Triodos Investment Management

ANTHEM INC

MEETING DATE	Wed, 16 May 2018 8:00 am	TYPE	AGM	ISSUE DATE	Thu, 03 May 2018
MEETING LOCATION	120 Monument Circle, Indianapolis, Indiana 46204				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				

	PROPOSALS	ADVICE
1a	**Elect Director Lewis Hay, III** Independent Non-Executive Director.	**For**
1b	**Elect Director Julie A. Hill** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1c	**Elect Director Antonio F. Neri** Independent Non-Executive Director.	**For**
1d	**Elect Director Ramiro G. Peru** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
2	**Ratify Ernst & Young LLP as Auditors** EY proposed. Non-audit fees represented 2.86% of audit fees during the year under review and 2.74% 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.	**Oppose**
3	**Advisory Vote to Ratify Named Executive Officers' 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 has achieved a poor level of disclosure for the fiscal year. The Company provides a quantifiable target for the EPS metric, but just states 'exceed target' for the three strategic pillars. No targets were provided for long-term awards. 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 (among all employees) is not considered when setting pay levels. 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. The compensation rating is: DEC. Triodos opposes this resolution.	**Oppose**

4 **Amend Articles: Provide Right to Call Special Meeting** **For**

The Board has proposed amendments to the Articles of Incorporation to allow one or more shareholders who own at least 20% of the outstanding shares to require the Company to call a special shareholders meeting.

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.

5 **Shareholder Resolution: Right to Call Special Meetings** **For**

Proposed by: John Chevedden.

The Proponent asks the Board to take the steps necessary to amend the bylaws and each appropriate governing document to give holders in the aggregate of 10% of the outstanding shares the power to call a special shareholder meeting.

Proponent's Supporting Argument: The Proponent argues that adoption of this proposal can give shareholders greater standing to engage Anthem management in regard to quality of the directors after the 2018 annual meeting. Additionally, the Board has no right to vote on each director annually, act by written consent or have a company overseen by an independent board chairman.

Board's Opposing Argument: The Board is against this proposal as adoption of this proposal is unnecessary and not in the best interests of the Company or its shareholders in light of the Company's Special Meeting Proposal set forth in Proposal No. 4. The Board believes that the shareholder proposal does not strike an appropriate balance between enhancing shareholder rights and adequately protecting shareholder interests.

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. Lowering the threshold to 10% is considered within acceptable limits.

Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote to Ratify Named Executive Officers' Compensation

Disclosure: D - The Company has achieved a poor level of disclosure for the fiscal year. The annual bonus was based (80%) on adjusted earnings per share (EPS). The remaining 20% was split among three strategic pillars, namely, consumer centricity, provider collaboration, and quality of care. 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 operating revenue (25%). No targets were provided for long-term awards.

Balance: E - 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 (among 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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