# EXPRESS SCRIPTS HOLDING COMPANY

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| MEETING DATE | Wed, 04 May 2016 8:00 am | TYPE | AGM | ISSUE DATE | Mon, 25 Apr 2016 |
| MEETING LOCATION | One Express Way, Saint Louis, Missouri 63121 | | | | |
| CURRENT INDICES | S&P500 | | | | |
| SECTOR | Drug stores and proprietary stores | | | | |

| | PROPOSALS | ADVICE |
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| 1a | **Elect Maura C. Breen**<br>Non-Executive Director. Not considered independent owing to a tenure of more than nine years. There is insufficient independent representation on the Board.<br>She is chair of a committee which is not fully independent which Triodos does not support. | **Oppose** |
| 1b | **Elect William J. DeLaney**<br>Independent Non-Executive Director. | **For** |
| 1c | **Elect Elder Granger, MD, MG, USA (Retired)**<br>Independent Non-Executive Director.<br>He is newly appointed to the Board and his appointment does not improve the gender balance on the Board which Triodos does not suppport. | **Oppose** |
| 1d | **Elect Nicholas J. LaHowchic**<br>Non-Executive Director. Not considered independent as he has been on the Board for over nine years. There is insufficient independent representation on the Board. | **Oppose** |
| 1e | **Elect Thomas P. Mac Mahon**<br>Lead Independent Director. Not considered independent owing to a tenure of more than nine years. There is insufficient independent representation on the Board.<br>He is chair of the Nomination committee and less than 20% of the Board are women which Triodos does not support. | **Oppose** |
| 1f | **Elect Frank Mergenthaler**<br>Independent Non-Executive Director.<br>He is chair of a committee which is not fully independent which Triodos does not support. | **Oppose** |
| 1g | **Elect Woodrow A. Myers, Jr., MD**<br>Non-Executive Director. Not considered independent as he has been on the Board for over nine years. There is insufficient independent representation on the Board. | **Oppose** |
| 1h | **Elect Roderick A. Palmore**<br>Independent Non-Executive Director. | **For** |
| 1i | **Elect George Paz**<br>Chairman and CEO. 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. Opposition is thus recommended. | **Oppose** |
| 1j | **Elect William L. Roper, MD, MPH**<br>Independent Non-Executive Director. | **For** |
| 1k | **Elect Seymour Sternberg**<br>Non-Executive Director. Not considered independent as he has been on the Board for over nine years. There is insufficient independent representation on the Board. | **Oppose** |
| 1l | **Elect Timothy Wentworth**<br>President. | **For** |

**2 Appoint the auditors** **Oppose**

PwC proposed. Non-audit fees represented 3.04% of audit fees during the year under review and 2.03% 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. Opposition is thus recommended.

**3 Advisory vote on executive compensation** **Oppose**

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: CEB.

The Company uses adjusted performance metrics for all elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to fully assess the challenging nature of the performance targets.The annual bonus was paid out at 157% of target, which is excessive and represented 227.1% of base salary for the CEO. Based on these concerns, Triodos opposes this resolution.

**4 Approve New Long Term Incentive Plan** **Oppose**

It has been proposed to approve the new long term incentive plan (the 2016 LTIP) for employee and non-employee directors. The maximum number of shares available for awards under the 2016 LTIP will be 33,000,000 shares of common stock. The 2016 LTIP provides for the grant of stock options, both incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, and other awards to eligible individuals. The 2016 LTIP provides that all but 5% of the awards granted will provide for a vesting period or performance period of at least one year following the date of grant.

It is considered that, as performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that awards under the Plan will not necessarily be subject to sufficiently robust performance targets (if any). As a result, shareholders cannot assess whether the Plan will operate to align participants' incentives with shareholders' interests. Accordingly, Triodos opposes this resolution.

**5 Shareholder Resolution: Separate chairman and CEO** **For**

**Proposed by:** John Chevedden; Needmor Fund, Daniel Stranahan; Walden Asset Management (Boston Trust & Investment Management Company), Timothy Smith

The proponents request that the Company's Board of Directors adopt as policy, and amend the Company's governing documents as necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the Board.

**Supporting Argument:** The Proponents argue that Board of directors is less likely to provide rigorous independent oversight of management if the Chairman is the CEO. They also debate that having a board chairman who is independent of the Company and its management is a practice that will promote greater management accountability to shareholders and lead to a more objective evaluation of management. The proponents further say that an independent director serving as chairman can help ensure the functioning of an effective board.

**Opposing Argument:** The Board argues that if the chair of the Board is an independent director, it would limit the Board's ability to select the director best suited to serve as chair, based on the relevant facts, circumstances, and criteria as they exist at the time. It also argues that such mandates would impose an unnecessary restriction on the Board that is not in the best interests of the Company. It says that it is essential that essential for it maintain an appropriate degree of discretion to select the best possible chair of the Board even if the Company and its stockholders are best served by a chair who acts in a dual role as chief executive officer.

**6 Shareholder Resolution: Political Donations** **For**

**Proposed by:**

The proponent requests the Company provide a report, updated semi-annually, disclosing the Company's policies and procedures for making political contributions and expenditures with corporate funds and the monetary and non-monetary political contributions or expenditures that could not be deducted as an "ordinary and necessary" business expense under section 162(e) of the Internal Revenue Code.

**Supporting Argument:** The Proponent considers that such disclosure is in the best interest of the Company and its shareholders and not providing such information may expose the Company to reputational and business risks. The Proponent argues that the Company's current disclosure is insufficient as does not include: list of trade associations to which it belongs and how much it gave to each, payments to any other third-party organization and any independent expenditure made directly by the Company.

**Opposing Argument:** the Board argues that the Company currently provides s a report which is available on the Company's website disclosing contributions made during the covered period to political candidates, political parties, political committees, ballot measures and other political entities organized and operating under 26 U.S.C. Section 527 of the Internal Revenue Code. In addition to that, the Board argues that the Company intends to enhance its disclosure prior to the Annual Meeting by making available on its website the Company's policy Regarding Corporate Political Contributions, the non-deductible portion of membership dues and expenses paid to political parties, political committees and trade associations and any non-deductible additional payments, in excess of membership dues and expenses paid to political parties, political committees and trade associations.

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## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 3 - Advisory vote on executive compensation

**Disclosure: C**- The disclosure provided by the Company is considered average. The annual bonus is based on EPS. No non-financial metrics are used in the composition of the annual bonus. Long-term awards are granted in the form of Stock Options at 33.3%, which have a three-year vesting period, Restricted Stock Units (RSUs) at 33.3% which have three-year vesting period and Performance Shares at 33.3% which vest based upon the Company's performance over three years in two equally weighted performance categories: TSR relative to the S&P 100 Index and three-year average return on invested capital relative to a predetermined target.

**Balance: E**- The Company uses adjusted performance metrics for all elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to fully assess the challenging nature of the performance targets.The annual bonus was paid out at 157% of target, which is excessive and represented 227.1% of base salary for the CEO. The Company awards Stock Options and RSUs that align compensation to long-term stockholder value and stock price appreciation. Share price appreciation is not considered an appropriate metric as there are many factors that influence share price, which is out of the control of the executives. The payout for the 2013-2016 performance cycle was 154.2% of target. Performance shares only have a three year performance period, which is not considered sufficiently long-term.

**Contracts:B**- The Company has a claw-back policy in place, which is welcomed. The Company does not define good reason.

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