target opportunity from 60% of base salary to 65%. Mr. Hogan's target award opportunity remained unchanged at 150% of his base salary. In order to appropriately encourage and





reward a range of acceptable performance and contributions, our awards are structured so that the actual payout under an executive officer's award can be as low as 0% of target or up to a maximum award of 240% of target.

**Individual Factor.** The Individual Factor reflects each executive's individual performance and is determined at the Compensation Committee's discretion based on the recommendation of the CEO. There is no specific weight given to any one individual goal or performance criterion. The Compensation Committee considers each executive officer's performance in light of that individual's achievement of his or her individual goals. The assessment is based on our CEO and Compensation Committee's determinations regarding how well the executive performed his or her job, and such assessment is qualitative, not quantitative, in nature. The CEO does not provide input to the Compensation Committee on his own performance. Individual performance that meets expectations yields a 100% multiplier.

**Company Multiplier.** The Company Multiplier is the same for all executive officers. The Company Multiplier is determined based on pre-established goals under selected financial targets. The Compensation Committee reviewed the structure of the executive bonus plan and selected two financial metrics that focused on (1) growth and (2) profitability for purposes of funding the overall pool. Management typically recommends the performance targets for bonus pool funding based on our annual operating plan but the targets are ultimately approved by the Compensation Committee and reviewed by the Board of Directors. For 2018, the Compensation Committee approved 100% bonus pool funding based on a revenue growth rate of 15% compared to 2017 and operating income of \$332.0 million or 20% of revenues.

The following table shows the performance metrics used in 2018 and our level of performance with respect to these metrics:

Measure/Weight/ Calculates	Why do we use this measure?	Target (in millions)	Achievement (in millions) <sup>(1)</sup>	Level of Achievement vs Target	Impact on Company Multiplier
Revenues <sup>(1)</sup> <sup>(2)</sup> (60%)	Improvement in this measure aligns with our overall growth strategy	\$1,678	\$1,966	117%	189%
Operating income <sup>(1)</sup> <sup>(2)</sup> (40%)	Directly links incentive payments to company profitability and provides incentives to our employees (including our executives) to share in our profitability. Because profitability encompasses both revenue and expense management, the Compensation Committee believes this measure encourages a balanced, holistic approach by our executives to manage our business. The Compensation Committee considers operating profit before taxes because our executives cannot predict or directly affect our taxes or our tax rate.	\$332	\$467	141%	95%
<b>COMPANY MULTIPLIER:</b>					240% (maximum amount)

<sup>(1)</sup> The target performance and the level of performance at which the funding for that particular financial performance measure will be capped as follows:

▲ rating of zero if achievement is below 90% of target. Company performance below target automatically reduces only the payout related to that goal, not the other goals, as we want executives to have the same incentive to achieve other financial goals as well as their individual performance goals even if our performance tracks below the target

during the course of the year;

• A rating ranging from 90% to 100% if achievement meets or exceeds the minimum performance level but does not achieve the target performance level; and

A rating of 101% and above if achievement exceeds the target performance level. Each individual financial metric is uncapped; however, once the Company Multiplier reaches 240% in the aggregate, the bonus pool is fully funded. Therefore, in the aggregate, the bonus pool for our executive officers will not exceed 240% funding.

33

---

(2) The Compensation Committee has the discretion to exclude the following items from Revenues and Operating Income:

(a) significant and/or extraordinary items that are not indicative of our core operating performance that are separately stated on our financial statements;

(b) items identified as non-GAAP in Align's quarterly earnings announcements; and

(c) other discrete items as necessary that may result in unintended gain or loss under the bonus plan.

The Compensation Committee believes that the items listed in (a) through (c) above are not indicative of our core operating performance. No adjustments were made to our 2018 bonus plan results.

The Compensation Committee believes that the performance objectives established for the financial measures represent meaningful improvements for the organization and, therefore, are reasonably difficult to attain which is in line with our pay-for-performance philosophy. Finally, the Compensation Committee reserves the right to apply judgment in the final determination of cash incentive awards and can adjust actual results (up or down) to reflect the impact of certain extraordinary items or events to more accurately reflect the overall performance of the management team.

In addition, the Board retains authority to pay additional discretionary bonuses outside the executive bonus plan if warranted by performance not measured under the plan. In 2018, the Compensation Committee did not authorize any such discretionary bonus payments outside of the executive bonus plan to our NEOs.

Awards to the NEOs. The Compensation Committee awarded the cash incentive awards set forth below to the NEOs for 2018 performance. These awards are also set forth in the Summary Compensation Table on page 38 under the heading "Non-Equity Incentive Plan Compensation." Consistent with our philosophy of linking pay to performance, our NEOs received payouts ranging from 228% of target for Mr. Relic and 240% of target for the other NEOs.

Name	Target Incentive Award (as % of Base Salary)	Target Incentive Award	Company Multiplier	Individual Multiplier	Actual Incentive Award	Actual Award as % of Target
Joseph M. Hogan	150%	\$1,612,500	240%	100%	\$3,870,000	240%
John F. Morici	65%	\$299,000	240%	100%	\$718,000	240%
Emory M. Wright	65%	\$286,000	240%	100%	\$686,000	240%
Zelko Relic	65%	\$276,000	240%	95%	\$630,000	228%
Raphael S. Pascaud	65%	\$266,000	240%	100%	\$638,000	240%

#### Long-Term, Equity-Based Incentive Awards

We use equity compensation to align our NEOs' interests with those of our stockholders and to attract and retain high-caliber executives through recognition of anticipated future performance. We determine appropriate grant amounts, if any, by reviewing competitive market data, individual performance assessments and business objectives with the Compensation Committee at least annually.

Award Type Rationale for 2018 Portfolio

Why RSUs? We believe RSUs reward retention (even in the event of a decline in Align’s share price) and provide an incentive to grow the value of Align’s stock. In addition, RSUs enable our executives to accumulate stock ownership in Align.

Why MSUs? We believe MSUs provide a vehicle that has more consistent value delivery compared to stock options which also aligns the long-term interests of our executive officers and stockholders by rewarding executives for Align’s performance measured in relation to other companies over a specified period. The actual number of shares of our common stock issuable under MSUs varies based on over-or under-performance of Align’s stock price compared to the NASDAQ Composite Index during the three-year performance period. If Align under-performs the NASDAQ Composite Index, the percentage at which the MSUs convert into shares of Align stock will be reduced from 100%, at a rate of three to one (three-percentage-point reduction in units for each percentage point of under-performance), with a minimum percentage of 0%. This means that no shares will vest if Align underperforms the NASDAQ Composite by approximately 42 percentage points. If Align outperforms the NASDAQ Composite Index, the percentage at which the MSUs convert to shares will be increased from 100%, at a rate of three to one (three-percentage-point increase in units for each percentage point of over-performance), with a maximum percentage of 250%. This means that if Align outperforms the NASDAQ Composite by 42 percentage points, the maximum number of shares that will vest is 250% of the award amount. For example, if the NASDAQ Composite index increased by 10% over the performance period and our stock price increased by 30% over the performance period, then the number of shares issuable under the MSUs would be 160% of target or  $(130\% - 110\%) * 3 = 160\%$ .

#### Award Type Vesting Detail

RSUs Typically vests over four-year with 25% vesting annually

MSUs Three-year performance period with vesting at the end of year three

Changes to Awards in 2018. In 2017, our Compensation Committee reviewed our MSU program design and concluded that the program design was generally aligned with market with the exception of the maximum payout at 200%. As a result, for MSU awards made in 2018, the Compensation Committee increased the maximum percentage that can be earned to 250%. This change was made to more closely align our MSU program with market but also to recognize and reward the tremendous stock price appreciation of Align stock over the past several years. Consequently, Align will have to outperform the index by approximately 42% in order to achieve maximum payout of 250%. Consistent with our ongoing efforts to align pay for performance, we continue to emphasize equity awards granted to our executive officers that are tied directly to performance measured in relation to other companies over a specified period. For awards made in 2018, in order to ensure that all of our executive officers compensation was more closely tied to Align’s performance, the Compensation Committee increased the percentage of equity-based awards granted to all of our executive officers (not just our CEO) designated as “performance-based” from 50% to 67%. The Compensation Committee calculated the target values for equity awards to achieve this desired mix based on a price of \$235.91 per share, which was the 60-day average of the closing price per share of our common stock as of the period ending December 15, 2017. Based on this price per share, the total desired number of targeted shares was determined, then split between time-based RSUs (33%) and market stock units (67%). The aggregate target long term incentive value for awards made to our NEOs is other than our CEO or CFO remained flat to slightly up compared to awards made in 2017. For our CFO, the target long term incentive value increased 12% compared to 2017 to more closely approximate the 75th percentile of peer group of companies. For awards made in 2019, the Compensation Committee determined to use a look back price that is based on the 30-trading day average closing price of our common stock for the period ending February 15, 2019. This change will more closely align the target award value

with the stock price on the date of grant.

Special One-Time MSU Grant. As discussed above, in June 2018, our CEO was granted a special one-time MSU award. The MSUs were granted with the intent of retaining and incentivizing Mr. Hogan through the three-year performance period as well as further aligning CEO compensation with stockholder returns. The MSUs are subject to a three-year performance period and thus do not vest for three years, if at all.

The table below sets forth the equity awarded to the NEOs for fiscal 2018:

Name	RSUs	Target MSUs <sup>(1)</sup>
Joseph M. Hogan		
February 2018 focal grant	9,600	19,200
Special one-time award		43,100
John F. Morici	2,300	4,500
Emory M. Wright	2,100	4,200
Zelko Relic	2,100	4,200
Raphael S. Pascaud	2,100	4,200

The number of MSUs set forth in this column represents the Target Shares; however, the actual number of MSUs to be earned, if any, is determined based on the formula set forth in the MSU Agreement up to a maximum of <sup>(1)</sup> 250% of the amount of the Target Shares. For the special on-time award to our CEO, the actual number of MSUs to be earned, if any, is determined based on a formula set forth in the MSU Agreement and described above up to a maximum of 300% of the amount of the Target Shares.

#### Severance and Change of Control Arrangements

Employment Agreements. Each NEO is eligible to receive benefits under certain conditions in accordance with their respective employment agreement. Each such agreement provides for benefits to the executive officer upon:

- a change of control; and
- termination without cause or for convenience.

In adopting the change of control provisions in these agreements, the Compensation Committee's primary objective was to ensure that our executives have sufficient security such that they are not biased against selling Align in the event a stockholder favorable merger and acquisition transaction is presented to Align. If Align were to pursue a change of control transaction beneficial to Align stockholders, the Committee believes that our executive officers' active support of the transaction through closing would be critical in ensuring the success of such a transaction.

Change of Control Only. Though the cash severance amounts payable to Messrs. Hogan, Wright, Relic and Pascaud in connection with a change of control are subject to a "double trigger" (meaning to get paid out the cash portion of their change of control arrangement, first there has to be a change of control and then the executive must be terminated without cause or for convenience within a specified period of time of such change of control), the Compensation Committee adopted a "single trigger" for these executive officers whereby the vesting of equity awards is accelerated by one year immediately upon a change of control.

With respect to Mr. Morici (as well as any other executive officer who joins Align after September 2016), the Committee eliminated all single trigger severance and equity acceleration provisions. Rather, severance payments and equity acceleration to Mr. Morici (as well as any officer who joins after September 2016), are subject to "double trigger" arrangements that require both a change in control plus a qualifying termination event before any cash payments are paid or any equity acceleration occurs.

Termination Following a Change of Control. In the event either Messrs. Hogan, Wright, Relic and Pascaud are terminated without cause or for convenience within 12 months of a change in control (18 months in the case of Mr. Hogan) ("double trigger"), 100% of all remaining unvested equity awards are accelerated and a cash severance payment is made. Mr. Morici (as well as any officer who joins after September 2016) receives a cash severance payment and 100% of his unvested equity awards will accelerate in the event he is terminated without cause or for convenience within 18 months of the change of control ("double trigger" for both cash payment and equity acceleration).

Termination Unrelated to a Change of Control. For termination without cause or for convenience unrelated to a change of control, the vesting of equity awards held by Messrs. Wright, Relic and Mr. Pascaud is immediately accelerated by one year and a cash severance payment will be made. Mr. Hogan and Mr. Morici (as well as any officer who joins after September 2016), receive only a cash severance payment (no equity acceleration) if terminated for

without cause or for convenience unrelated to a change of control.

Death or Disability. In the event Mr. Hogan's employment terminates as a result of his death or disability, Mr. Hogan will immediately vest in 100% of all outstanding equity awards.

The cash severance benefits are intended to provide consideration for the employee's service to Align and expected length of time until subsequent employment is secured. The severance provisions also assist in recruiting executives given that executive roles

tend to carry higher risks. The amounts that each of our current NEOs would have been entitled to if one of the termination or change of control events mentioned above occurred on December 31, 2018 are set forth in “Potential Payment Upon Termination or Change of Control” below.

#### Other Compensation Arrangements

**Welfare and Other Employee Benefits.** We maintain a tax-qualified Section 401(k) retirement plan and a company match for all employees, including our executive officers.

In addition, we provide health and welfare benefits to our executive officers on the same basis as all of our full-time employees in the country in which they are resident. These benefits include medical, dental and vision benefits, medical and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death, basic life insurance coverage, and our employee stock purchase plan. We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices and the competitive market.

**Perquisites and Other Personal Benefits.** Executive officers are reimbursed for travel by a non-employee companion (e.g., spouse) to customer events and certain other company events where it is appropriate and in the interest of Align for the executive to have a companion join him or her. See "Summary Compensation Table" below for more information concerning these perquisites. In the future, we may provide perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual executive officer in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment, motivation, or retention purposes. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the Compensation Committee.

#### Corporate Tax Deduction on Compensation in Excess of \$1 Million a Year

Section 162(m) of the Code, as amended by the Tax Cuts and Jobs Act of 2017, generally disallows a deduction for federal tax purposes to any publicly traded corporation for any remuneration in excess of \$1,000,000 paid in any taxable year to its CEO, CFO and up to three other executive officers who are among our five most highly compensated executive officers. Prior to amendment, qualifying “performance-based compensation” was not subject to the deduction limitation if specified requirements were met. Under the Tax Cuts and Jobs Act, the performance-based exception has been repealed with respect to federal income taxes. The new rules generally apply to taxable years beginning after December 31, 2017, but do not apply to compensation provided pursuant to a written binding contract in effect on November 2, 2017 that is not modified in any material respect after that date. While we consider the deductibility of awards in determining executive compensation, we also reserve the Compensation Committee’s flexibility to provide one or more covered executive officers with the opportunity to earn compensation that is nondeductible under Section 162(m) when the Compensation Committee believes that such compensation is appropriate to attract and retain executive talent.



COMPENSATION COMMITTEE OF THE BOARD REPORT

The following is the report of the Compensation Committee of the Board with respect to the year ended December 31, 2018. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management. Based on the Compensation Committee's review and discussion with management, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

George J. Morrow, Chair

Andrea L. Saia

Greg J. Santora

38

---

## SUMMARY COMPENSATION TABLE FOR FISCAL YEAR ENDED DECEMBER 31, 2018

The following Summary Compensation Table sets forth certain information regarding the compensation of (i) our President and Chief Executive Officer, (ii) our Chief Financial Officer, and (iii) our three next most highly compensated executive officers during fiscal 2018. Information is provided for 2017 and 2016 for each NEO who was also a NEO during those years.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)(3)</sup>	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Joseph M. Hogan, President and Chief Executive Officer	2018	1,069,231	—	36,778,283	3,870,000	40,824	41,758,338
	2017	998,077	—	7,118,945	3,600,000	27,025	11,744,047
	2016	973,077	—	5,067,180	2,930,000	22,004	8,992,261
John F. Morici, Chief Financial Officer and Senior Vice President, Global Finance	2018	457,539	—	2,170,410	718,000	9,234	3,355,183
	2017	425,846	—	2,742,889	616,320	39,904	3,824,959
	2016	49,231	150,000	1,786,311	67,700	32,381	2,085,623
Emory M. Wright, Senior Vice President, Global Operations	2018	438,462	—	2,013,795	686,000	9,191	3,147,448
	2017	418,077	—	1,555,085	604,800	9,632	2,587,594
	2016	393,000	—	1,321,700	478,300	13,653	2,206,653
Zelko Relic, Chief Technology Officer and Senior Vice President, Global Rearch & Development	2018	423,077	—	2,013,795	630,000	11,159	3,078,031
	2017	398,077	—	1,555,085	576,000	11,559	2,540,721
	2016	373,692	—	1,321,700	454,100	11,318	2,160,810
Raphael S. Pascaud Senior Vice President, Business Development Strategy	2018	409,000	—	2,013,795	638,000	11,858	3,072,653
	2017	386,000	—	1,688,378	555,500	18,081	2,647,959
	2016	372,000	—	1,586,040	427,400	—	2,385,440

(1) Amounts reflect a one-time signing bonus for Mr. Morici.

The amounts shown in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Assumptions used in the calculations of these amounts are included in Note 10 to our audited

(2) financial statements for the year ended December 31, 2018 included in Align's Annual Report on Form 10-K filed with the SEC on February 28, 2019. This same method was used for years ended December 31, 2017 and 2016. There can be no assurance that the grant date fair value amounts will ever be realized.

Stock awards for Mr. Hogan reflects a special one-time MSU award described in Compensation Discussion and

(3) Analysis. Mr. Hogan was granted an award of 43,100 MSUs on June 22, 2018. The amounts shown in the table above reflects the grant date fair value computed in accordance with FASB ASC Topic 2018 for a total grant date fair value of \$27,572,363.

Total Compensation. Mr. Hogan's significant increase in total compensation is due to a special one-time MSU award with a grant date fair value of approximately \$27.6 million in consideration of his exceptional service to Align during his tenure and the desire to retain the executive talent necessary to drive toward the achievement of our global strategic initiatives. Total compensation as reported in the Summary Compensation table increased for Mr. Wright, Mr. Relic and Mr. Pascaud primarily due to an increase in the ratio of MSU awards from 50% of equity mix to 67% compared to 2017 as MSU awards have a higher grant date fair value compared to RSUs. As a result, although the aggregate target long-term incentive value of the stock awards granted to each of these executives remained virtually unchanged year-over-year, the grant date fair value of the stock awards is higher compared to the 2017

due to the higher number of MSUs granted. Mr. Morici's total compensation decreased compared to 2017 primarily due to the fact that he received a special one-time grant of RSUs with a long-term incentive value of approximately \$1 million in 2017 which was not repeated in 2018.

For additional information regarding the amounts included in the Summary Compensation Table, see "Compensation Discussion and Analysis" above.

**Stock Awards.** Stock awards include time-based RSUs that typically vest over a four-year vesting period, as well as MSUs which are earned based on a comparison of Align's stock price performance to the NASDAQ Composite index over a three-year performance period and vest at the end of year three.

**Non-Equity Incentive Plan Compensation.** The amounts shown in this column represent employee annual incentive award payments and are reported for the year in which they were earned, though they were paid in the following year. The material terms of the performance payment plan are described under "Compensation Discussion and Analysis – Annual Cash Incentive (Bonus) Compensation" above.

**All Other Compensation.** The amounts shown in this column and detailed in the table below represent the aggregate dollar amount for each NEO for Align's 401(k) and Health Spending Account matching programs, life insurance and accidental death and dismemberment premiums as well as employee discount programs for our products which are available to all employees, including our NEOs. The amounts also include eligible relocation expenses and airfare for travel companion to certain company events.

Name	Dollar Value of Life Insurance Premiums	Matching contributions under Align's 401(k) Plan	Matching contributions under Align's Health Spending Account	Airfare for travel companion
Mr. Hogan	\$ 1,296	\$ 8,250	\$ —	\$ 31,278
Mr. Morici	\$ 984	\$ 8,250	\$ —	\$ —
Mr. Wright	\$ 941	\$ 8,250	\$ —	\$ —
Mr. Relic	\$ 909	\$ 8,250	\$ 2,000	\$ —
Mr. Pascaud	\$ 2,273	\$ 9,585	\$ —	\$ —

#### GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR ENDED 2018

The following table shows all plan-based awards granted to the NEOs during 2018 including:

• cash amounts that could have been received in 2018 by our NEOs under the terms of our performance-based cash incentive plan (CIP); and

• time-vested RSUs and performance-based MSUs awards granted by the Compensation Committee to our NEOs in 2018 reflected on an individual grant basis.

## 2018 Grants of Plan-Based Awards

Name	Type of Award	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	Non-equity Incentive	Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares or Units	Grant Date Fair value of Awards (\$)
				Target (\$)	Maximum (\$)	Target (#)	Maximum (#)		
Joseph M. Hogan	CIP			1,612,500	3,870,000				
	RSU	2/20/2018	2/1/2018					9,600	2,452,320
	MSU	2/20/2018	2/1/2018			19,200	48,000		6,753,600
John F. Morici	MSU	6/22/2018	6/21/2018			43,100	129,300		27,572,363
	CIP			299,000	717,600				
	RSU	2/20/2018	2/1/2018					2,300	587,535
Emory M. Wright	MSU	2/20/2018	2/1/2018			4,500	11,250		1,582,875
	CIP			286,000	686,400				
	RSU	2/20/2018	2/1/2018					2,100	536,445
Zelko Relic	MSU	2/20/2018	2/1/2018			4,200	10,500		1,477,350
	CIP			276,250	663,000				
	RSU	2/20/2018	2/1/2018					2,100	536,445
Raphael S. Pascaud	MSU	2/20/2018	2/1/2018			4,200	10,500		1,477,350
	CIP			265,850	638,040				
	RSU	2/20/2018	2/1/2018					2,100	536,445
	MSU	2/20/2018	2/1/2018			4,200	10,500		1,477,350

Approval Date. For each NEO equity grant, other than the special one-time grant of MSUs to Mr. Hogan, the Compensation Committee met on February 1, 2018 to finalize the grant of annual equity awards. Upon approval of the RSU and MSU awards for each NEO, the Compensation Committee determined that the actual date of grant would be February 20, 2018. This grant date was chosen in order to allow sufficient time for the CEO to notify each NEO and other members of the management team of the grant. In addition, the Compensation Committee approved a special one-time grant of RSUs to Mr. Hogan on June 22, 2018. This MSU grant was made in consideration of his exceptional service to Align during 2018 and the desire to retain the executive talent necessary to drive toward the achievement of our global strategic initiatives.

Estimated Future Payouts under Non-Equity Incentive Plan Awards. The amounts shown under this column represent the possible dollar payouts the NEOs could have earned for 2018 at target. For 2018, the target cash incentive award for each NEO (other than the CEO) was 65% of his base salary. For our CEO, the target cash incentive award was 150% of his base salary.

For a description of the performance objectives applicable to the receipt of these payments, see “Compensation Discussion and Analysis –Annual Cash Incentive Awards.” The actual amount paid to each NEO for 2018 performance is set forth in the Summary Compensation Table above in the column “Non-Equity Incentive Plan Compensation.” Threshold. There is no threshold performance level. Rather, Align's financial performance below a specific target automatically reduces only the payout related to that specific goal, not the other goals, because we want executives to have the same incentive to achieve strategic priorities as well as their individual performance goals even if our financial performance tracks below the target during the course of the year.

Target. The target amounts assume a corporate performance percentage of 100% and that the NEO received 100% of his or her target.

Maximum. The maximum amount any executive officer can receive is capped at 240% of their target award opportunity.

Estimated Future Payouts under Equity Incentive Plan Awards:

Focal Awards Granted February 2018. The amounts shown for MSU awards granted in February 2018 represent potential share payouts with respect to MSUs. Each MSU vests over a three-year performance period, with 100% vesting as of February 2021. The actual number of MSUs eligible to vest will be determined based on a comparison of Align's stock price performance relative to the performance of the NASDAQ Composite index over the three-year performance period, up to a maximum of 250% of the number of target shares. If Align under-performs the NASDAQ Composite index, the percentage at which the MSUs convert into shares of Align stock will be reduced from 100% at a rate of three to one (three-percentage-point reduction in units for each percentage point of under-performance), with a minimum percentage

of 0%. This means that no shares will vest if Align underperforms the NASDAQ Composite index by approximately 33%. If Align outperforms the NASDAQ Composite index, the percentage at which the MSUs convert to shares will be increased from 100%, at a rate of three to one (three-percentage-point increase in units for each percentage point of over-performance), with a maximum percentage of 250%. This means that if Align outperforms the NASDAQ Composite index by approximately 33%, the maximum number of shares that will vest is 250% of the award amount. Special One-Time MSU Award Granted June 2018. The amounts shown for MSU awards granted in June 2018 to Mr. Hogan represent potential share payouts with respect to MSUs. This MSU vests over a three-year performance period, with 100% vesting as of June 2021. The actual number of MSUs eligible to vest will be determined based on: a comparison of Align's total stockholder return during the three-year performance period relative to the S&P 500 Index; and

- Align's stock price at the end of the three-year performance period.

If Align's TSR during the 3-year performance period is negative based on the 30-day trading price of our common stock for the period ending May 31, 2018, the maximum number of MSUs that will actually vest will not be more than 43,100 shares (100% of the target MSUs).

**Stock Awards.** Stock awards represent grants of RSUs under our 2005 Incentive Plan. Since RSUs are taxable to each NEO when they vest, the number of shares we issue to each NEO will be net of applicable withholding taxes which will be paid by Align on behalf of each NEO. The RSUs will result in payment to the NEO only if the vesting criteria is met and the NEO then sells the stock that has vested. Each RSU granted to our NEOs vests over a four-year period with 25% of the shares subject to vesting each anniversary of the date of grant, with full vesting in four years.

**Grant Date Fair Value.** The amounts shown in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of awards of RSUs and MSUs, excluding the effect of estimated forfeitures. Assumptions used in the calculations of MSUs amounts are included in Note 10 to our audited financial statements for the year ended December 31, 2018 included in Align's Annual Report on Form 10-K filed with the SEC on February 28, 2019. There can be no assurance that the grant date fair value amounts will ever be realized. The RSUs are time based awards and are not subject to performance conditions. Amounts for MSUs represent the estimate of the aggregate compensation cost to be recognized over the three-year performance period determined as of the grant date. For MSU awards granted in February 2018, the actual number of shares that will be paid out will depend on Align's stock price performance relative to the performance of the NASDAQ Composite index over the three-year performance period, up to a maximum of 250% of the number of target shares. For the special one-time MSU award granted to Mr. Hogan in June 2018, the actual number of shares that will be paid out will depend on Align's stock price performance relative to the performance of the S&P 500 Index over the three-year and Align's stock price at the end of the three-year performance period, up to a maximum of 300% of the number of target shares.

**Timing of Equity Grants.** The Compensation Committee, in consultation with management, our independent auditors and legal counsel, has adopted the following practices on equity compensation awards:

- Align does not plan to time, nor has it timed, the release of material non-public information for the purpose of affecting the exercise price of its stock options should we decide to grant stock options again in the future;

Consistent with the policy described in the bullet point above, all awards of equity compensation for new employees (other than new executive officers) are made on the first day of the month for those employees who started during the period between the 16<sup>th</sup> day of the month that is two months prior to the grant date and the 15<sup>th</sup> day of the month prior to the month of the grant date. For example, May 1, 2018 grants will cover new hires starting between March 16, 2018 and April 15, 2018; and

- Annual incentive grants are made on or about the same day for all employees (including executive officers); in each of 2018, 2017 and 2016 such date was February 20. The Compensation Committee sets the actual grant date approximately one week following approval of the size of each grant in order to provide Align with adequate time to inform each employee individually of their grant.

## OUTSTANDING EQUITY AWARDS AT FISCAL 2018 YEAR END

The following table sets forth information regarding outstanding equity awards as of December 31, 2018 for each NEO. All vesting is contingent upon continued employment with Align. Market values and payout values in this table are calculated based on the closing market price of our common stock of \$209.43 per share, as reported on the NASDAQ Global Market on December 31, 2018, which was the last trading day of the year.

## Stock Awards

Name	Number of Shares or Units of Stock That Have Not Vested (#)	F	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:	
				Number of Unearned Shares, Units or Rights that have Not Vested (#)	F	Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Joseph M. Hogan	15,000	(1)	3,141,450			
	18,750	(2)	3,926,813			
	9,600	(5)	2,010,528			
				46,000	(3)	9,633,780
				38,000	(4)	7,958,340
				19,200	(6)	4,021,056
				43,100	(7)	9,026,433
John F. Morici	9,417	(8)	1,972,202			
	5,250	(2)	1,099,508			
	4,719	(9)	988,300			
	2,300	(5)	481,689			
				7,000	(4)	1,466,010
				4,500	(6)	942,435
Emory M. Wright	2,125	(10)	445,039			
	5,000	(1)	1,047,150			
	5,250	(2)	1,099,508			
	2,100	(5)	439,803			
				10,000	(3)	2,094,300
				7,000	(4)	1,466,010
			4,200	(6)	879,606	
Zelko Relic	3,000	(10)	628,290			
	5,000	(1)	1,047,150			
	5,250	(2)	1,099,508			
	2,100	(5)	439,803			
				10,000	(3)	2,094,300



Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

7,000	(4)	1,466,010
4,200	(6)	879,606

Raphael S. Pascaud	3,000	(10)	628,290
	6,000	(1)	1,256,580
	5,700	(2)	1,193,751
	2,100	(5)	439,803

12,000	(3)	2,513,160
7,600	(4)	1,591,668
4,200	(6)	879,606

RSUs vest at a rate of 25% of the total number of shares on the first year, second year, third year and fourth year (1) anniversary of the date of grant for vesting on February 20, 2017, February 20, 2018, February 20, 2019 and February 20, 2020.

RSUs vest at a rate of 25% of the total number of shares on the first year, second year, third year and fourth year (2) anniversary of the date of grant for vesting on February 20, 2018, February 20, 2019, February 20, 2020, and February 20, 2021.

(3) MSUs vest 100% on February 20, 2019.

(4) MSUs vest 100% on February 20, 2020.

RSUs vest at a rate of 25% of the total number of shares on the first year, second year, third year and fourth year (5) anniversary of the date of grant for vesting on February 20, 2019, February 20, 2020, February 20, 2021 and February 20, 2022.

(6) MSUs vest 100% on February 20, 2021.

(7) MSUs vest 100% on June 2021.

RSUs vest at a rate of 25% of the total number of shares on the first year, second year, third year and fourth year (8) anniversary of the date of grant for vesting on November 20, 2017, November 20, 2018, November 20, 2019, and November 20, 2020.

RSUs vest at a rate of 25% of the total number of shares on the first year, second year, third year and fourth year (9) anniversary of the date of grant for vesting on September 20, 2018, September 20, 2019, September 20, 2020, and September 20, 2021.

RSUs vest at a rate of 25% of the total number of shares on the first year, second year, third year, and fourth year (10) anniversary of the date of grant for vesting on February 20, 2016, February 20, 2017, February 20, 2018 and February 20, 2019.

## OPTION EXERCISES AND STOCK VESTED DURING FISCAL YEAR ENDED 2018

The following table provides information concerning exercise of stock options and vesting of Stock Awards for each NEO during the fiscal year ended December 31, 2018:

Name	Stock Awards	
	Number of Shares Acquired on Vesting (1)	Value Realized on Vesting (2)
Joseph M. Hogan	208,000	\$64,783,605
John F. Morici	8,032	\$2,033,887
Emory M. Wright	23,062	\$5,891,188
Zelko Relic	25,500	\$6,513,975
Raphael S. Pascaud	34,147	\$8,804,067

For each NEO, such number of shares represents the gross number of shares acquired by the NEO on the vesting date; however, because RSUs and MSUs are taxable to the individuals when they vest, the number of shares we issue to each of our NEOs is net of applicable withholding taxes which are paid by us on their behalf.

The value realized on vesting equals the closing price per share of our common stock as reported on the NASDAQ Global Market on the vesting date multiplied by the gross number of shares acquired on vesting as described above in note (1).

## POTENTIAL PAYMENT UPON TERMINATION OR CHANGE OF CONTROL

Each of the tables in this section describes the potential payments upon termination or a change of control for our NEOs. All amounts are estimated based on an assumed triggering date of December 31, 2018 and the closing sale price of our common stock of \$209.43, on the NASDAQ Global Market on December 31, 2018, which was the last trading day of the year.

Mr. Hogan

Mr. Hogan serves as our President and CEO pursuant to an employment agreement entered into on April 17, 2015. The employment agreement provides that Mr. Hogan is entitled to an annual target bonus of 150% of his base salary based upon the attainment of performance objectives agreed upon in each fiscal year and established by the Board. The following table describes the potential payments upon termination or a change of control for Mr. Hogan:

Name	Type of Payment	Payments Upon Involuntary or Good Reason Unrelated to Change of Control	Payments Upon Involuntary or Good Reason Termination Related to a Change of Control	Change of Control Only	Death or Disability
Joseph M. Hogan	Severance Payment	\$ 7,362,500	\$7,362,500	\$—	\$—
	RSUs	\$ —	\$9,078,791	\$3,382,295	\$9,078,791
	MSUs	\$ —	\$67,499,289	\$31,353,086	\$67,499,289
	Health and Welfare Benefits	\$ 282	\$282	\$—	\$—
	Total	\$ 7,362,782	\$83,940,862	\$34,735,381	\$76,578,080

Termination Unrelated to a Change of Control. A termination unrelated to a change of control is a termination that occurs either before or 18 months after the change of control date. In the event Mr. Hogan is terminated other than for cause, death or disability or he resigns for good reason, Mr. Hogan is entitled to a payment (payable in a lump sum) equal to:

- (1) twice his then current annual base salary;
- (2) the then current year's target bonus, prorated for the number of days Mr. Hogan has been employed during the year; and
- (3) the greater of 150% of the then current year's target bonus or the prior year's actual bonus.

Mr. Hogan's employment agreement also provides that Align will pay his monthly premium under COBRA until the earliest of 18 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which Mr. Hogan commences new employment.

Change of Control Only. In the event of a change of control, Mr. Hogan will immediately vest in an additional number of shares under all outstanding RSU awards as if he had performed 12 additional months of service. For the purposes of determining the number of MSUs that will vest:

the performance period shall be deemed to end upon the closing of the change of control in order to determine Align's stock price performance relative to the NASDAQ Composite index for the purpose of calculating the amount that Align has over or underperformed the NASDAQ Composite index (with the MSUs converting into shares of Align stock either being reduced from 100% (in the case of underperformance) or increased from 100% (in the case of overperformance) (the "Performance Multiplier"); and

Align's stock price performance will be based on the per share value of Align's common stock paid to its stockholders in connection with the change of control.

On the date of the change of control, Mr. Hogan will vest in that number of MSUs equal to  $(A)/36*(X)*(Y)$  with (A) representing the number of months (including partial months) that have elapsed from the commencement of the performance period through the date of the change of control and (X) representing the total number of MSUs subject to the award and (Y) representing the Performance Multiplier.

Termination Related to a Change of Control. A termination related to a change of control is a termination that occurs within 18 months after the change of control date. If within 18 months after a change of control either Mr. Hogan's employment is terminated other than for cause, death or disability or Mr. Hogan resigns for good reason, he would immediately vest in all outstanding equity awards and receive a payment (payable in a lump sum) equal to:

46

---

- (1) twice his then current annual salary;
- (2) the then current year's target bonus, prorated for the number of days Mr. Hogan has been employed during the year; and
- (3) the greater of 150% of the then current year's target bonus or the prior year's actual bonus.

Mr. Hogan's employment agreement also provides that Align will pay his monthly premium under COBRA until the earliest of 18 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which Mr. Hogan commences new employment.

**Death or Disability.** In the event Mr. Hogan's employment terminates as a result of his death or disability, Mr. Hogan will immediately vest in 100% of all outstanding equity awards. On the date of the employment termination due to death or disability, the performance period shall be considered closed, and the date of the termination shall be used in order to determine Align's stock price performance relative to the NASDAQ Composite index for the purpose of calculating the amount that Align has over or underperformed the NASDAQ Composite index.

**Conditions to Payment.** Prior to receiving any payments upon termination of employment, Mr. Hogan must execute a general release of all known and unknown claims that he may have against Align and agree not to prosecute any legal action or other proceedings based upon any of such claims. In addition, Mr. Hogan has agreed, for a period of one year following termination, not to solicit employees of Align and has further agreed to be bound by the terms of a confidentiality agreement with Align.

Mr. Morici

Mr. Morici serves as our Chief Financial Officer pursuant to an employment agreement entered into on November 7, 2016. In determining the terms of this agreement, the Compensation Committee determined that Mr. Morici and any executive officer joining after September 2016 would have a similar form of employment agreement with severance and change of control provisions described in the table below. Specifically, these updated forms of employment agreement provide only for one year's base salary upon termination by Align for convenience unrelated to a change of control which is a termination that occurs either before or 18 months after the change of control date. In addition, in the event of a change of control, the Compensation Committee has determined that all cash severance and equity acceleration is subject to double trigger as described below.

The following table describes the potential payments upon termination or a change of control for Mr. Morici:

Name	Type of Payment	Payments Upon Involuntary or Good Reason Termination Unrelated to Change of Control	Payments Upon Involuntary or Good Reason Termination Related to a Change of Control	
			Change of Control Only	
John F. Morici	Severance Payment	\$ 460,000	\$1,375,320	N/A
	RSUs	\$ —	\$4,541,699	N/A
	MSUs	\$ —	\$5,288,108	
	Health and Welfare Benefits	\$ —	\$26,888	N/A
	Total	\$ 460,000	\$11,232,015	

**Termination Unrelated to a Change of Control.** A termination for convenience unrelated to a change of control is a termination that occurs either before or 18 months after the change of control date. Upon such occurrence, Mr.

Morici's employment agreement provides that if his employment is terminated without cause or if the executive resigns for good reason, he will receive one year's base salary.

**A Termination Related to a Change of Control.** A termination related to a change of control is a termination that occurs within 18 months after the change of control date. If within 18 months after a change of control either Mr. Morici's employment is terminated without cause or he resigns for good reason then he would:

- (1) immediately vest in all outstanding equity awards;
- (2) receive a lump sum payment equal to:

- (i) the then current annual base salary;
- (ii) the then current year's target bonus, prorated for the number of days he has been employed during the year; and
- (iii) the greater of the then current year's target bonus or the prior year's actual bonus.

The employment agreement also provides that Align will pay his monthly premium under COBRA until the earliest of 12 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which the executive commences new employment.

Conditions to Payment. Prior to receiving any payments upon termination of employment, he must execute a general release of all known and unknown claims that he may have against Align and agree not to prosecute any legal action or other proceedings based upon any of such claims. In addition, Mr. Morici has agreed, for a period of one year following termination, not to solicit employees of Align and has further agreed to be bound by the terms of a confidentiality agreement with Align.

Messrs. Wright, Relic and Pascaud

The employment agreement entered into by each of Mr. Wright, Mr. Relic and Mr. Pascaud contain substantially the same terms and conditions. Each employment agreement sets forth the base salary, bonus opportunity, stock options, benefits and the responsibilities of each position in effect at the time of execution of the agreement. In addition, each agreement requires Align to provide compensation to these officers in the event of termination of employment or a change of control. The compensation due in the event of the termination of each employment agreement varies depending on the nature of the termination. What is meant by the terms "cause", "good reason" and "change of control" is described more fully at the end of this section under the heading "Employment Agreement Definitions".

Name	Type of Payment	Payments Upon Involuntary or Good Reason Termination Unrelated to Change of Control	Payments Upon Involuntary or Good Reason Termination Related to a Change of Control	Change of Control Only
Emory M. Wright	Severance Payment	\$ 1,330,800	\$1,330,800	\$—
	RSUs	\$ 1,445,067	\$3,031,499	\$1,445,067
	MSUs	\$ 5,454,265	\$8,272,485	\$5,454,265
	Health and Welfare Benefits	\$ 26,888	\$26,888	\$26,888
	Total	\$ 8,257,020	\$12,661,672	\$6,926,220
Zelko Relic	Severance Payment	\$ 1,277,250	\$1,277,250	\$—
	RSUs	\$ 1,628,318	\$3,214,751	\$1,628,318
	MSUs	\$ 5,454,265	\$8,272,485	\$5,454,265
	Health and Welfare Benefits	\$ 12,132	\$12,132	12,132
	Total	\$ 8,371,965	\$12,776,618	\$7,094,715
Raphael S. Pascaud	Severance Payment	\$ 1,091,850	\$1,091,850	\$—
	RSUs	\$ 1,764,448	\$3,518,424	\$1,764,448
	MSUs	\$ 6,210,508	\$9,152,091	\$6,210,508
	Health and Welfare Benefits	\$ —	\$—	—
	Total	\$ 9,066,806	\$13,762,365	\$7,974,956



Termination Unrelated to a Change of Control. A termination for convenience unrelated to a change of control is a termination that occurs either before or 12 months after the change of control date. Upon such occurrence, these employment agreements provide that in the event either Messrs. Wright, Relic or Pascaud's employment is terminated without cause or if the executive resigns for good reason, such executive will:

- (1) immediately vest in an additional number of shares under all outstanding option and RSU awards as if the executive had performed 12 additional months of service;
- (2) in the case of MSUs, the performance period shall be deemed to end upon the NEO's employment termination date for the purpose of determining the percentage amount that Align has over or underperformed the NASDAQ Composite index (the "Performance Multiplier"). The Performance Multiplier is calculated as follows:

if Align under-performs the NASDAQ Composite index, the percentage at which the MSUs convert into shares of (i) Align stock will be reduced from 100% at a rate of two to one (for 2016 grants) or at a rate of three to one (for grants made in 2017 and 2018); and

(ii) if Align outperforms the index, the percentage at which the MSUs convert to shares will be increased from 100% at a rate of two to one (for 2016 grants) or at a rate of three to one (for grants made in 2017 and 2018).

The executive will then vest in that number of MSUs equal to  $(A)/36*(X)*(Y)$  with (A) representing the number of months (including partial months) that have elapsed from the commencement of the performance period through the date of the termination of employment and (X) representing the total number of MSUs subject to the award and (Y) representing the Performance Multiplier. With respect to the MSU awards, from the beginning of the performance period in each of February 2015, 2016 and 2017 until the assumed December 31, 2017 termination date, Align had outperformed the NASDAQ Composite Index by more than 25% (more than 33% for the February 2017 grant) which resulted in a Performance Multiplier of at maximum of 150% (for 2016 grants) 200% (for the 2017 grant) and 250% for the February 2018 grant in the calculations set forth in the above table.

(3) he is also entitled to receive a lump sum payment equal to:

(i) the then current annual base salary;

(ii) the then current year's target bonus, prorated for the number of days such executive has been employed during the year; and

(iii) the greater of the then current year's target bonus or the prior year's actual bonus.

Each employment agreement also provides that Align will pay the such NEO's monthly premium under COBRA until the earliest of 12 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which the executive commences new employment.

Change of Control Only. Each employment agreement with Messrs. Wright, Relic and Pascaud provides that in the event of a change of control the executive will immediately vest in an additional number of shares under all outstanding stock option and RSU awards as if he had performed 12 additional months of service. For the purposes of determining the number of MSUs that will vest:

the performance period shall be deemed to end upon the closing of the change of control in order to determine Align's stock price performance relative to the NASDAQ Composite index for the purpose of calculating the amount that Align has over or underperformed the NASDAQ Composite index (with the MSUs converting into shares of Align stock either being reduced from 100% (in the case of underperformance) or increased from 100% (in the case of overperformance) at a rate of two to one (for 2016 grants) or at a rate of three to one (for grants made in 2017 and 2018) (the "Performance Multiplier"); and

Align's stock price performance will be based on the per share value of the Company's common stock paid to its stockholders in connection with the change of control.

On the date of the change of control, the executive will vest in that number of MSUs equal to  $(A)/36*(X)*(Y)$  with (A) representing the number of months (including partial months) that have elapsed from the commencement of the performance period through the date of the change of control and (X) representing the total number of MSUs subject to the award and (Y) representing the Performance Multiplier.

A Termination Related to a Change of Control. A termination related to a change of control is a termination that occurs within 12 months from the change of control date. Each employment agreement with Messrs. Wright, Relic and Pascaud provides that, if, within 12 months of a change of control, either the executive's employment is terminated without cause or the executive resigns for good reason then the executive will:

(1) immediately vest in all outstanding equity awards; and

(2) be entitled to a payment (payable in a lump sum) equal to:

(i) executive's then current annual base salary;

(ii) executive's then current year's target bonus prorated for the number of days employed during the year, and

(iii) the greater of the then current year's target bonus or the prior year's actual bonus.

Each employment agreement also provides that Align will pay the NEOs monthly premium under COBRA until the earliest of 12 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which the executive commences new employment.



Conditions to Payment. Prior to receiving any payments upon termination of employment, the executive officer must execute a general release of all known and unknown claims that such officer may have against Align and agree not to prosecute any legal action or other proceedings based upon any of such claims. In addition, each executive has agreed, for a period of one year following termination, not to solicit employees of Align and has further agreed to be bound by the terms of a confidentiality agreement with Align.

#### Employment Agreement Definitions

Definition of Cause. In each employment agreement described above, cause means any of the following:

- unauthorized use or disclosure of the confidential information or trade secrets of Align;
- any breach of the employment agreement or the Employee Proprietary Information and Inventions Agreement between the executive and Align;
- conviction of, or a plea of “guilty” or “no contest” to, a felony under the laws of the United States or any state thereof; misappropriation of the assets of Align or any act of fraud or embezzlement by the executive, or any act of dishonesty by the executive in connection with the performance of his or her duties for Align that adversely affects its business or affairs;
- intentional misconduct; or
- the executive’s failure to satisfactorily perform his or her duties after the executive received written notice of such failure and was provided at least thirty (30) days to cure such failure.

Definition of Good Reason. In each employment agreement described above, good reason means the executive’s resignation within ninety (90) days of the occurrence of any one or more of the following events:

- the executive’s position, authority or responsibilities being significantly reduced;
- the executive being asked to relocate his principal place of employment such that the commuting distance from his or her residence prior to the change of control is increased by over thirty-five (35) miles;
- the executive’s annual base salary or bonus being reduced; or
- the executive’s benefits being materially reduced.

Definition of Change of Control. In each employment agreement described above, change of control means any of the following:

- a sale of all or substantially all of Align’s assets;
- the acquisition of more than 50% of the common stock of Align by any person or group of persons;
- a reorganization of Align wherein the holders of common stock of Align receive stock in another company (other than a subsidiary of Align), a merger of Align with another company wherein there is a 50% or greater change in the ownership of the common stock of Align as a result of such merger, or any other transaction in which Align (other than as the parent corporation) is consolidated for federal income tax purposes or is eligible to be consolidated for federal income tax purposes with another corporation; or
- in the event that the common stock is traded on an established securities market, a public announcement that any person has acquired or has the right to acquire beneficial ownership of more than 50% of the then outstanding common stock, or the commencement of or public announcement of an intention to make a tender offer or exchange offer for more than 50% of the then outstanding common stock.

#### Other Termination of Employment and Change of Control Arrangements

In addition to the termination of employment and change of control arrangements described above, the Compensation Committee of the Board has the authority as Plan Administrator of the 2005 Incentive Plan (as amended) to accelerate the vesting of outstanding equity immediately upon an acquisition or change in ownership or majority of the Board.

#### Other Compensation Matters

#### CEO Pay Ratio

Align's compensation and benefits philosophy and the overall structure of our compensation and benefit programs are broadly similar across the organization. Compensation rates are benchmarked and set to be market-competitive in the country in which the jobs are performed. We identified the median employee using our employee population on December 31, 2018. As of that date, we had 11,710 employees, of which 1,379 were employed inside the United States, 8,031 (approximately 69% of our global workforce) were employed in one of our manufacturing and technician operations in Mexico, Costa Rica, China, Germany or Spain and the remaining 2,300 employees were employed in 28 other countries.

In identifying the median employee, we excluded 532 workers (approximately 4.5 percent of our workforce) from the following countries: Australia, 61; Austria, 5; Baltics (Lithuania and Latvia), 1; Belgium, 3; Brazil, 105; Croatia, 1; Czechoslovakia, 6; Hong Kong, 35; India, 43; Italy, 49; Japan, 104; Korea, 21; New Zealand, 2; Poland, 9; Portugal, 2; Slovakia, 2; Switzerland, 4; Taiwan, 25; Thailand, 16; Turkey, 14; and United Arab Emirates, 24. After taking into account the de minimis exemption, 1,379 employees in the United States and 9,799 employees located outside of the United States were considered for identifying the median employee.

We considered actual annual base pay, actual bonus payout, and equity income, for the purposes of determining the median employee. We annualized the salaries for those employees that were hired in 2018. We did not perform adjustments to the compensation paid to part-time employees to calculate what they would have been paid on a full-time basis.

Using this methodology, we determined that our median employee was an associate engineer working in our manufacturing facility in Mexico. In determining the annual total compensation of the median employee, we calculated such employee's compensation in accordance with Item 402(c)(2)(x) of Regulation S-K as required pursuant to SEC executive compensation disclosure rules. This calculation is the same calculation used to determine total compensation for purposes of the 2018 Summary Compensation Table with respect to each of the NEOs.

Our median employee compensation for 2018 as calculated using Summary Compensation Table requirements was \$13,180, which is competitive pay for a associate engineer position in Mexico. Our CEO's compensation as reported in the Summary Compensation Table was \$41,758,338. Therefore, our CEO to median employee pay ratio is 3,168 to 1. Excluding the one-time special equity award of MSUs discussed above under the heading "CEO Special Equity Award", Mr. Hogan's 2018 total compensation would be \$14,185,975 and the Pay Ratio would be 1,076 to 1.

This information is being provided for compliance purposes. Neither the Compensation Committee nor management of the Company used the pay ratio measure in making compensation decisions.

#### PRINCIPAL STOCKHOLDERS

Except as otherwise noted in the footnotes to the following table, the information contained in the table below sets forth the beneficial ownership of our common stock as of March 20, 2019 by:

- each stockholder known by us to own beneficially more than 5% of our common stock;
- each of our executive officers named in the summary compensation table on page 39 of this proxy statement;
- each of our directors; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined based on the rules of the SEC. The column captioned "Total Shares Beneficially Owned" represents the number of shares of our common stock beneficially owned and the number of shares of our common stock subject to options that are currently exercisable or will become exercisable, RSUs and MSUs that will vest on or before May 20, 2019. The number of shares subject to options that each beneficial owner has the right to acquire and RSUs that will vest on or before May 20, 2019 is listed separately under the column "Number of Shares Underlying Options Exercisable and RSUs/MSUs vesting on or before May 20, 2019." These shares are not deemed exercisable or vested for purposes of computing the percentage of shares beneficially owned by any other person. "Percentage of Outstanding Shares Beneficially Owned" is based upon 79,994,149 shares of our common stock

outstanding as of March 20, 2019. The address for those individuals for which an address is not otherwise provided is c/o Align Technology, Inc., 2820 Orchard Parkway, San Jose, California 95134. Unless otherwise indicated, we believe the stockholders listed below have sole voting or investment power with respect to all shares, subject to applicable community property laws.

Name and Address	Number of Outstanding Shares Beneficially Owned	Number of Underlying Options Exercisable and RSUs vesting on or before May 20, 2019 <sup>(1)</sup>	Total Shares Beneficially Owned	Percentage of	
				Outstanding Shares	Beneficially Owned
The Vanguard Group <sup>(2)</sup>	7,898,876	—	7,898,876	9.9	%
BlackRock, Inc. <sup>(3)</sup>	6,935,085	—	6,935,085	8.7	%
Gordon Gund, family members and affiliated entities <sup>(4)</sup>	5,954,629	—	5,954,629	7.4	%
Joseph M. Hogan <sup>(5)</sup>	161,945	—	161,945	*	
John F. Morici	5,287	—	5,287	*	
Emory M. Wright	25,159	—	25,159	*	
Zelko Relic	27,456	—	27,456	*	
Raphael S. Pascaud	39,092	—	39,092	*	
Kevin J. Dallas	374	1,042	1,416	*	
Joseph Lacob	247,397	1,042	248,439	*	
C. Raymond Larkin, Jr.	58,747	1,390	60,137	*	
George J. Morrow	54,515	1,042	55,557	*	
Thomas M. Prescott	154,935	1,042	155,977	*	
Andrea L. Saia	17,181	1,042	18,223	*	
Greg J. Santora	16,615	1,042	17,657	*	
Susan E. Siegel	3,929	1,042	4,971	*	
Warren S. Thaler <sup>(6)</sup>	132,999	1,042	134,041	*	
All current executive officers and directors as a group (21 persons)	1,041,641	9,726	1,051,367	1.3	%

\* Less than 1%

Except as otherwise set forth in the footnotes below, represents shares of common stock that can be acquired upon the exercise of stock options and vesting of restricted stock units on or before May 20, 2019. This column includes

(1) the full amount of restricted stock units that will vest on or before May 20, 2019, although each executive officer will actually receive the number of shares that have vested net of the number of shares necessary to cover any applicable withholding taxes which Align will pay on their behalf.

Based on a filing with the SEC on Schedule 13G/A on February 11, 2019 indicating beneficial ownership as of

(2) December 31, 2018. Includes shares held by direct and indirect subsidiaries. The mailing address for The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

Based on a filing with the SEC on Schedule 13G/A, on February 4, 2019 indicating beneficial ownership as of

(3) December 31, 2018. Includes shares held by direct and indirect subsidiaries. The mailing address for BlackRock, Inc. is 55 East 52<sup>nd</sup> Street, New York, New York 10055.

Based on a filing with the SEC on Schedule 13G/A on February 11, 2019 indicating beneficial ownership as of

(4) December 31, 2018. Includes shares held in trust for immediate family members and shares held by immediate family members. The mailing address for Gordon Gund is P.O. Box 3599, Battlecreek, Michigan 49016-3599.

(5) Includes 1,500 shares held by a member of the household.

(6) Includes 47,915 shares held by Mr. Thaler and 85,084 shares held by The Thaler Family Trust for the benefit of family members as to which Mr. Thaler disclaims beneficial ownership.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms that we have received, or written representations from reporting persons, we believe that during the year ended December 31, 2018, all executive officers, directors and greater than 10% stockholders complied with all applicable filing requirements, except for one Form 4 filed late by George J. Morrow to report annual vesting of shares and his director grant and Andrea L Saia to report sales of shares owned by her.



## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Review, approval or ratification of transactions with related persons

Our Board has adopted a Code of Business Conduct and Ethics (“Code”) that is applicable to all directors, officers and employees of Align, including Align’s principal executive officer, principal financial officer and controller. The Code provides in writing, that Align discourages its employees from conducting company business with a relative or significant other, or with a business in which an employee, a relative or significant other is associated in any significant role (each a “Related Party”). If, however, such a Related Party transaction is unavoidable, the Code provides that all employees (other than the directors and officers of Align) must fully disclose the nature of the relationship and the transaction to their supervisor, and the Chief Financial Officer must approve in advance the Related Party transaction. If, however:

• you are a director or officer of Align and you desire to enter into a transaction with a Related Party (as defined above);  
or

- you are an employee (other than a director or officer) and you desire to enter into a transaction with a Related Party that the Chief Financial Officer (in consultation with legal counsel) has deemed to be material to Align and is reportable under the rules and regulations of the Exchange Act,  
the nature of the transaction must be fully disclosed to the Audit Committee of the Board and such interest must be approved by the Audit Committee.

**OTHER MATTERS**

We know of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board may recommend or, if the Board has not provided a recommendation, in accordance with their own judgment.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to mark, sign, date, and return the accompanying proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose.

THE BOARD OF  
ALIGN TECHNOLOGY, INC.

April 5, 2019



