



Gail Boudreaux  
President and Chief Executive Officer  
Anthem Inc.  
220 Virginia Avenue  
Indianapolis, IN 46204  
USA

30 November 2019

Dear Gail,

## **Carbon Emissions Disclosure**

TCI Fund Management Limited manages over \$30 billion across a range of asset classes. Since inception of the business over 15 years ago, cumulative investment returns have substantially outperformed equity index benchmarks.

TCI is a shareholder in Anthem with a 1.6% holding.

### **Investment approach and engagement**

As part of our investment process we assess a range of ESG factors, particularly climate change risk.

TCI believes that climate change-related risks, in particular a company's greenhouse gas (GHG) emissions, will have a material effect on a company's long-term profitability, sustainability and investor returns. These risks include regulation, taxation, competitive disadvantage, brand impairment, financing, physical asset impairment and litigation.

We actively engage on ESG to help us understand, quantify and influence a company's exposure to climate change-related risks and the way it is managing those risks.

### **Emissions disclosure**

We require companies in which we invest to make appropriate and timely public disclosure of carbon and other GHG emissions. Such disclosure should include targets for emissions intensity reduction and absolute level reduction.

TCI fully supports compulsory disclosure on a standardised basis and the use of the Task Force on Climate-related Financial Disclosure (TCFD) reporting framework ([www.tcfhub.org](http://www.tcfhub.org)).

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**TCI Fund Management Limited is a private limited company incorporated and existing under the laws of England and Wales with registered number 08898250**

**Authorised and regulated by the Financial Conduct Authority**

In our view, reporting to CDP ([www.CDP.net](http://www.CDP.net)) is the best way to implement TCFD. **We expect all our portfolio companies to make full annual public disclosure to CDP.**

### **Low-Carbon Transition Plans**

We expect companies in which we invest to have a credible, publicly-disclosed plan to reduce GHG emissions. This plan should include measurable science-based targets that align with the Paris Agreement, which requires full de-carbonisation of economies (net zero emissions) by 2050.

Actions that should be included in a low-carbon transition plan are to:

1. Change business processes to reduce the company's carbon footprint;
2. Introduce efficient energy management into buildings and factories;
3. Source low carbon energy through direct generation or power purchase agreements;
4. De-carbonise transport fleets, e.g. through electric vehicles;
5. Offset emissions from corporate travel, e.g. through afforestation;
6. De-carbonise supply chains and helping customers lower their carbon intensity;
7. Advocate for regulations which drive the de-carbonisation of their industry to ensure its sustainability.

### **Voting**

1. **We will typically vote against all directors of companies which do not publicly disclose their emissions and do not have a credible plan for their reduction.**
2. **We will also vote against auditors where the Annual Report and Accounts fail to report material climate risks.**

### **Divestment**

We will also evaluate divestment where a portfolio company refuses to disclose its emissions and does not have a credible plan for their reduction.

### **Anthem disclosure to CDP**

We are pleased to see that Anthem has provided disclosure to CDP for 2018 and 2019 and have carefully analysed these submissions.

**However, for 2018, CDP awarded Anthem an overall C grade. In our view, this is an unsatisfactory score.** Anthem should be achieving an A grade rating, which represents best practice environmental stewardship and disclosure. (Please see the Appendix for guidance on how to become A grade).

While there have been recent improvements, based on the CDP 2019 submission, there are several shortcomings in Anthem's climate-related disclosures:

1. You should integrate climate-related issues into your business strategy and use qualitative and quantitative climate-related scenario analysis to inform this strategy;

2. Climate scenario analysis should be based on the approach advocated by CDP and the Science-based target Initiative (SBTI) to ensure the full scope of potential impact on the business;
3. There is only limited analysis and disclosure of Scope 3 emissions. Although we recognize that Anthem is a health benefits company, we encourage you to do a detailed Scope 3 analysis in consultation with CDP;
4. Senior management and staff should be incentivised to deliver emissions reduction targets on a timely basis with a meaningful percentage of incentive compensation tied to these targets;

**Anthem has strengthened its climate-related commitments since the CDP 2019 submission**

We had a very insightful call with your Director of Sustainability, Hakon Mattson, and the Anthem IR team. We are impressed with Anthem's recent climate-related initiatives and targets:

- Working with SBTi to help set a science-based GHG reduction target for 2030. This will build on the successful achievement of a 27% reduction in scope 1 & 2 GHG emissions intensity since 2013 (target is 30% by 2020);
- Joining RE100 (the first US healthcare company to do so) with a commitment to source 100% renewable energy by 2025, primarily from offsite power purchase agreements linked to new solar power;
- Increased supply chain engagement with major customers and suppliers using the EcoVadis sustainability system;
- Full accountability at board level and a single ESG reporting platform for disclosure and internal management.

Other notable achievements in 2019 include:

- Being named to the Dow Jones Sustainability Index, the second year in a row. The DJSI is the gold standard for corporate sustainability;
- Top 10 position in the Forbes JUST 100, ranking America's best corporate citizens. Anthem was the highest ranked healthcare company.

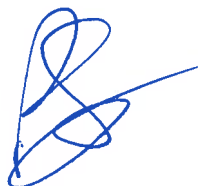
**It is important for Anthem to engage directly with CDP to ensure that the significant improvements noted above are captured in the 2020 submission and that Anthem achieves an A grade rating.**

We appreciate the time and effort Anthem has made and we look forward to continuing our dialogue.

Yours sincerely,



Chris Hohn



Philip Green



Sourav Choudhary

## Appendix - How to become an A grade company in the CDP Climate Change Program

An “A grade” is the highest overall CDP score achievable and demonstrates a company’s:

- Strong industry leadership on environmental actions and stewardship;
- Thorough understanding of the risks and opportunities related to climate change;
- Full compliance with TCFD disclosure recommendations.

CDP uses its scoring methodologies to incentivise companies to measure and manage environmental impacts through participation in CDP’s climate change, water, forests and supply chain programs. Scoring provides a roadmap for companies to achieve best practice.

Companies are assessed and scored across four consecutive levels, as the company moves towards strong environmental stewardship. Minimum scores must be achieved in order to move to the next level. Inclusion on CDP’s A grade list requires a high leadership score.

The levels are:

1. Disclosure – every question is scored for quality and depth of disclosure, e.g. emissions, targets, environmental impact, strategy, governance, engagement;
2. Awareness – depth of analysis and understanding on how environmental issues affect the business;
3. Management – Evidence of actions taken to address environmental issues;
4. Leadership – Actions represent best practice as formulated by organizations working with CDP to advance environmental stewardship (e.g. Science Based Target initiative, CEO water mandate, CERES, WWF).

### Help and guidance

CDP documents available to companies on the CDP website:

1. Scoring Introduction 2019
2. Climate Change 2019: General Scoring methodology Category Weightings

Specific guidance can be obtained from the **CDP Reporter Services Group**, for example, on how to improve the quality of disclosure and the actions required to demonstrate improvement.