Triodos Investment Management

AETNA INC.

MEETING DATE	Fri, 15 May 2015 9:30 am	TYPE	AGM	ISSUE DATE	Wed, 13 May 2015
MEETING LOCATION	JW Marriott Miami, Florida				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				

	PROPOSALS	ADVICE
1a	**Elect Fernando Aguirre** Independent Non-Executive Director.	**For**
1b	**Elect Mark T. Bertolini** Chairman and CEO. Combined roles at the head of the Company which Triodos does not suport. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.	**Oppose**
1c	**Elect Frank M. Clark** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**
1d	**Elect Betsy Z. Cohen** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**
1e	**Elect Molly J. Coye** Non-Executive Director. Not independent as she is an Executive of UCLA Health System that sold services to the Company for an amount exceeding $1 million, approximately 5.41% of the revenue for fiscal 2014. There is insufficient independent representation on the board.	**Oppose**
1f	**Elect Roger N. Farah** Independent Non-Executive Director. He is chair of the Remuneration committee which is not fully independent. Triodos opposes this resolution.	**Oppose**
1g	**Elect Barbara Hackman Franklin** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**
1h	**Elect Jeffrey E. Garten** Non-Executive Director. Not considered independent as he has served on the Board of the company or its predecessors for more than nine years. He is also an employee of Yale University that purchased services from the company for an amount exceeding $1 million during the year under review. There is insufficient independent representation on the board.	**Oppose**
1i	**Elect Ellen M. Hancock** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**
1j	**Elect Richard J. Harrington** Independent Non-Executive Director. He is chair of the Audit committee which is not fully independent. Triodos opposes this resolution.	**Oppose**
1k	**Elect Edward J. Ludwig** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**

1l	**Elect Joseph P. Newhouse** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**
1m	**Elect Olympia J. Snowe** Independent Non-Executive Director.	**For**
2	**Ratify the appointment of the auditors** KPMG LLP proposed. Non-audit fees represented 1.79% of audit fees during the year under review and 2.66% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	**Oppose**
3	**Advisory vote on executive compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: AEB. There are concerns that 100% of the individual bonus is based on a subjective evaluation of performance. SARs and restricted stock units vest annually over three years based on continued employment. Performance share units have a two year performance period instead of three and use the same operating earning per share metric used in the annual bonus. Based on these concerns, Triodos opposes this resolution.	**Oppose**
4a	**Shareholder Resolution: Political Contributions-Disclosure** Proposed by: New York State Common Retirement Fund. The proponent request that the Board of Directors amend Aetna's Political Contributions Policy (the "Policy") to provide that Aetna will disclose annually all payments it made in the previous calendar year to tax-exempt organizations (other than charitable organizations not permitted to engage in lobbying as a substantial part of their activities) that were used, or that Aetna had reasonable grounds to believe were used, for a political purpose, including the recipient and amount of the payment. The proponent argues that as long-time shareholders it believes in transparency. It is concerned that in committing substantial corporate resources to influence the political process, Aetna may have given insufficient attention to maximizing value in the current regulatory environment. The board argues that it is fully compliant with all state and federal laws concerning the disclosure of its political and lobbying activity. In addition, it makes available additional information beyond that required by current laws and regulations. With respect to oversight, the Company's Audit Committee reviews the Company's Political Contributions Report prior to publication. In addition, management regularly discusses public policy issues and political activities with the full Board. The request for additional disclosure is considered acceptable as it aims to increase transparency for shareholders. The Company already produces a Political Contribution Report and therefore including the additional disclosure should not be too hard to accomplish. On this basis, Triodos supports this resolution.	**For**

4b Shareholder Resolution: Executives to Retain Significant Stock **Abstain**

Proposed by: John Chevedden. The proponent is requesting that the Company adopt a policy requiring senior executives to retain a significant percentage of stock acquired through equity pay programs until reaching normal retirement age and to report to shareholders regarding the policy before our Company's next annual meeting. For the purpose of this policy, normal retirement age would be an age of at least 60 and be determined by the Compensation Committee. The proponent recommends a share retention percentage requirement of 75% of net after-tax shares. The proponent argues that requiring senior executives to hold a significant portion of stock obtained through executive pay plans would focus the executives on long-term success. The board recommends a vote against this proposal as it believes it is unnecessary because the Company already has in place policies that are designed to achieve the objectives articulated in the Proposal. The Company argues that the Compensation program is designed to align pay with Company performance, and the Company executive officers are subject to robust stock ownership, retention and claw back policies. Further, under its Code of Conduct, all employees are prohibited from engaging in any hedging or other derivative transactions on the Company's Common Stock. The proponent raises a fair argument about stock retention. The Company states one of its key reasons to award equity is for the purpose of "retention". However, the proponents threshold of 75% is considered to be excessive. Triodos abstains on this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory vote on executive compensation

Disclosure: A- The Company provided targets for the annual bonus that determined the funding of the overall pool. Individual awards were based on a subjective evaluation from the Compensation Committee. Long-term equity is awarded in the form of stock appreciation rights (SARs), restricted stock units and performance-based stock units.
Balance: E- There are concerns that 100% of the individual bonus is based on a subjective evaluation of performance. SARs and restricted stock units vest annually over three years based on continued employment. Performance share units have a two year performance period instead of three and use the same operating earning per share metric used in the annual bonus.
Contract: B- Contracts do not define good reason in an appropriate manner. Severance payments are considered excessive.

For Private Circulation only

Researcher: Rasheed Rambaran
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
6th Floor
9 Prescot Street
London E1 8AZ

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

Regulated by the Financial Conduct Authority