Triodos Investment Management

EDWARDS LIFESCIENCES CORPORATION

MEETING DATE	Thu, 17 May 2018 10:00 am	TYPE	AGM	ISSUE DATE	Thu, 03 May 2018
MEETING LOCATION	Edwards Lifesciences Corporation, One Edwards Way, Irvine, CA 92614				
CURRENT INDICES	S&P500				
SECTOR	Orthopedic, prosthetic, and surgical appliances and supplies				

	PROPOSALS	ADVICE
1a	**Elect Director Michael A. Mussallem** 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**
1b	**Elect Director Kieran T. Gallahue** Independent Non-Executive Director.	**For**
1c	**Elect Director Leslie S. Heisz** Independent Non-Executive Director.	**For**
1d	**Elect Director William J. Link** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1e	**Elect Director Steven R. Loranger** Independent Non-Executive Director. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1f	**Elect Director Martha H. Marsh** Independent Non-Executive Director.	**For**
1g	**Elect Director Wesley W. von Schack** Lead Independent Director.	**For**
1h	**Elect Director Nicholas J. Valeriani** Independent Non-Executive Director.	**For**
2	**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. Options vest and become exercisable in 36 equal monthly installments beginning one month after the award date. 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. PBRSUs are measured against relative TSR over a three-year performance period, which is a market standard. However, a five-year performance period is best practice. Payments made under the annual bonus represent 270% of base salary for the CEO, which is excessive. Best practice stipulates that variable pay should be capped at 400% of base salary (200% for the annual bonus and 200% for the long-term). The Company has given no specific description of its clawback policy. Severance entitlements in a change of control scenario are considered excessive. The compensation rating is: BCC. Triodos abstains this resolution.	**Abstain**

3 Appoint the Auditors **Oppose**

PwC proposed. Non-audit fees represented 25.00% of audit fees during the year under review and 35.80% on a three-year aggregate basis. This level of non-audit fees raises some 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.

4 Shareholder Resolution: Written Consent **Oppose**

Proposed by: Not Disclosed.

Shareholders request that the board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law.

Proponent's Supporting Argument: The Proponent argues that taking action by written consent in lieu of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle. A shareholder right to act by written consent and to call a special meeting are two complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. More than 100 Fortune 500 companies provide for shareholders to call special meetings and to act by written consent.

Board's Opposing Argument: The Board is against this proposal and states that the proposal would allow critical actions to be approved without notice to other stockholders and without an opportunity for discussion at a stockholder meeting. This proposal, if adopted, could disenfranchise stockholders and may deprive them of these rights, while enabling other short-term or special interest investors with no fiduciary duties to stockholders to approve proposals that are not in the best interest of all stockholders. Because of these deficiencies, the Board believes that the written consent process is not appropriate for a widely held public company.

Analysis: Action by written consent would circumvent the important deliberative process of a shareholder meeting. While it is considered that the Board should remain accountable to its shareholders regardless of the method of communication chosen, the there are concerns that using written consent could lead to minority shareholders losing the ability to have their say on matters affecting the company.

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: B- The Company has achieved a market best practice level of disclosure. There is good disclosure of targets related to long- and short-term incentives. Cash incentives are awarded based on revenue growth, net income and free cash flow targets; strategic, corporate and business unit objectives; and individual performance. Long-term incentives are granted in the form of 55% Stock Options, 20% restricted stock units (RSUs) and 25% performance based RSUs (PBRSUs).

Balance: C- Options vest and become exercisable in 36 equal monthly installments beginning one month after the award date. 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. PBRSUs are measured against relative TSR over a three-year performance period, which is a market standard. However, a five-year performance period is best practice. Payments made under the annual bonus represent 270% of base salary for the CEO, which is excessive. Best practice stipulates that variable pay should be capped at 400% of base salary (200% for the annual bonus and 200% for the long-term).

Contract: C- The Company has given no specific description of its clawback policy. Severance entitlements in a change of control scenario are considered excessive.

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