Triodos Investment Management

AETNA INC.

MEETING DATE	Fri, 18 May 2018 9:30 am	TYPE	AGM	ISSUE DATE	Wed, 09 May 2018
MEETING LOCATION	Park Hyatt New York, 153 West 57th Street, New York, NY 10019				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				

	PROPOSALS	ADVICE
1a	**Elect Director Fernando Aguirre** Independent Non-Executive Director.	**For**
1b	**Elect Director 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.	**Oppose**
1c	**Elect Director 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 Director 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**
1e	**Elect Director 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**
1f	**Elect Director 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**
1g	**Elect Director 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**
1h	**Elect Director 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**
1i	**Elect Director Edward J. Ludwig** Lead Independent Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1j	**Elect Director Olympia J. Snowe** Non-Executive Director. Not considered independent as she serves on the Board of T. Rowe Price Group, Inc., which holds 5.05% of the Company's common stock. There is insufficient independent representation on the Board.	**Oppose**
2	**Appoint the Auditors** KPMG proposed. Non-audit fees represented 4.75% of audit fees during the year under review and 4.17% 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.	**Oppose**

3 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.

For fiscal 2017, annual cash awards were not considered to be excessive. The CEO's actual bonus for fiscal 2017 was 2,079,600 USD, representing 173% of his base salary (200% maximum is considered as acceptable practice). Best practice states that all executives should hold at least six times base salary in stocks, currently executives are required to hold three times base salary. Executive compensation is not aligned with peer groups and with companies of a similar market capitalisation.

The compensation rating is: CDB.

Triodos opposes this resolution.

4A Shareholder Resolution: Report on Lobbying Payments and Policy **For**

Proposed by: Daughters of Charity, Inc. and Sisters of the Order of St. Dominic of Grand Rapids

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 organization that writes and endorses model legislation. iv.) Description of the decision-making process and oversight by management and the Board for making payments described in section ii and iii above.

Proponent's Supporting Argument: The Company reports spending USD 33,252,662 million from 2010-2018 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. This proposal was presented to shareholders at the 2017, 2016, 2015, 2014 and 2012 annual shareholder meetings. At those meetings 73.52%, 74.53%, 70.99%, 72.84% and 89.98% of the votes cast at the respective meetings were voted against the proposal, reflecting shareholders' agreement that the current disclosure practices meet or exceed their expectations.

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 first tier of the 2017 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.

PIRC Analysis: It is considered that the transparency and completeness of the Company's reporting on lobbying could be improved. The amount of shareholder funds involved appears to be sufficiently significant to warrant greater disclosure to shareholders. Moreover, it is to the benefit of the Company and its shareholders to be open about lobbying activities and so avoid any suspicion (and the damage that may cause to the Company's reputation) that the Company may be using shareholders' funds in an inappropriate way to gain undue influence. The request for a report is considered reasonable.

Triodos supports this resolution.

4B Shareholder Resolution: Right to Call Special Meetings **For**

Proposed by: John Chevedden.

The Proponent requests the Board take the steps necessary to amend the Company's bylaws and each appropriate governing document to give holders in the aggregate of 10% of the Company's outstanding common stock the power to call a special shareowner meeting.

Supporting Argument: The Proponent argues that special meetings allow shareowners to vote on important matters, such as electing new directors that can arise between annual meetings. The Proponent believes that an improved shareholder ability to call a special meeting would put shareholders in a better position to ask for a better assignment of director, as five directors have a 14 to 23 years long-tenure.

Opposing Argument: The Board recommends shareholders oppose and argues that the Company's bylaws already provide shareholders with the right to call a special meeting (shareholders holding in the aggregate 25% or more of the Company's outstanding stock can call a special meeting). The Board argues that the Company's existing special meeting rights reflect market standards and are complemented by the Company's other robust governance practices that empower shareholders. Also, the Board argues that adoption of the proposal would allow a relatively small group of shareholders to call a meeting on a matter that could be of interest only to that smaller group of investors and of limited or no concern to the large majority of shareholders.

PIRC Analysis: The right to call a special shareholder meeting provides shareholders with a way of communicating with the Board and debating and voting on issues with the rest of shareholders; which in itself enhances shareholders' rights. The 10% threshold recommended by the Proponent is considered acceptable.

Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: C- Annual bonus was granted based upon the achievement of financial targets (Adjusted earnings per share, Adjusted Revenue and Adjusted SG&A ratio) and Constituent Index Performance (30%). Long-Term Equity Incentives are granted in the form of Performance-based stock units, Time-vested stock units, and Stock appreciation rights. Three-years adjusted earnings per share is the sole performance metric used to award the performance shares. The Company uses adjusted metrics, which is against best practice as it does not permit an assessment on the challenging nature of performance metrics. Peer groups are disclosed. However, the Company failed to provide the fees it paid to the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency.

Balance: D- For fiscal 2017, annual cash awards were not considered to be excessive. The CEO's actual bonus for fiscal 2017 was 2,079,600 USD, representing 173% of his base salary (200% maximum is considered as acceptable practice). Best practice states that all executives should hold at least six times base salary in stocks, currently executives are required to hold three times base salary. Executive compensation is not aligned with peer groups and with companies of a similar market capitalisation.

Contract: B- The company has a strong compensation claw back policy in place that allows for the recoupment of payment if in the event that misconduct by an executive contributes to a restatement of the financial results. The Company also incorporates a double-trigger, that vests outstanding long-term incentive awards in the event of a change in control followed by a termination. Good reason is adequately defined.

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