Triodos Investment Management

RESMED INC

MEETING DATE	Thu, 21 Nov 2019 10:00 am	TYPE	AGM	ISSUE DATE	Tue, 12 Nov 2019
MEETING LOCATION	9001 Spectrum Center Boulevard, San Diego, California 92123, USA.				
CURRENT INDICES	S&P500				
SECTOR	Surgical and medical instruments and apparatus				

	PROPOSALS	ADVICE
1a	**Elect Carol Burt** Independent Non-Executive Director. There are concerns over the director's potential time commitments, however all directors attended 75% of the meetings of the board and of the committees on which they served. She is Chair of the Audit Committee which is not fully independent which Triodos does not support.	**Oppose**
1b	**Elect Jan De Witte** Newly-appointed Independent Non-Executive Director.	**For**
1c	**Elect Rich Sulpizio** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board, however he is Chair of the Remuneration Committee which is not fully independent which Triodos does not support.	**Oppose**
2	**Ratify the appointment of KPMG as Auditors** KPMG proposed. Non-audit fees represented 1.67% of audit fees during the year under review and 2.98% 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** 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 Company has failed to provide the fees it paid the Compensation Consultants. The Company uses adjusted performance metrics for most elements of compensation. The Company does not consider non-financial metrics in its assessment of performance. The Company uses only one performance metrics to determine the payout of performance awards. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard.Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The Company does not have an appropriate clawback policy in place.The compensation rating is: AEE. Triodos opposes this resolution.	**Oppose**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A- The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets: Annual incentives are paid out based on performance against adjusted net sales and adjusted operating proft as a percentage of revenue targets. Long term incentives are provided in the form of Performance Share Units (PSUs) and time-vested options or restricted stock units (RSUs). PSUs are granted subject to performance against total shareholder return (TSR) targets. Performance targets are disclosed.
Balance: E- The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The Company does not consider non-financial metrics in its assessment of performance. The Company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of an non-financial performance criteria. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is not aligned with peer group averages.
Contract: E- Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Change-in-control payments are subject to double-trigger provisions. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The Company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer.

Researcher: Oge O'Haeri
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

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