Ameren Shareholder Resolution

Equity Retention Policy

Shareholder Proposal

Resolved: The shareholders of Ameren urge the Compensation Committee of the Board of Directors (the "Committee") to adopt a policy requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs until two years following the termination of their employment (through retirement or otherwise), and to report to shareholders regarding the policy before the 2017 annual meeting of shareholders. The policy shall apply to future grants and awards of equity compensation and should address the permissibility of transactions such as hedging transactions which are not sales but reduce the risk of loss to the executive.

Statement in Support of Proposal:

Requiring senior executives to hold a significant portion of shares obtained through compensation plans, until two years after the termination of employment, is an important means of focusing their attention on Ameren's long-term success and would better align their interests with those of Ameren shareholders.

One reason boards provide incentives with stock is to create such long-term alignment. Awards that fail to include sufficiently long retention requirements allow executives to cash out options near the top of the market, without regard for longer term company success.

The goal of the company should be to promote long-term and sustainable value creation that can withstand predictable long-term risks faced in the industry. This requires a comprehensive understanding and evaluation of longer term risk. As an example, medium and long term environmental risk should be managed proactively, including attention to potential future resource constraints and growing climate risks, as well as potential regulatory and market response to these risks. To succeed over the long term, Ameren executives need to acknowledge, evaluate, and address long-term risks and opportunities. If executive compensation plans are focused on shorter term stock price fluctuations, executive management may not be incentivized to undertake such long-range planning and actions.

Ameren currently has a very limited retention requirement, but it is only effective until its modest ownership guidelines have been met. Under Ameren's ownership guidelines, the CEO is only required to own 300% of his or her annual base salary, a lower equity ownership than many companies which require five times salary. We note that independent directors at Ameren have a higher stock ownership guideline than the CEOs, an unusual situation. Directors are required to hold an amount equal to five times annual cash retainer.

We view the proposed policy -- requiring retention of a significant percentage of shares until two years following termination of employment -- as superior in focusing long term behavior; a stock ownership policy such as Ameren currently has in effect necessarily loses effectiveness once it has been satisfied.

Specific concerns regarding Ameren

Ameren, as a holding company for power and energy companies, is in an industry with pronounced long term risks. As highlighted in Proposal 4, Ameren appears to be a laggard among its peers in preparing for industry changes necessitating less carbon-intensive energy production. The company will need to be managed carefully to protect shareholders from risks that climate change presents, especially with regard to retaining excess coal-based generation. Requiring that a significant percentage of stock be held by executives for the modest time period of two years beyond termination helps strengthen such a long term focus.

As noted in the supporting statement, Ameren currently only has a modest ownership guideline in place. This requirement is insufficient and is lower than that of many of its peers. A recent Equilar study found the median ownership requirement among Fortune 100 Companies to be 6 times salary for CEO.[1]

Counter-arguments to Board's Statement in Opposition

Board claims:

"The Board agrees that it is important to discourage excessive risk-taking and promote long-term, sustainable value creation, but it disagrees with the means that the shareholder proposal recommends for accomplishing these goals. The Board believes it is inappropriate to require executives to retain shares for two years after retirement or termination because the executives no longer control or have an impact on the Company's operations or performance."

Proponent responds:

While company executives do not have control over day-to-day actions following their departure, they have considerable responsibility for implementation of strategic plans. The goal of this proposal is to encourage executive management to put longer term policies in place that ensure the company can weather longer term risks. Further, policies such as Proponents are recommending prevent an executive from departing a company (particularly at signs of trouble) and immediately cashing out all stock.

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[1] "Executive Stock Ownership Guidelines Report," Equilar, 2013, http://www.fwcook.com/alert_letters/Equilar-Cook_2013_Executive_Stock_Ownership_Guidelines_Report.pdf

Board claims:

The Board does not want to impair the executives' ability to manage their personal financial affairs over the course of their careers with the Company, including with respect to portfolio diversification and estate planning.

Proponent responds:

We believe adoption of this proposal will allow executives sufficient flexibility for management of personal financial affairs. In addition to equity compensation, the executives at Ameren receive generous cash compensation. In fact, CEO Warner Baxter's salary has increased twice in the past year (once upon change of position) for an overall increase of 17%. He currently has retirement valued at nearly $1.5 million. Former CEO Voss retired in 2014 with nearly $3.5 million in retirement savings with the company in addition to his equity. That suggests sufficient portfolio diversification.

Finally, we note that the proposal calls only for a "significant" retention requirement and does not specify an amount. A similar proposal we filed at Hasbro last year, where it was supported by 21.9 percent of votes cast, included more specific language: "The shareholders recommend that the Committee not adopt a percentage lower than 75% of net after-tax shares." Some investors who were generally supportive of the idea of a holding period declined to support the proposal because they viewed that sentence as too prescriptive, and that threshold too high. After careful consideration we removed the sentence, granting broader discretion for the board to determine an appropriate level.