Triodos Investment Management

ANTHEM INC

MEETING DATE	Wed, 15 May 2019 8:00 am	TYPE	AGM	ISSUE DATE	Sun, 12 May 2019
MEETING LOCATION	Anthem's headquarters, 220 Virginia Avenue, Indianapolis, Indiana 46204				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				

	PROPOSALS	ADVICE
1.1	**Elect Bhaija Jallal** Independent Non-Executive Director.	**For**
1.2	**Elect Elizabeth E. Talett** Non-Executive Chair of the Board.	**For**
2	**Appoint the Auditors** EY proposed. Non-audit fees represented 2.75% of audit fees during the year under review and 2.78% 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 on Executive 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 failed to provide the fees it paid the Compensation Consultants. The Company uses adjusted performance metrics for most elements of compensation. Annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Maximum long-term award opportunities are not limited to 200% of base salary. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Good reason has been appropriately defined. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control. 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. The compensation rating is: ADC.	**Oppose**
4	**Amend Articles** The Board proposes to amend the Articles. The proposed amendments include eliminating the classified board structure as a result shareholders would have an opportunity to approve each director annually, which is welcomed. Shareholders do not presently have the right to elect each director annually due to existing contractual obligations with the BCBSA. The proposed amendments do not have any adverse effect on shareholder rights and it is in line with applicable regulation. Therefore, support is recommended.	**For**

5 Shareholder Resolution: Elect each director annually **For**

Proposed by: John Chevedden

John Chevedden requests that the Board take the steps necessary to reorganize the Board of Directors into one class with each director subject to election each year.

Supporting Argument: John Chevedden states that Arthur Levitt, former Chairman of the Securities and Exchange Commission said, "In my view it's best for the investor if the entire board is elected once a year. Without annual election of each director shareholders have far less control over who represents them." John Chevedden further states a total of 79 S&P 500 and Fortune 500 companies, worth more than $1 Trillion, also adopted this important proposal topic since 2012. Annual elections are widely viewed as a corporate governance best practice. Annual election of each director could make directors more accountable, and thereby contribute to improved performance and increased company value. John Chevedden further states It is an easy decision for shareholders to vote in favour of this proposal. Anthem shareholders gave 72%-support to a proposal similar to this in 2015. This 72% support translates into 80% or 90% support from shareholders who have independent information on the importance of this proposal topic.

Opposing Argument: The Board of Directors makes no recommendation on this proposal. The Board states that due to existing contractual obligations with the BCBSA, it is required to maintain a classified board structure. The Board makes no recommendation on this shareholder proposal because it has has already adopted a policy in the Corporate Governance Guidelines to eliminate our classified board structure if the BCBSA requirement for a classified board structure is eliminated or is otherwise no longer applicable to us. In addition, the Board states it has has unanimously adopted and recommends that our shareholders approve the Company's Director Election Proposal set forth in Proposal No. 4, which would amend our Articles to eliminate our classified board structure and phase in the annual election of all directors over a three-year period when the BCBSA requirement for a classified board structure is eliminated or is no longer applicable to us. The Board further states under the BCBS Agreements, it must include in the Articles a requirement that the Board be composed of three classes of directors with each class containing as close to one-third of the total number of directors as possible and each class of directors serving a three-year term beginning in a year in which no other class' term begins. The Board states that failure to maintain this classified board structure would constitute a violation of the BCBS Agreements, which could result in the termination of the Blue Cross and Blue Shield licenses. The Board states that If the Company's Blue Cross and Blue Shield licenses are terminated, the company would no longer be permitted to sell Blue Cross and Blue Shield health insurance products and services. The Board further states he resulting loss of members and revenue would have a material adverse effect on our business, financial condition and operating results. The Board of Directors recommends that shareholders approve the Company's Director Election Proposal set forth in Proposal No. 4 and makes no recommendation on this shareholder proposal.

PIRC Analysis: The practice of electing different classes of director each year, a classified board, is no longer viewed as best practice as it can be used as an anti-takeover device and could serve to entrench and insulate both underperforming directors and managers. Shareholder concerns in relation to director competence as well as other board issues can more appropriately be raised if all directors face election each year. The Company claims it will substantially implement the request to declassify the board and "eliminate our classified board structure and phase in the annual election of all directors over a three-year period when the BCBSA requirement for a classified board structure is eliminated or is no longer applicable to us". Unfortunately, there is no indication that the BCBSA (Blue Cross Blue Shield Agreement) is going to be or will ever be eliminated. A promise to declassify the board at some future but unspecified and possibly non-existent date is not the same as a commitment actually to declassify the board. No reason is presented that would prevent the Company from renegotiating the agreement to remove the requirement that its board is not classified. It is considered that declassification of the Board will bring the Company in line with best practice and a vote for the proposal is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - 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. The performance-based long term incentive is subject to quantified performance targets for RSUs and PSUs.

Balance: D 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 included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more 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. Retention awards made up less than one-third of the awards granted to executives, which is considered best practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is not aligned with peer group averages. In addition, executive compensation is aligned with companies of a similar market cap.

Contract: C Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Change-in-control payments are subject to double-trigger provisions. Good reason has been appropriately defined. 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: Aaminah Vaid
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