Triodos Investment Management

RESMED INC

MEETING DATE	Wed, 16 Nov 2016 15:00 pm	TYPE	AGM	ISSUE DATE	Fri, 28 Oct 2016
MEETING LOCATION	9001 Spectrum Center Blvd., San Diego, California 92123 USA				
CURRENT INDICES	PIRC Global				
SECTOR	Surgical and medical instruments and apparatus				

	PROPOSALS	ADVICE
1a	**Elect Carol Burt** Independent Non-Executive Director.	**For**
1b	**Elect Rich Sulpizio** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
2	**Appoint the auditors** KPMG LLP proposed. There were no non-audit fees during the year under review and on a three-year aggregate basis. 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: BDD. Maximum long-term award opportunities are not limited to 200% of base salary. The CEO was awarded $5,500,000 in stock awards, which was 650% of his base salary. Also, there are important concerns over certain features of the equity awards. Whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Based on these concerns, Triodos opposes this resolution.	**Oppose**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory vote on executive compensation

The Company has achieved: a market best practice level of disclosure; a poor balance for rewards; and a poor approach to contracts with executives.

Disclosure: B- Annual cash incentives are based on adjusted net sales and adjusted net profit (after tax) as a percentage of revenue. The Company granted long-term incentives in the form of performance-based stock units (PSUs) and stock options or restricted stock unit awards (NEOs have the choice to select whether the balance of their equity awards would be entirely in the form of stock options and RSUs). PSUs are based on the Company's total stockholder return (TSR). RSUs granted may be earned based on the Company's actual performance compared to targeted levels of earnings for each of the three performance periods. The Company has disclosed the financial targets for its short-term and long-term incentives.

Balance: D- For fiscal year 2016, annual cash awards were not excessive and no payout exceeded 200% of base salary. However, the particular use of "adjusted" targets is highly unusual, complex and not clearly understandable in our view. Maximum long-term award opportunities are not limited to 200% of base salary. The CEO was awarded $5,500,000 in stock awards, which was 650% of his base salary. Also, there are important concerns over certain features of the equity awards. Whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance. Stock options vest and are

exercisable 33% per year on November 11th of each year after the grant date. RSUs vest in one-third annual increments based on continued service with the Company, such that all earned awards will be vested three years after grant.
Contract: D- The Company's change of control agreements provide accelerated vesting for generally all outstanding equity awards on a change of control.

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