Triodos Investment Management

ANTHEM INC

MEETING DATE	Thu, 18 May 2017 8:00 am	TYPE	AGM	ISSUE DATE	Mon, 08 May 2017
MEETING LOCATION	Conrad Indianapolis Hotel, 50 West Washington Street, Indianapolis, Indiana 46204				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				

	PROPOSALS	ADVICE
1a	**Re-elect R. Kerry Clark** Independent Non-Executive Director.	**For**
1b	**Re-elect Robert L. Dixon, Jr.** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** EY proposed. Non-audit fees represented 2.72% of audit fees during the year under review and 3.83% 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 seven 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** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The Company has achieved a poor balance for rewards. Overall compensation levels were not in line with peer group averages. Fifty percent of long-term awards is granted in the form of retention awards, which is not considered sufficient in linking pay with performance. The Company grants stock options. 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. Internal pay equity (amongst all employees) is not considered when setting pay levels. 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: DDC. Based on this rating, Triodos opposes this resolution.	**Oppose**
4	**Approve the Frequency of Future Advisory Votes on Executive Compensation** The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often. The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.	**1**

5 Amend Articles: Allow Shareholders to Amend the Company's By-laws **For**

The Board is seeking shareholder approval to amend the Company's Articles of Incorporation to provide shareholders with the ability to amend the Company's by-laws, except those provisions required by license agreements with the Blue Cross Blue Shield Association. Indiana law provides that, unless otherwise specified by the articles of incorporation, only a corporation's board of directors may amend or repeal the by-laws. The Board states that it has considered the advantages and disadvantages of adopting this change, and believes the move would bring the Company in line with its peers in the S&P500, which allow shareholders to amend company by-laws.

The ability for shareholders to amend company by-laws is considered good corporate governance, and will allow shareholders to make fundamental changes to the way the Company is run. On this basis, the proposal is welcomed, Triodos supports this resolution.

6 Approve the 2017 Anthem Incentive Compensation Plan **Oppose**

The Board is seeking shareholder approval of the 2017 Anthem Stock Incentive Plan and its material terms, including the eligibility requirements for participation in the 2017 Incentive Plan, the annual limits on the numbers of shares or compensation that can be granted in one fiscal year for each type of award and the performance measures with respect to awards for the senior executives to qualify awards for Section 162(m) tax deductibility. The Plan is intended to replace the 2006 Incentive Plan, which the Board argues helped to attract and retain the services of employees, including executive officers, directors and consultants of outstanding ability.

The 2017 Incentive Plan would allow the Company to grant these stock-based incentive awards to employees and consultants of the Company, its subsidiaries and affiliates as well as non-employee directors of the Company covering a total of up to 37.50m shares of common stock, which represents the sum of (i) 16.00m new shares authorised under the 2017 Incentive Plan, plus (ii) up to 14.00m shares that have previously been approved by our shareholders for issuance under the 2006 Incentive Plan but have not been awarded, plus (iii) up to 7.50m shares which are subject to outstanding awards under the 2006 Incentive Plan which may be available for the grant of awards under the 2017 Incentive Plan to the extent the shares underlying such outstanding awards are not issued due to expiration, forfeiture, cancellation, settlement in cash in lieu of shares or otherwise.

The maximum aggregate number of shares of common stock that may be issued per person, per annum is 2.0m in stock options, 1.0m in restricted stock, 1.0m in performance shares, 1.0m in any other stock-based award, and $15.0m in cash.

The Plan is presented as an omnibus plan, which means that bundled within the same official plan there are various incentive plan elements aimed at rewarding different groups of employees, officers and executives. These plans permit the granting of options, stock appreciation rights, restricted stock, restricted stock units, performance grants and dividend equivalents. However, it is noted that the Compensation Committee retains the power to select employees to receive awards and determine the terms and conditions of awards (and also note that 'management employees' appear most likely to be the principal beneficiaries of the Plan).

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.

Triodos opposes 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 (85%) adjusted earnings per share (EPS). The remaining 15% was split amongst three strategic pillars, namely, consumer centricity, provider collaboration, and clinical performance. The Company provides a quantifiable target for the

EPS metric, but just states 'exceed target' for the three strategic pillars. 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 (75%) and cumulative revenue (25%). No targets were provided for long-term awards.

Balance: D - The Company has achieved a poor balance for rewards. Overall compensation levels were not in line with peer group averages. Fifty percent of long-term awards is granted in the form of retention awards, which is not considered sufficient in linking pay with performance. The Company grants stock options. 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. Internal pay equity (amongst all employees) is not considered when setting pay levels.

Contracts: C - The Company has achieved an average approach to contracts with executives. 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.

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