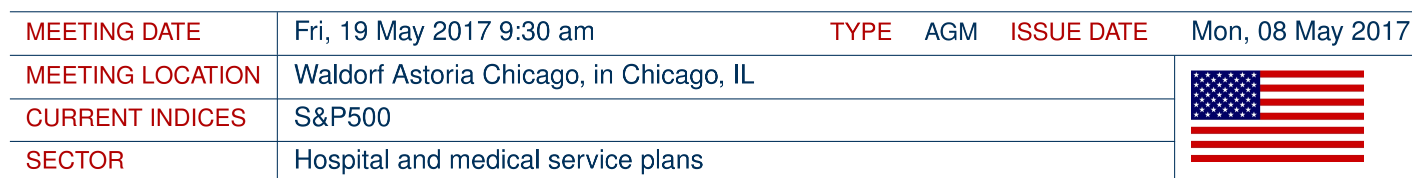

AETNA INC.

MEETING DATE	Fri, 19 May 2017 9:30 am	TYPE	AGM	ISSUE DATE	Mon, 08 May 2017
MEETING LOCATION	Waldorf Astoria Chicago, in Chicago, IL				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				

	PROPOSALS	ADVICE
1a	**Re-elect Fernando Aguirre** Independent Non-Executive Director.	**For**
1b	**Re-elect Mark T. Bertolini** Chairman and CEO. Combined roles at the head of the Company. 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. Triodos opposes this resolution.	**Oppose**
1c	**Re-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	**Re-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	**Re-elect Molly J. Coye** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1f	**Re-elect Roger N. Farah** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1g	**Re-elect Jeffrey E. Garten** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1h	**Re-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**
1i	**Re-elect Richard J. Harrington** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1j	**Re-elect Edward J. Ludwig** Lead Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1k	**Re-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**

1l Re-elect Olympia J. Snowe **Oppose**

Non-Executive Director. Not considered independent as she serves on the Board of T. Rowe Price Group, Inc., which holds 8.09% of the Company's common stock. There is insufficient independent representation on the Board.

2 Appoint the Auditors **Oppose**

KPMG proposed. Non-audit fees represented 4.09% of audit fees during the year under review and 3.11% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. However, the current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

3 Approve an Amendment to Amended Aetna Inc. 2010 Stock Incentive Plan to Increase Number of Shares Authorised to be Issued **Oppose**

The Company has put forward a resolution requesting shareholders to approve an amendment of the Amended Aetna Inc. 2010 Stock Incentive Plan (2010 Stock Plan) to increase the number of shares authorised to be issued under the 2010 Stock Plan from 27,287,000 to 29,387,000. As of March 17, 2017 there were 8,553,555 shares available for future awards under the Current Plans (2010 Stock Plan and the 2010 Non-Employee Director Compensation Plan). Of that number, 8,352,531 shares were available under the 2010 Stock Plan and 201,024 shares were available under the 2010 Director Plan. If shareholders approve the proposal, the shares remaining available for future awards under the 2010 Stock Plan will increase from approximately 8.4 million to approximately 10.5 million. The 2010 Stock Plan permits the Company to grant stock options, Stock Appreciation Rights (SARs), restricted stock, Restricted Stock Units (RSUs), Performance Stock Units (PSUs), Market Stock Units (MSUs), performance shares and other stock-based awards to eligible employees. The 2010 Stock Plan provides that awards may only be granted to employees of the Company and is administered by the Compensation Committee which has the power to determine the employees who will be granted awards under the 2010 Stock Plan, the size and types of awards, the terms and conditions of awards and the form and content of the award agreements representing awards. The 2010 Stock Plan provides that no participant may be granted stock options or SARs for more than 2,000,000 shares in any one-year period. In addition, no participant may be granted performance-based restricted stock awards, PSUs, MSUs, unrestricted stock awards or RSUs for more than 2,000,000 shares in any one-year period.

As performance conditions may be attached to awards at the Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging.

Triodos opposes this resolution.

4 Advisory Vote on Executive Compensation **Oppose**

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

Awarded pay for the CEO is not aligned with companies of a similar market capitalization. For fiscal 2016, annual cash awards to the CEO were not excessive; however, the CEO's maximum opportunity exceeds 200% of his base salary which is not considered best practice. There are concerns over certain features of the equity awards. For PSUs, the use of a sole performance criterion is not considered appropriate in evaluating performance. SARs are based on share price appreciation, which is not best practice as there are many external factors which influence share price that are out of the control of the executives. SARs vest in substantially equal annual instalments over 36 months.

Triodos opposes this resolution.

5 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board does not have a recommendation with respect to this proposal. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Trriodos recommends a one year frequency.

6A. Shareholder Resolution: Annual Report on Direct and Indirect Lobbying **For**

Proposed by: Mercy Investment Services, Inc., Oblate International Pastoral Investment Trust and The Comptroller of the State of New York, Thomas P. DiNapoli, as the trustee of the New York State Common Retirement Fund.

The Proponents request that the Company prepare a report, updated annually, disclosing: i.) Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications; ii.) payments by the Company used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient; iii.) the Company's membership in and payments to any tax-exempt organisation that writes and endorses model legislation; and iv.) description of the decision making process and oversight by management and the Board for making the above payments.

Proponent's Supporting Argument: The Proponents argue that the Company reports spending $10.93 million in 2014 and 2015 on state lobbying, yet provides no information by state. Also, the Proponents argue that the Company discloses its trade association dues and amounts of its dues used for lobbying on its website, but this fails to capture all payments.

Board's Opposing Argument: The Board recommends shareholders oppose and argues that the Company publishes annually its Political Contributions and Related Activity Report and complies fully with all state and federal laws concerning the disclosure of its political and lobbying activity. The Board argues that the Company was ranked in the top tier of the 2016 Center for Political Accountability CPA-Zicklin Index for Corporate Political Accountability and Disclosure, ahead of many of its managed healthcare competitors. Also, the Board believes that the information currently available to shareholders is easily accessible and understandable and, coupled with the oversight of the Company's political activities by the Board, is in the best interest of the Company.

6B. Shareholder Resolution: Annual Report on Gender Pay Gap **For**

Proposed by: The Comptroller of the City of New York, Scott M. Stringer, 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 Proponent request that the Company report annually to the Board and shareholders, identifying whether there exists a gender pay gap among the Company's employees, and if so, the measures being taken (policies, programs, goals etc.) to eliminate any such pay disparities and to facilitate an environment that promotes opportunities for equal advancement for women.

Proponent's Supporting Argument: The Proponent argues that despite progress, pay inequity and advancement opportunities remain concerns for the healthcare industry in which the Company operates. Also, the Proponent argues that at Fortune 500 healthcare companies, women represent only about 20% of executive leadership and 63% of these companies have less than 25% women on their boards.

Board's Opposing Argument: The Board recommends shareholders oppose and argues that gender equality is a primary focus within the Company's overall diversity and inclusion (D&I) strategy, and the Company is committed to diversity and equal employment opportunities in all areas of its business, including hiring and compensation. The Board argues that the Company's 2016 Corporate Social Responsibility Report includes detailed information about the Company's workforce demographics and provides information on the Company's comprehensive D&I efforts and the Company also files EEO-1 reports annually that provide information about its workforce demographics. Also, the Board argues that the Company includes diversity metrics into its incentive compensation programs to drive execution and accountability.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 4 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; a below average balance for rewards; and a below average approach to contracts with executives.

Disclosure: C- Annual cash incentives are based on financial metrics (operating earnings per share, operating revenue, adjusted SG&A ratio) (70%) and quantitative constituent measures (30%). Payouts are subject to individual performance adjustments. The Company granted long-term incentives in the form of Performance Stock Units (PSUs) (30%) and Stock Appreciation Rights (SARs) (70%). The PSUs granted in 2016 vest at 100% if the Company attains a three-year operating earnings per share compound annual growth rate goal. There is no disclosure of the targets for the PSUs. Also, the particular use of "adjusted" targets is not best practice. The Compensation Committee did not make any material changes to the executive compensation program design for 2016.

Balance: D- Rewarded executive compensation is above peer group averages. In addition, awarded pay for the CEO is not aligned with companies of a similar market capitalization. For fiscal 2016, annual cash awards to the CEO were not excessive; however, the CEO's maximum opportunity exceeds 200% of his base salary which is not considered best practice. There are concerns over certain features of the equity awards. For PSUs, the use of a sole performance criterion is not considered appropriate in evaluating performance. SARs are based on share price appreciation, which is not best practice as there are many external factors which influence share price that are out of the control of the executives. SARs vest in substantially equal annual installments over 36 months.

Contract: D-There is a clawback policy in place, which is considered best practice. Contracts do not define 'good reason' in an appropriate manner. Disclosed severance and change in control awards are potentially excessive.

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