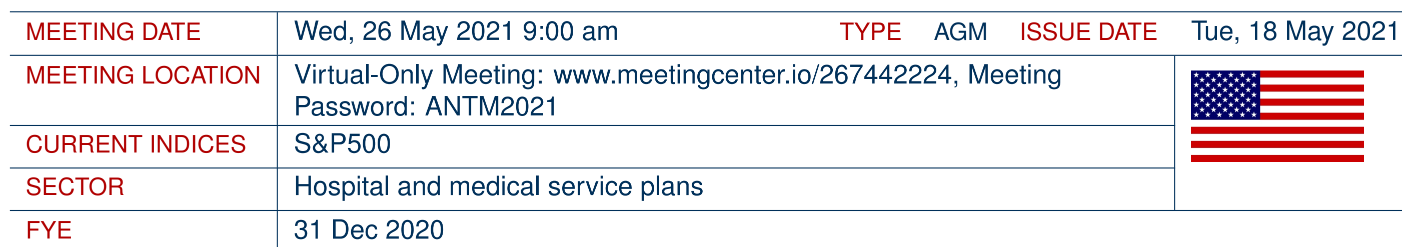
Triodos Investment Management

ANTHEM INC



MEETING DATE	Wed, 26 May 2021 9:00 am	TYPE	AGM	ISSUE DATE	Tue, 18 May 2021
MEETING LOCATION	Virtual-Only Meeting: www.meetingcenter.io/267442224, Meeting Password: ANTM2021				
CURRENT INDICES	S&P500				
SECTOR	Hospital and medical service plans				
FYE	31 Dec 2020				

	PROPOSALS	ADVICE
1.1	**Elect Lewis Hay III - Non-Executive Director** Independent Non-Executive Director.	**For**
1.2	**Elect Antonio F. Neri - Non-Executive Director** Independent Non-Executive Director.	**For**
1.3	**Elect Ramiro G. Peru - Non-Executive Director** Non-Executive Director. Not considered independent owing to an aggregate tenure of over nine years as Mr. Peru served on the Board of WellPoint Health Networks Inc. from 2003 until its merger with the company in 2004. There is sufficient independent representation on the Board.	**For**
2	**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 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 metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. 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 made up less than one-third of the awards granted to executives, which is considered best practice. 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. Anthem's variable plans include no ESG components and no FCF/CFO/'return on' metrics (even though ROE should be key to Anthem). Also, options are part of the package which might encourage excessive risk-taking. The compensation rating is: ADB. Triodos opposes this resolution.	**Oppose**
3	**Ratify Ernst & Young LLP as Auditors** EY proposed. Non-audit fees represented 4.97% of audit fees during the year under review and 3.28% 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**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - 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 metrics that were weighted as follows: 50% Adjusted Net Income, 20% Operating Revenue, 10% Provider Collaboration, 10% Star Ratings and 10% Consumer Effort. The performance-based long term incentive consisted of 50% Performance Stock Units (PSUs), 25% Stock Options and 25% Restricted Stock Units (RSUs). The PSUs were subject to two performance metrics that were weighted at: 60% Adjusted Net Income and 40% Operating Revenue. The Stock Options were directly related to the company's Stock Price and vest in 3 equal annual installments beginning on the first anniversary of the grant date. The RSUs vest in three equal annual installments, beginning on the first anniversary of the grant date.

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 metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. 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 made up less than one-third of the awards granted to executives, which is considered best practice. 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.

Contract: B - 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. Equity awards are subject to pro-rata vesting, which is line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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