

**AETNA INC AGM Date: 2013-05-17**

**1a Elect Fernando Aguirre**

**For**

**1b Elect Mark T. Bertolini**

**Oppose**

Chairman, Chief Executive Officer and President. The roles of Chairman and CEO are combined. It is considered to be best practice for these positions to be separated with a Chief Executive responsible for the running of the business and the Chairman responsible for the functioning of the Board.

**1c Elect Frank M. Clark**

**For**

**1d Elect Betsy Z. Cohen**

**Oppose**

Non-Executive Director. Independent by the company, but not considered independent as she has been on the Board for more than nine years. There are insufficient independent directors on the Board.

**1e Elect Molly J. Coye**

**Oppose**

Non-Executive Director. Not considered independent as she has a business relationship with the company. She is an executive of UCLA Health System that sold services to the Company for an amount exceeding \$1 million during the year under review. There is insufficient independent representation on the Board.

**1f Elect Roger N. Farah**

**For**

**1g Elect Barbara Hackman Franklin**

**Oppose**

Non-Executive Director. Independent by the company, but not considered independent as she has been on the Board for more than nine years. There are insufficient independent directors on the Board.

**1h Elect Jeffrey E. Garten**

**Oppose**

Non-Executive Director. Independent by the company, but not considered independent as he has been on the Board for more than nine years. There are insufficient independent directors on the Board.

**1i Elect Ellen M. Hancock**

**Oppose**

Non-Executive Director. Independent by the company, but not considered independent as she has been on the Board for more than nine years. There are insufficient independent directors on the Board.

**1j Elect Richard J. Harrington**

**For**

**1k Elect Edward J. Ludwig**

**Oppose**

Lead Director. Independent by the company, but not considered independent as he has been on the board for more than nine years. There is insufficient independent representation on the Board.

**1l Elect Joseph P. Newhouse**

**Oppose**

Non-Executive Director. Independent by the company, but not considered independent as he has been on the Board for over nine years. There are insufficient independent directors on the Board.

**2 Ratify the appointment of the auditors.**

**For**

### **3 Amend the company's 2010 Stock Incentive Plan**

**Oppose**

Shareholder approval is sought for an amendment to the Aetna Inc. 2010 Stock Incentive Plan, here referred to as the 2010 Employee Plan. The Board of Directors is requesting that shareholders approve the amendment to the 2010 Employee Plan to authorize 6,250,000 additional shares of Common Stock, from 15,750,000 to 22,000,000, to be used for equity compensation awards to employees. Aetna currently maintain two stock compensation plans under which future equity awards may be granted: the 2010 Stock Plan and the 2010 Non-Employee Director Compensation Plan (the "2010 Director Plan"), which together they refer to as the "Current Plans." As of March 15, 2013, there were 7,581,355 shares available for future awards under the Current Plans. Of that number, 7,269,850 shares were available under the 2010 Stock Plan and 311,505 shares were available under the 2010 Director Plan. There are concerns over the proposal as the 7,581,355 share for issuance plus the new authority of 6,250,000, equate to 13,831,355 or 4.2% of the 326,606,173 shares in issuance which is potentially overly dilutive for a Plan last agreed three years ago. There is also a concern about the balance of performance and rewards under the Plan. It is noted that the performance period before the vesting of equity awards is only two-years, whereas best practice would be for three or more years. All the Performance Stock Units will vest for the achievement of a target corresponding to the median level of the peer group performance, which we deem not appropriate. The Share Appreciation Rights grants, corresponding to 70% of the total award, do not have any performance criteria and are solely dependent on the share price. This is not considered to be an adequate method to ensure that executives' remuneration is commensurate to performance. Due to these concerns we oppose.

### **4 Approve Pay Structure**

**Oppose**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of our opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.

There has been an improvement for 2013, as the market stock unit (MSU) portion of the long-term incentive equity program was modified so that the award will vest only if one or both two-year aggregate operating earnings or revenue goals are met. Subject to that performance threshold, the award will fully vest 36 months from the grant date, based on the Company's stock price performance over that period up to a maximum of 150% of the units granted. However, there are concerns, especially as annual award targets are considered to be potentially excessive as the CEOs 2012 annual bonus opportunity was set at 300% of his annual base salary, and Mr. Bertolini's 2012 long-term incentive opportunity was set at \$8,125,387. Additionally, both annual and long-term awards use adjusted operating earnings per share as a performance metric.

### **5 Shareholder proposal to introduce an independent chairman rule**

**For**

Proposed by: The Comptroller of the City of New York, John C. Liu, as the custodian and a trustee of the New York City Employees' Retirement System, the New York City Fire Department Pension Fund, the New York City Teachers' Retirement System, and the New York City Police Pension Fund, and custodian of the New York City Board of Education Retirement System. The proponents request that the Board of Directors adopt a policy that the Chair of the Board shall be an independent director who is not a current or former employee of the company, and whose only nontrivial professional, familial or financial connection to the corporation or its CEO is the directorship. The policy should be implemented so as not to violate existing agreements and should allow for departure under extraordinary circumstances such as the unexpected resignation of the chair.

The separation of roles is considered to be best practice in corporate governance, on the basis that independent Chairman can provide independent oversight of management and facilitates clearer lines of accountability with respect to corporate decisions. It is also considered that all board meetings (not just those of independent directors) should be led by an independent director, and judge that in practice this means that there should be an independent Chairman. We support this proposal.

## **6 Shareholder proposal on Simple majority voting**

**For**

Proposed by: John Chevedden.

The proponents request that the board take the steps necessary so that each voting requirement in the charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws. It is viewed that shareholders should have the right to approve most matters submitted for their consideration by a simple majority of the shares voted. Resolutions seeking to replace supermajority of shares in issue with a simple majority of shares in issue for all changes are Supported.

## **7 Shareholder proposal on Political contributions**

**For**

Proposed by: The Unitarian Universalist Association of Congregations

The proponents request that the Board of Directors amend Aetna's Political Contributions Policy (the "Policy") to include the following provisions regarding Board oversight of Aetna's political expenditures:

- Assign to the Board responsibility for (a) formulating and revising the Policy and (b) establishing the parameters of Aetna's commitment to publicly disclose political expenditures (in addition to legal disclosure requirements);
- Assign to the Audit Committee responsibility for analyzing and reporting to the full Board annually on (a) compliance with the Policy; and (b) the risks associated with Aetna's political activities, including those undertaken through politically active intermediaries such as trade associations and social welfare organizations ("Intermediaries"); and
- Establish specific criteria tailored to analyzing whether to make payments to Intermediaries for political purposes, requiring articulation of the business rationale for each payment and consideration of the use(s) to which the funds will be put by the Intermediary.

The supporting statement high-lights that strong board oversight is particularly important at Aetna, which disclosed that it gave \$4,000,000 to the US Chamber of Commerce for unspecified "voter education initiatives" and \$3,000,000 to the American Action Network, a social welfare organization that sponsors ads regarding political candidates, in 2011.

It is viewed that not all lobbying activity by the company, as defined by the proponent, has been disclosed and that all shareholder funds should be accounted for. The amounts of shareholder funds mentioned are considered to be material. Therefore, the reporting upon and monitoring of these matters is considered be a reasonable request for disclosure.