Triodos Investment Management

INTUITIVE SURGICAL INC

MEETING DATE	Thu, 22 Apr 2021 15:00	TYPE	AGM	ISSUE DATE	Wed, 14 Apr 2021
MEETING LOCATION	Virtual-Only Meeting: www.virtualshareholdermeeting.com/ISRG2021				
CURRENT INDICES	S&P500				
SECTOR	Orthopedic, prosthetic, and surgical appliances and supplies				
FYE	31 Dec 2020				

	PROPOSALS	ADVICE
1a	**Elect Craig H. Barratt - Chair (Non Executive)** Non-Executive Chair of the Board. Not considered independent owing to a tenure of over nine years. There is sufficient independence on the board.	For
1b	**Elect Joseph C. Beery - Non-Executive Director** Independent Non-Executive Director.	For
1c	**Elect Gary S. Guthart - Chief Executive** Chief Executive.	For
1d	**Elect Amal M. Johnson - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	For
1e	**Elect Don R. Kania - Non-Executive Director** Independent Non-Executive Director.	For
1f	**Elect Amy L. Ladd - Non-Executive Director** Independent Non-Executive Director.	For
1g	**Elect Keith R. Leonard, Jr. - Non-Executive Director** Independent Non-Executive Director.	For
1h	**Elect Alan J. Levy - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	For
1i	**Elect Jami Dover Nachtsheim - Non-Executive Director** Independent Non-Executive Director.	For
1j	**Elect Monica P. Reed - Non-Executive Director** Independent Non-Executive Director.	For
1k	**Elect Mark J. Rubash - Non-Executive Director** Non-Executive Director and chair of the audit committee. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	For

2 Advisory Vote on Executive Compensation **Abstain**

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. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. 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 limited to 200% of base salary, which is considered as acceptable practice.

However, as the company does not use ESG metrics and options are included in its LTIP Triodos abstains on this resolution.

3 Re-appoint PricewaterhouseCoopers LLP as the Auditors **For**

PwC proposed. Non-audit fees represented 9.40% of audit fees during the year under review and 10.88% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.

4 Amend Omnibus Stock Plan **Oppose**

It is proposed to amend the Intuitive Surgical, Inc. 2010 Incentive Award Plan. The board are proposing to (1) extend the term of the plan so that it expires in 20131 (10 year term), (2) provide the grant of stock options, both incentive stock options and nonqualified stock options, stock appreciation rights ("SARs"), restricted stock awards, restricted stock units, performance share awards, dividend equivalents, performance bonus awards, and other performance-based awards to eligible individuals and (3) increase the number of shares under the plan by 2,000,00 (From the current amount, 32,450,000). The persons eligible to participate in the plan would be the 9 non-employee members of the board.

There are concerns with the Plan as the it has various elements bundled together, and although parts of it can benefit the majority of employees, it can still be used as a vehicle for potentially excessive executive payments. As performance conditions may be attached to awards at the Compensation 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. In addition, maximum award limits are excessive. As a result, opposition is recommended.

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 grant of performance awards was based on the achievement of set levels of specific performance targets that were: pre-established operating income goal and pre-established strategic Company performance goals. The performance-based equity awards were granted un the form of stock options and Restricted Stock Units (RSUs).

Balance: C - 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. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. 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 limited to 200% of base salary, which is considered as acceptable practice. Executive compensation is aligned with peer group averages.

Contract: B - Cash severance is limited to three times base salary; which is welcomed. 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: William Glover
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

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