# ANTHEM INC

| | | | | | |
|---|---|---|---|---|---|
| MEETING DATE | Thu, 19 May 2016 8:00 am | TYPE | AGM | ISSUE DATE | Thu, 12 May 2016 |
| MEETING LOCATION | Conrad Indianapolis Hotel , 50 West Washington Street , Indianapolis, Indiana | | | | |
| CURRENT INDICES | S&P500 | | | | |
| SECTOR | Hospital and medical service plans | | | | |

| | PROPOSALS | ADVICE |
|---|---|---|
| 1a | **Elect Lewis Hay, III**<br>Independent Non-Executive Director. | **For** |
| 1b | **Elect George A. Schaefer, Jr.**<br>Lead Director. Not considered independent owing to a tenure of over nine years. There is insufficient independence on the Board. Triodos opposes this resolution. | **Oppose** |
| 1c | **Elect Joseph R. Swedish**<br>Chairman and Chief Executive Officer. Combined roles at the head of the Company which Triodos does not support. 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** |
| 1d | **Elect Elizabeth E. Tallet**<br>Independent Non-Executive Director. | **For** |
| 2 | **Appoint the auditors**<br>EY proposed. Non-audit fees represented 2.67% of audit fees during the year under review and 3.99% 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. Triodos opposes this resolution. | **Oppose** |
| 3 | **Advisory vote on executive compensation**<br>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 compensation rating is: DDD.<br>Stock options and restricted stock units vest ratably over three years. Performance stock units vest after a three-year performance period based on cumulative earnings per share and cumulative revenue. vesting schedules for stock options and RSUs are not sufficiently long term to link pay with performance. Based on these concerns, Triodos opposes this resolution. | **Oppose** |

**4 Shareholder Resolution: reporting on lobbying payments and policy** **For**

**Proposed by:** Sisters of St. Francis of Philadelphia and Missionary Oblates of Mary Immaculate

The Proponent asks for the preparation of a report, updated annually, that discloses the Company's 1) lobbying policy and procedures, 2) payments by the Company used for lobbying, 3) the Company's membership in and payments to organisations that endorse model legislation and 4) a description of the decision process and oversight by management and the Board for making lobbying payments.

**Supporting Argument:** The Proponent states that transparency and accountability on political activities is in the best interests of shareholders. The Proponent states that the Company does not disclose its memberships in or payments to trade associations, and that absent a system of accountability, Company assets could be used for objectives contrary to long-term Company interests. The Proponent points to public information about the Company's significant expenditures on lobbying activities (e.g. $11.9 million in 2013 and 2014 on federal lobbying), but states that disclosure overall is uneven.

**Opposing Argument:** The Board recommends a vote against the proposal. The Board states that the proposal is unnecessary and that the Company already discloses its lobbying and political activities in the form of Political Contributions and Related Activity Report. The Board also states that its policies and procedures are available on the Company website. The Board argues that it has effective oversight structures in place with respect to lobbying activity and that its existing policies appropriately manage risks in this regard.

**Conclusion:** Not all lobbying activity by the Company - as defined by the Proponent - has been disclosed. The amounts of shareholder funds described are considered to be material and greater transparency in this area is welcomed. The report is a reasonable request for disclosure. Triodos supports this resolution.

---

## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 3 - Advisory vote on executive compensation

**Disclosure: D** - The Company has achieved a poor level of disclosure for the fiscal year. The annual bonus was based 50% on operating gains and 50% on enterprise performance indicators. Specific targets are not disclosed. Long-term incentives consisted of 25% stock options, 25% restricted stock units and 50% performance stock units. Stock options and restricted stock units vest ratably over three years. Performance stock units vest after a three-year performance period based on cumulative earnings per share and cumulative revenue.

**Balance: D** - The Company has achieved a poor balance for rewards. One named executive officer's bonus was paid out at 142% of target, which is excessive. The vesting schedules for stock options and RSUs are not sufficiently long term to link pay with performance. In addition, whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Therefore, an increase in share price over the lifespan of an option can reward executives even in circumstances of poor relative performance.

**Contracts: D** - The Company has achieved a poor approach to contracts with executives. The clawback policy is not considered best practice because it only allows for recoupment in the event of fraud or misconduct. Potential severance entitlements in a change of control scenario are considered excessive, as named executive officers are entitled to 300% of base salary, plus the target annual bonus and another target annual bonus award that is the greater of the target or the award earned for the year.

**For Private Circulation only**



Researcher: Brittnee Stein
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**