Triodos Investment Management

EDWARDS LIFESCIENCES CORPORATION

MEETING DATE	Tue, 04 May 2021 10:00 am	TYPE	AGM	ISSUE DATE	Wed, 21 Apr 2021
MEETING LOCATION	Virtual-Only Meeting: www.proxydocs.com/EW				
CURRENT INDICES	S&P500				
SECTOR	Orthopedic, prosthetic, and surgical appliances and supplies				
FYE	31 Dec 2020				

	PROPOSALS	ADVICE
1.1	**Elect Kieran T. Gallahue - Non-Executive Director** Independent Non-Executive Director.	**For**
1.2	**Elect Leslie S. Heisz - Non-Executive Director** Independent Non-Executive Director.	**For**
1.3	**Elect Paul A. LaViolette - Non-Executive Director** Independent Non-Executive Director.	**For**
1.4	**Elect Steven R. Loranger - Non-Executive Director** Independent Non-Executive Director.	**For**
1.5	**Elect Martha H. Marsh - Non-Executive Director** Independent Non-Executive Director.	**For**
1.6	**Elect Michael A. Mussallem - Chair & Chief Executive** Chair 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**
1.7	**Elect Ramona Sequeira - Non-Executive Director** Independent Non-Executive Director.	**For**
1.8	**Elect Nicholas J. Valeriani - Non-Executive Director** 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. The company does not consider non-financial metrics in its assessment of performance. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. 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. Finally, as the LTIP is 55% paid out in options which Triodos strongly oppose. The compensation rating is: ADA. Triodos opposes this resolution.	**Oppose**

3 Amend Qualified Employee Stock Purchase Plan **For**

It is proposed to amend the U.S. Employee Stock Purchase Plan (ESPP). The Board is proposing to increase the total number of shares of common stock available for issuance under the U.S ESPP by 3,300,000. The additional 3,300,000 shares requested in this proposal represents 0.53% of the company's total issued and outstanding common stock as of December 31, 2020. If approved, the additional shares would mean that 6,064,091 shares of common stock would be now be available for purchase under the U.S. ESPP. The proposed plan is open to all employees on an equal basis, and it is considered corporate governance best practice to allow employees a chance to participate in and benefit from share ownership.

Triodos supports this resolution.

4 Amend Nonqualified Employee Stock Purchase Plan **For**

It is proposed to amend the International Employee Stock Purchase Plan (ESPP). The Board is proposing to increase the total number of shares of common stock available for issuance under the U.S ESPP by 1,200,000. The additional 1,200,000 shares requested in this proposal represents 0.19% of the company's total issued and outstanding common stock as of December 31, 2020. If approved, the additional shares would mean that 1,945,433 shares of common stock would be now be available for purchase under the U.S. ESPP. The proposed plan is open to all employees on an equal basis, and it is considered corporate governance best practice to allow employees a chance to participate in and benefit from share ownership.

Triodos supports this resolution.

5 Ratify PricewaterhouseCoopers LLP as Auditors **Oppose**

PwC proposed. Non-audit fees represented 82.35% of audit fees during the year under review and 57.28% on a three-year aggregate basis. This level of non-audit fees raises serious concerns about the independence of the statutory auditor.

the current auditor has been in place for more than ten years and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

6 Shareholder Resolution: Provide Right to Act by Written Consent For

Proponent's argument: Shareholders request that the board of directors take 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 includes shareholder ability to initiate any appropriate topic for written consent. "This proposal topic won 95%-support at a Dover Corporation shareholder meeting and 88%-support at an AT&T shareholder meeting. Taking action by written consent in place of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle like the election of a new director. For instance Mr. Kieran Gallahue received 50-times as many negative votes as Ms. Martha Marsh in 2020. A shareholder right to act by written consent affords Edwards Lifesciences management strong protection for any status quo mentality during a changing business environment. Due to the low shareholder participation in annual meeting elections any action taken by written consent would still need more than 62% supermajority approval from the shares that normally cast ballots at the EW annual meeting to equal a majority from the EW shares outstanding. A major advantage of special shareholder meetings has been completely blown out of the water since the publication of the 2020 EW annual meeting proxy. A cornerstone of the 2020 management argument regarding written consent was that with special shareholder meetings shareholders have an opportunity for discussion."

Company's response: The same stockholder proposal was submitted by the same stockholder in 2014, 2015, 2018 and 2020. Most recently in 2018 and 2020, the proposal received support from only 23.7% and 17.8% of the votes cast, respectively, confirming what we heard in the course of our active stockholder engagement efforts-a strong majority of stockholders continue to support the Board's position on this proposal.

The stockholder proposal would deprive all stockholders of the right to be consulted on key matters impacting their investment.

The Board expanded the right of stockholders to call special meetings in direct response to feedback received through extensive stockholder outreach led by our Lead Independent Director in 2015-2016 on this exact topic. In those conversations, stockholders overwhelmingly indicated that expansion of our existing special meeting right was superior to implementing a right for stockholders to act by written consent.

The existing right to call a special meeting is preferable and is set at an appropriate threshold.

We have a strong corporate governance structure and record of accountability.

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. There are emergency situations where convening a special meeting might take too long or be too difficult, and written consents may be gathered more quickly. Although the company already provides for ownership of 15% of the share capital to call a special meeting, a 10% threshold is considered to be more adherent to best practice.

7 Shareholder Resolution: Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates **For**

Proponent's argument: Shareholders urge the board to adopt a policy ("Policy") of promoting significant representation of employee perspectives among corporation decision makers by requiring the initial list of candidates from which new director nominees are chosen ("Initial List") by the Nominations and Governance Committee include (but need not be limited to) non-management employees. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates. "here is growing consensus that employees on corporate boards can contribute to long-term corporate sustainability. Policymakers note, having companies run exclusively to benefit shareholders contributes to "stagnant wages, runaway executive compensation and underinvestment in research and innovation." The Business Roundtable asks corporations to align with stakeholder interests, including employees. Employee representation grows long-term value of companies in several ways. According to the National Bureau of Economic Research, giving workers formal control rights increases female board representation and raises capital formation. Employees are also often more diverse than boards in terms of race, gender, and wealth. The German "co-determination" model of shared governance provides a check against short-term capital allocation practices. The 2018 UK Corporate Governance Code encourages boards to establish a method for gathering workforce views. Options include a director appointed from the workforce, a formal workforce advisory panel or designating a director to liaise with workers. Senators Baldwin and Warren introduced legislation codifying employee representation on corporate boards, noting that modern corporate governance needs to be accountable wider interests, notably employees. Polling demonstrates bipartisan public support (over 53%) for employee representation"

Company's response: The board recommends a vote against this proposal. "We maintain rigorous processes to ensure strong, independent oversight by the Board and this proposal could diminish the effectiveness of our Board. As described in more detail under "Proposal 1-Election of Directors" and in the Compensation and Governance Committee charter, when seeking director candidates, the Compensation and Governance Committee evaluates whether the candidate's skills and experience are complementary to the existing Board members' skills and experience, recognizing that the Board's skills evolve in order to align with the company's strategy as well as emerging risks and opportunities. All members of the Board are highly engaged in the process and discussions regarding refreshment and evaluating whether a candidate's skills and experience are complementary to the company's strategy. The Compensation and Governance Committee charter sets forth the membership criteria against which potential director candidates are evaluated and provides that the company 'seeks a Board with diversity of background among its members as determined by the Board in its business judgment, which may include diversity of experience, gender, race, ethnic or national origin, age or other factors as the Board determines appropriate.' Edwards has a strong culture of open communication where management and the Board receive, and are responsive to, feedback from employees. [...] Our Company has a strong patient-focused innovation culture, at the heart of which are our employees. Engaging employees with our leadership is a priority for us. We work to ensure that our employees feel included in the direction of the company and how the business is progressing, and that they are given the opportunity to provide feedback to senior management and the Board. We believe that establishing an innovative, inclusive work environment in which our employees feel heard is critical to our continued success.

PIRC analysis: It is considered that the appointment of representatives of (non-management) employees to the board has the potential to create a positive influence in areas of decision making normally reserved for the Board and senior management. The election of employee-representative director(s) is common practice in a number of major economies, and is considered to be an effective way of ensuring that employee views and concerns are considered properly at board level.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - 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 Annual Incentive Plan consisted of 3 elements that were: the Corporate Financial Measurement, the Key Operating Drivers (KODs) and Individual Performance. The Corporate Financial Measurement element was based on underlying revenue growth, adjusted net income and adjusted free cash flow targets. The KDOs were based on quantifiable strategic milestones and the Individual Performance element varied for each director. However, specific targets for each element were not provided. The Long-Term Incentive Awards were made up of 55% Stock Options, 25% Performance-Based Restricted Stock Units (PBRSUs) and 20% time-based Restricted Stock Units (RSUs). These were measured against a combination of absolute Total Shareholder Return (TSR) and relative TSR.

Balance: D - 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 annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. 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 aligned with peer group averages.

Contract: A - Cash severance is limited to three times base salary; which is welcomed. Change-in-control payments are subject to double-trigger provisions. Good reason has been appropriately defined. Equity awards are subject to pro-rata vesting, which is line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

For Private Circulation only

Researcher: William Glover
Email: pircresearch@pirc.co.uk

PIRC

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

Regulated by the Financial Conduct Authority