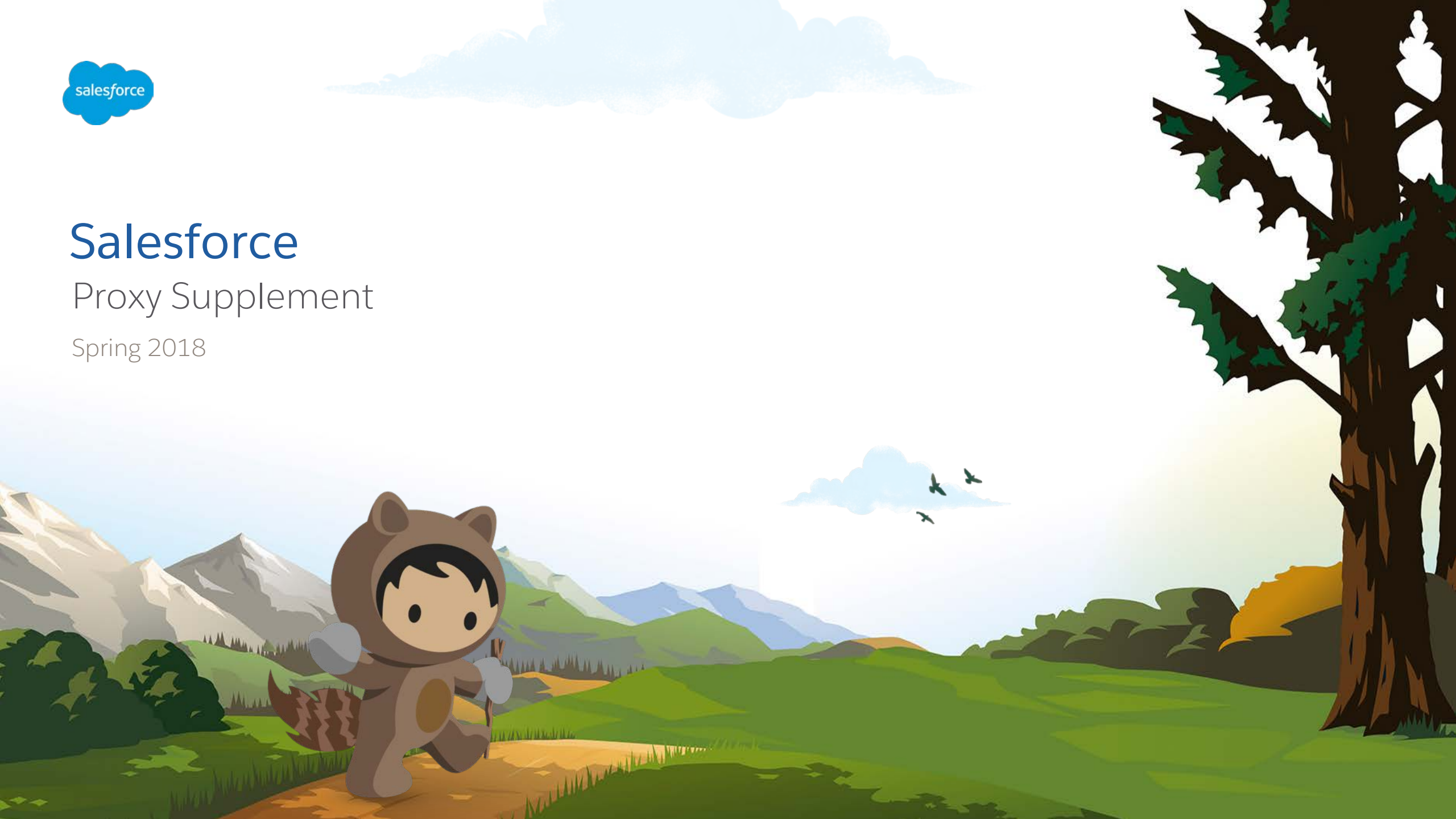




# Salesforce

## Proxy Supplement

Spring 2018



# 2018 Proxy Statement Highlights

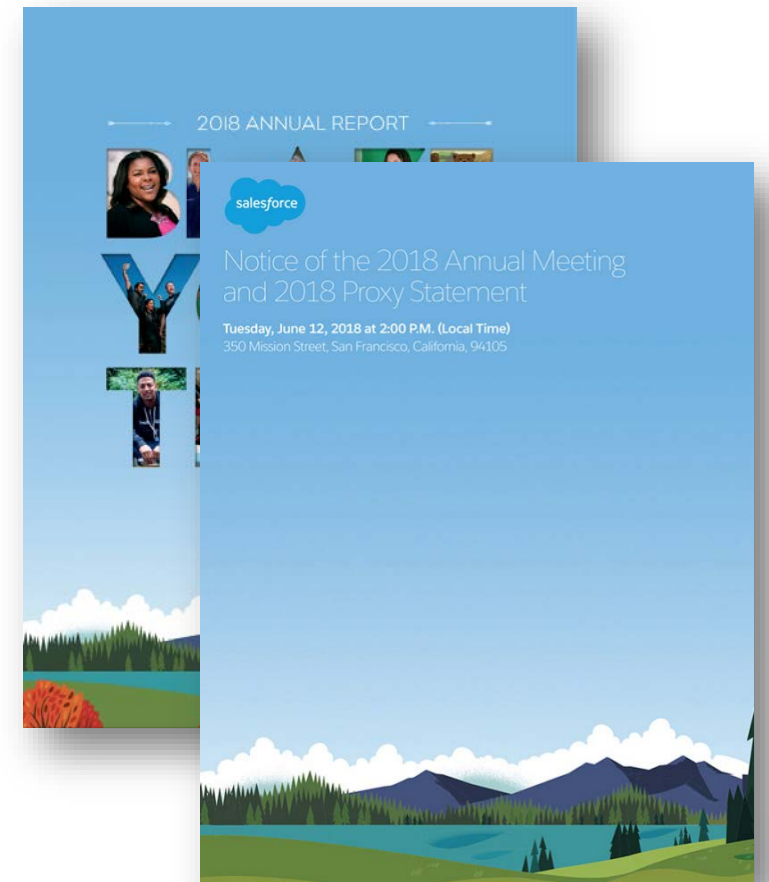


**Changed the timing of our annual equity award cycle** to better align with the Company's fiscal year. This resulted in a one-time pay anomaly for FY18.

**CEO salary and bonus target remained flat** for third year in a row (no increase since FY15).

**Continued stockholder engagement** on a year-round basis engaging >50% of shares outstanding.

**2018 proxy agenda** includes request to increase shares authorized under 2013 Equity Incentive Plan and proposal to establish stockholder special meeting right.



# Company Overview

The global leader in CRM



**Founded in 1999**, public listing (NYSE: CRM) 2004.

**#1 CRM** provider for the fifth year in a row.

**Fastest growing top five enterprise** software company with \$10.48B in revenue FY18 (25% Y/Y).

**Doubled operating cash flow** (\$1.2B - \$2.7B) over the past three years (FY15 - FY18) while nearly doubling revenue (\$5.4B - \$10.5B).

**Headquartered in San Francisco**, with >29,000 employees focused on CRM.

**Integrated Philanthropy Model (1-1-1)**



#1 The Future 50



The World's Most Innovative Companies



#1 World's Most Innovative Companies



Best Places to Work for LGBTQ Equality



#1 Top 50 Companies that Care

1. Based on IDC Worldwide Semiannual Software Tracker, April 2018. CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications.





# The Most Complete CRM Platform



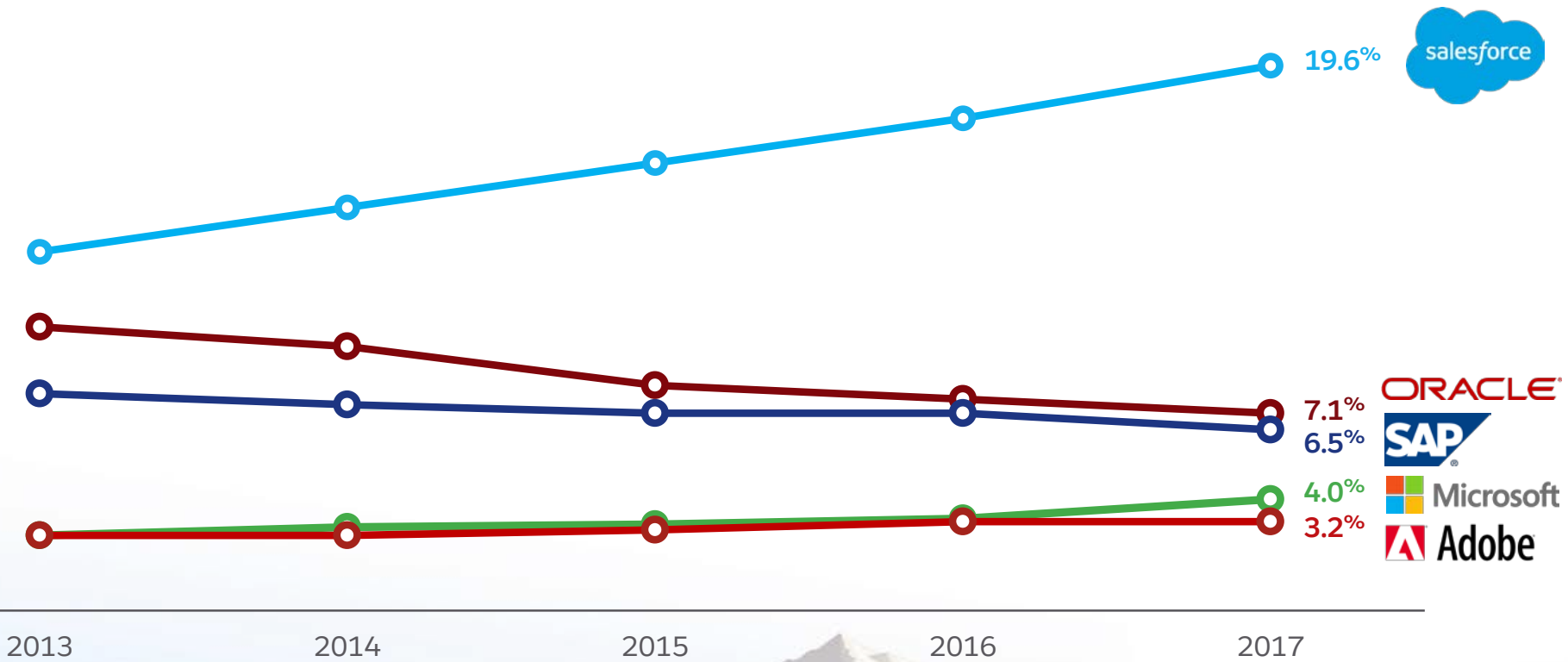
Cloud-based applications for sales, service, marketing, and more



# Salesforce #1 in CRM



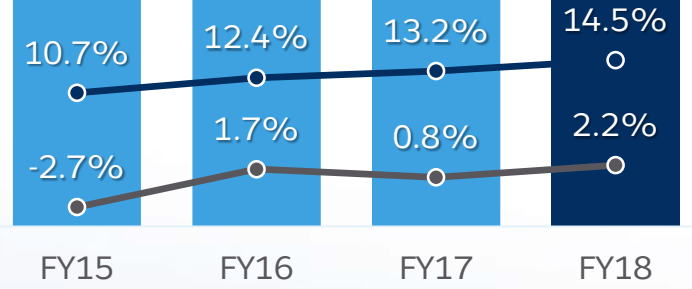
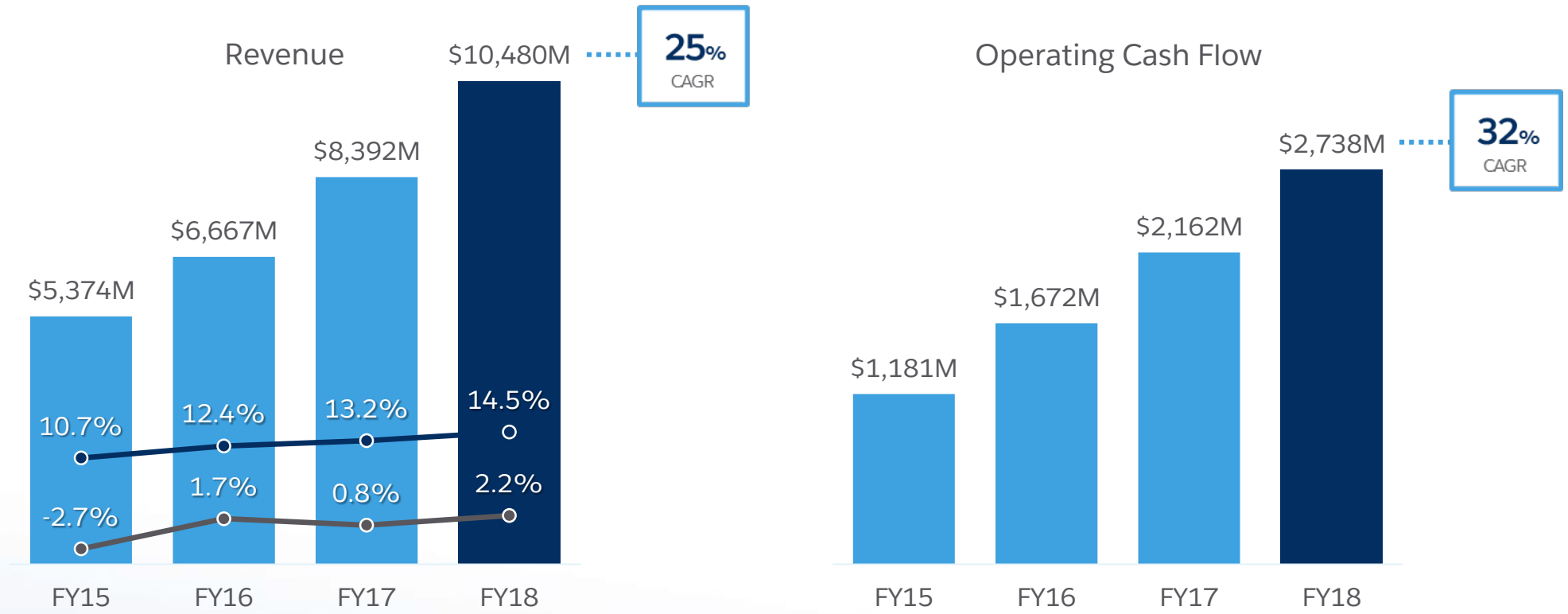
Worldwide CRM applications 2017 market share by IDC



Source: IDC Worldwide Semiannual Software Tracker, April 2018. CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications.

# FY18 Financial Results

Consistent top-line revenue and cash flow growth



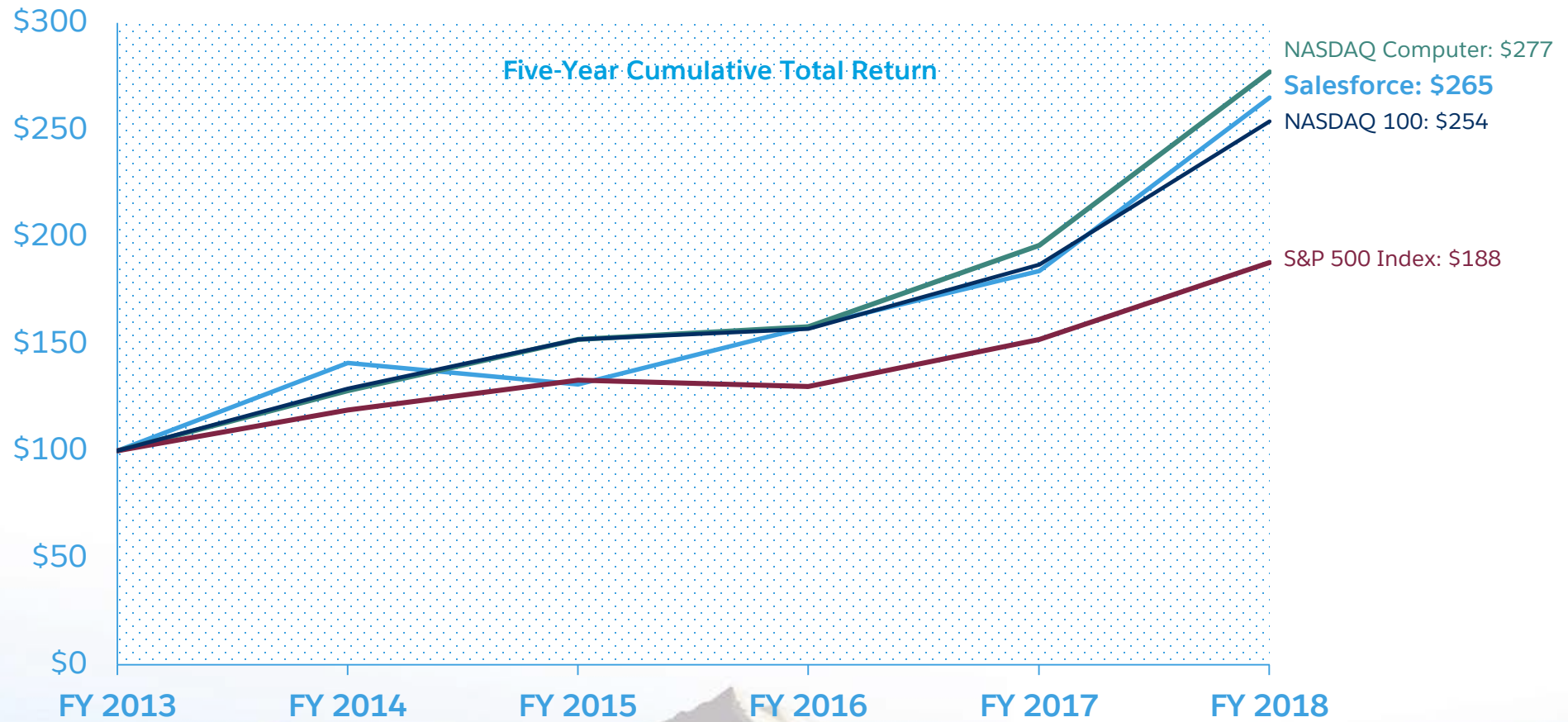
- Operating Margin
- Non-GAAP Operating Margin<sup>1</sup>

<sup>1</sup>Non-GAAP operating margin excludes the effects stock-based compensation, amortization of acquisition-related intangibles, and termination of office leases. Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

# Return to Stockholders



Salesforce has a track record of delivering significant total stockholder returns



# Board of Directors

Ongoing and proactive board refreshment

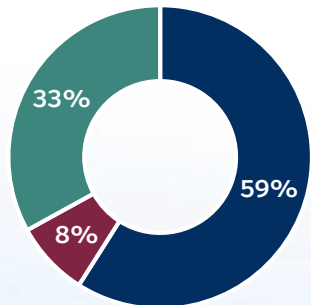


Average tenure (years): **8**

New directors since 2013: **7**

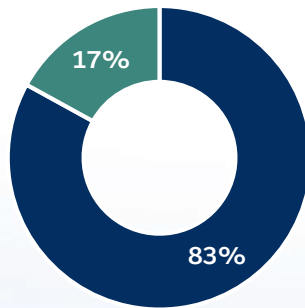
- ### Diverse and Dynamic Experience
- 10 Public Company Board
  - 8 International
  - 7 Entrepreneurship/VC
  - 7 Public or Large Company CEO/Executive
  - 6 Software Industry
  - 5 Sales Distribution
  - 5 Marketing/Branding
  - 4 Cloud Computing Technology
  - 3 Finance/Accounting
  - 3 Government/Law/Military
  - 1 Healthcare

Tenure



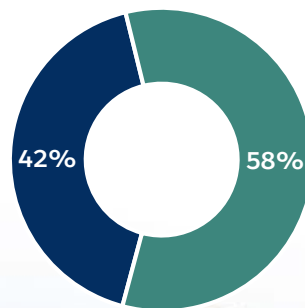
- <6 years
- 6-12 years
- >12 years

Independence



- Independent
- Non-Independent

Diversity



- Gender & Ethnic Diversity



# Compensation Program Framework



Align executive compensation with the interests of our stockholders

**Objective:** Attract and retain the right talent to lead our Company in a dynamic, innovative and competitive environment

**Philosophy:** Tie a significant portion of compensation to the performance of our common stock and other metrics of Company performance

Pay Component	FY 2018 Metrics	Rationale
Performance-Based Restricted Stock Units	Relative TSR <i>with absolute TSR payout cap</i>	To directly align our executives' interests with those of our stockholders  CEO LTI mix (RSUs and stock options) establishes even greater emphasis on Company performance
Restricted Stock Units	Stock Price	
Stock Options	Stock Price	
Annual Performance-Based Cash Bonus	Revenue	Drives achievement of key annual corporate performance goals that align with our strategy and that are used by investors to evaluate our financial performance
	Operating Cash Flow	
	Non-GAAP Income from Operations	
Base Salary		Compensation for day-to-day responsibilities

# Equity Grant Cycle Timing Change

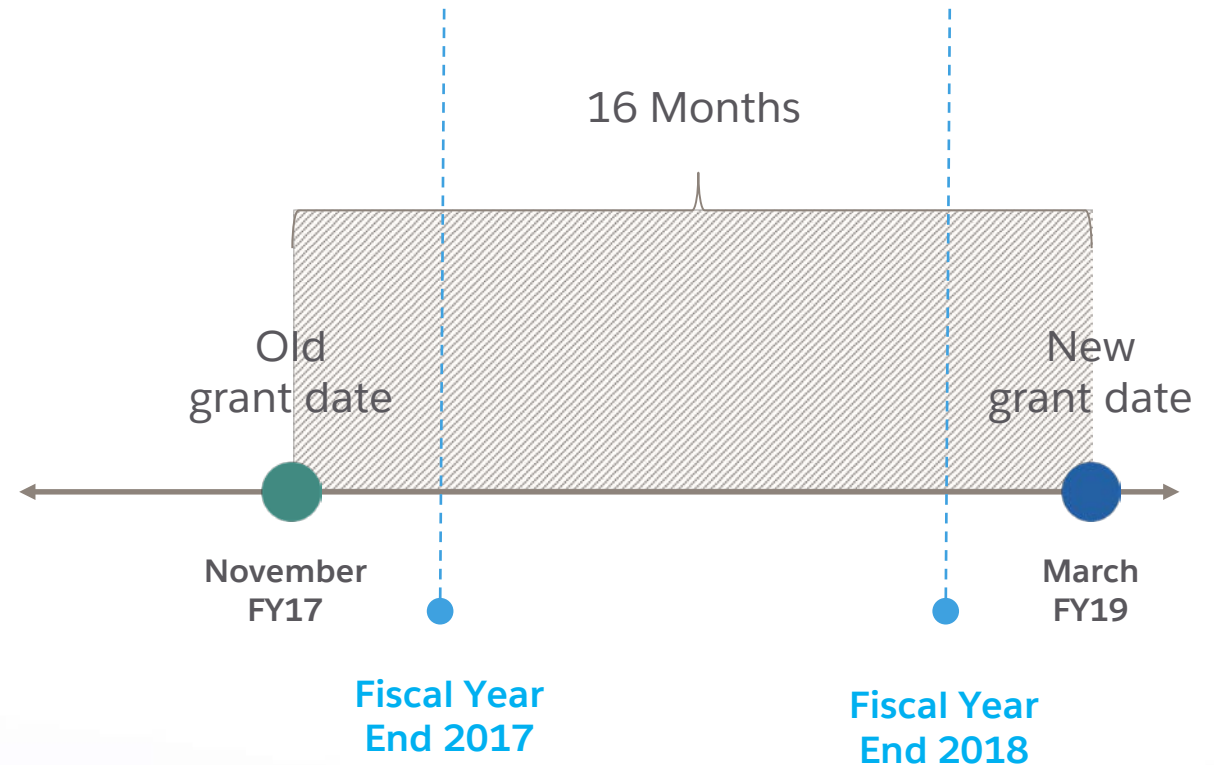
No grants in FY18

Equity grants now made shortly after end of fiscal year to **better align pay and performance**

**No grants in FY18** due to equity grant cycle timing change

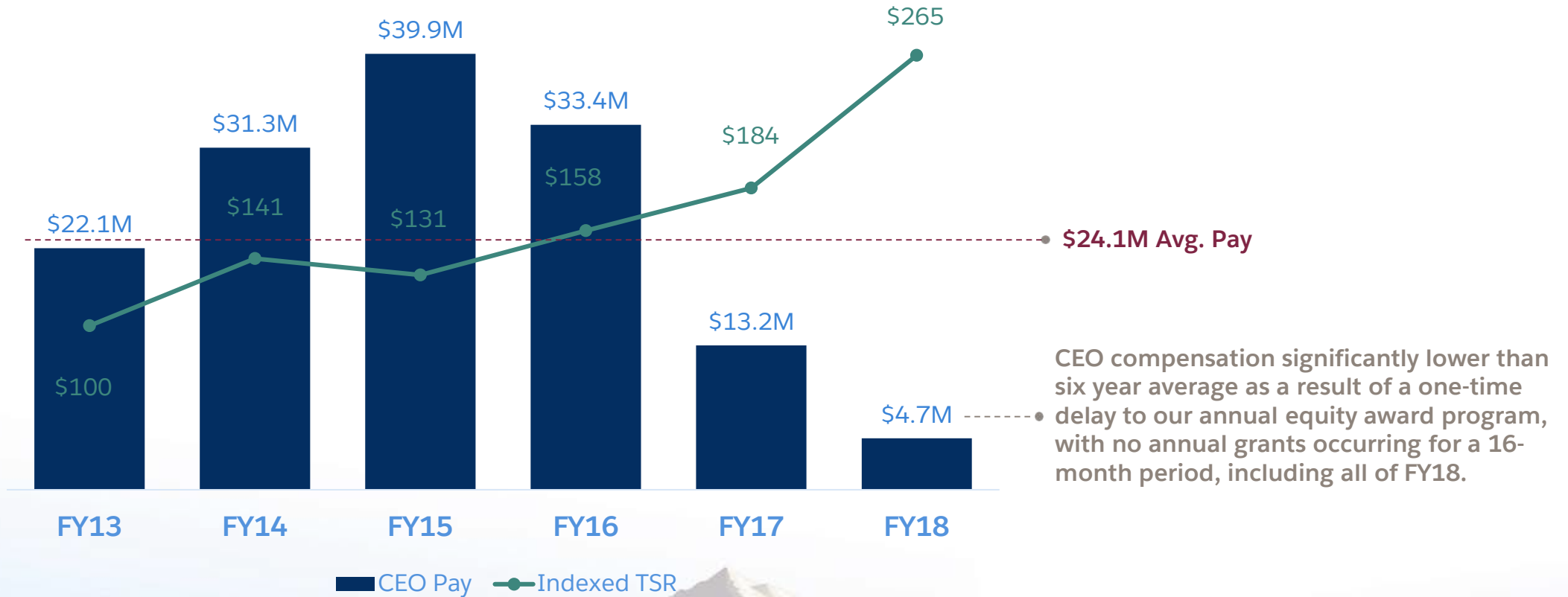
**Caused one-time reduction** to FY18 CEO and NEO total pay that is **not a reflection** of company or individual performance

**FY18 CEO pay ratio artificially low** due to grant cycle timing change



# CEO Compensation

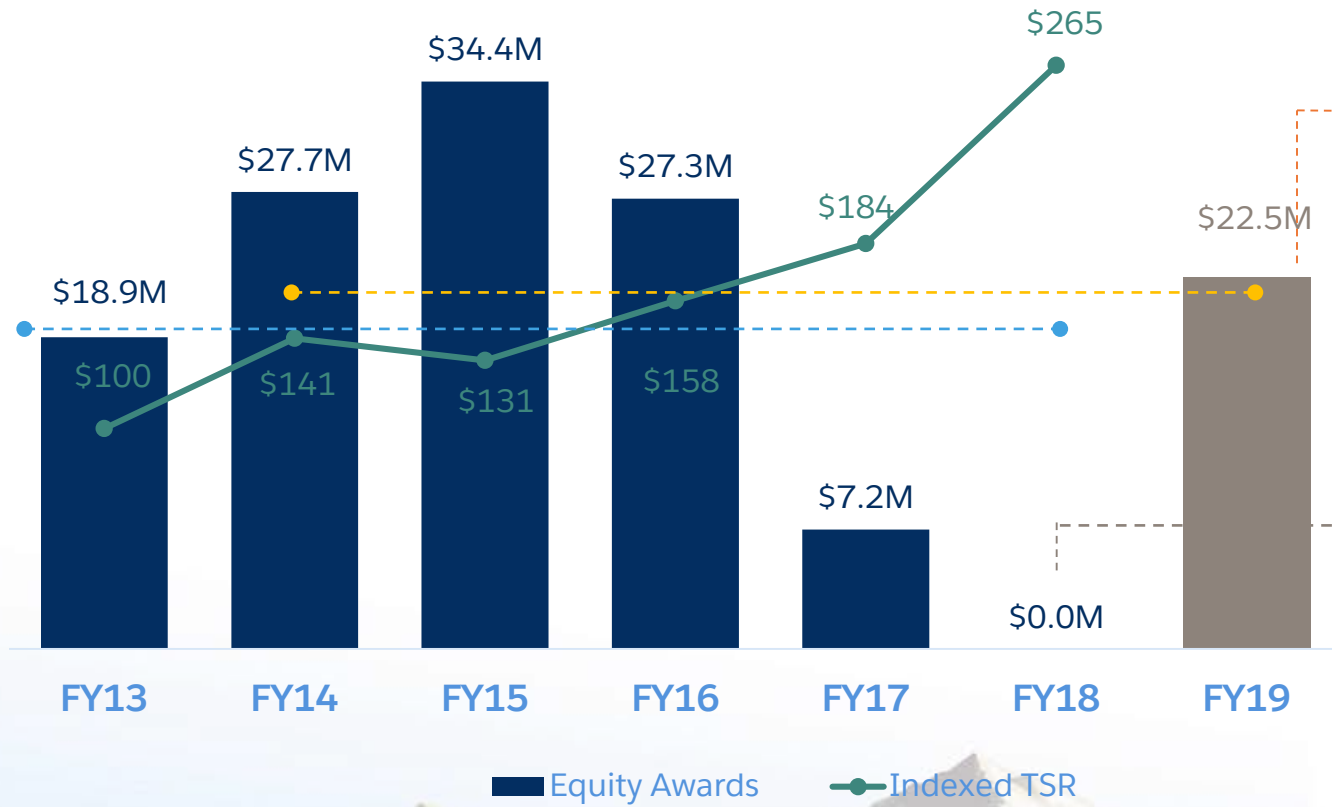
FY18 total CEO pay artificially low due to grant cycle timing change



<sup>1</sup>Note: The above chart shows how a \$100 investment in Salesforce on January 31, 2013 would have grown to \$265 on January 31, 2018.

# CEO Equity Grants

No equity grant in FY18 and equity grant in FY19 reflects 16-month delay



FY19 grant reflects FY18 performance and 16-month period between grants (FY 2019 equity grants cover a period of 1.33 years versus the typical period of one year).

**\$19.9M Average Grant (FY14-FY19)**  
**\$19.3M Average Grant (FY13-FY18)**

No equity grant for 16 months (including all of FY18) as a result of a one-time change in our annual equity grant cycle. Making awards in March following our January FYE (instead of November, as in the past) allows the Compensation Committee to evaluate performance for the recently completed fiscal year when making annual equity award decisions.

<sup>1</sup>Note: The above chart shows how a \$100 investment in Salesforce on January 31, 2013 would have grown to \$265 on January 31, 2018.



# Management Proposal: Amend Certificate of Incorporation

Amendment enables stockholders to call **special meeting** at 15% threshold

**The Board recommends a vote FOR amendment and restatement of the Certificate of Incorporation to implement a stockholder special meeting right.**

- ✓ Seeking stockholder approval of charter amendment to **establish special meeting right for stockholders holding at least 15%** of the Company's common stock, subject to certain procedures.
- ✓ Carefully considered by Board and **reflects feedback received from stockholders** directly and through votes cast on special meeting right proposal at 2017 annual meeting.
- ✓ Balances stockholders' rights with protection of stockholders' interests, promotes accountability and advances creation of long-term stockholder value.

# Sustainability, Equality, and Philanthropy at Salesforce



The business of business is improving the state of the world



## Environment

- ✓ Achieved net-zero greenhouse gas emissions
- ✓ Launched a carbon-neutral cloud
- ✓ 100% renewable energy goal
- ✓ Signed two virtual power purchase agreements in West Virginia and Texas.
- ✓ 100% renewable energy for approximately 90% of San Francisco urban campus
- ✓ Ranked second on Barron's list of the "100 Most Sustainable Companies" in 2018



## Equality

- ✓ Ongoing initiatives to advance:
  - ✓ Equal pay
  - ✓ Equal advancement
  - ✓ Equal opportunity
  - ✓ Equal rights
- ✓ In FY17, initiated our Equal Pay Assessment
- ✓ Committing approximately \$9 million to date to eliminate statistically significant gender-associated pay differences



## Philanthropy

- ✓ Pioneered 1-1-1 integrated philanthropy model, which leverages 1% of a company's equity, employee time and product to help improve communities around the world
- ✓ Given approximately \$200 million to charitable organizations<sup>1</sup>
- ✓ Logged more than 2.6 million employee volunteer hours around the world<sup>1</sup>
- ✓ Provided our services to more than 34,000 nonprofit and higher education organizations for free or at a discount<sup>1</sup>

<sup>1</sup>Note: Charitable giving, employee time volunteered, and Salesforce services provided in conjunction with the Salesforce Foundation, a 501(c)(3) nonprofit organization, and Salesforce.org, a nonprofit social enterprise.



# Appendix: Non-GAAP Financial Measures



# Non-GAAP Financial Measures



This presentation includes information about non-GAAP income from operations (“non-GAAP financial measures”). These non-GAAP financial measures are measurements of financial performance that are not prepared in accordance with U.S. generally accepted accounting principles and computational methods may differ from those used by other companies. Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with the company’s consolidated financial statements prepared in accordance with GAAP. Management uses both GAAP and non-GAAP measures when planning, monitoring, and evaluating the company’s performance.

The primary purpose of using non-GAAP measures is to provide supplemental information that may prove useful to investors and to enable investors to evaluate the company’s results in the same way management does. Management believes that supplementing GAAP disclosure with non-GAAP disclosure provides investors with a more complete view of the company’s operational performance and allows for meaningful period-to-period comparisons and analysis of trends in the company’s business. Further, to the extent that other companies use similar methods in calculating non-GAAP measures, the provision of supplemental non-GAAP information can allow for a comparison of the company’s relative performance against other companies that also report non-GAAP operating results.

Non-GAAP income from operations excludes the impact of the following items: stock-based compensation, amortization of acquisition-related intangibles, and termination of office leases. Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of revenue and is a non-GAAP financial measure.

## GAAP to Non-GAAP Financial Reconciliation

(in thousands)	Fiscal Year Ended January 31,			
	2018	2017	2016	2015
<b>Non-GAAP income from operations</b>				
GAAP income (loss) from operations	\$ 235,768	\$ 64,228	\$ 114,923	\$ (145,633)
Plus:				
Amortization of purchased intangibles	286,885	225,277	158,070	154,973
Stock-based expense	997,013	820,367	593,628	564,765
Less:				
Operating lease termination resulting from purchase of 50 Fremont, net	0	0	(36,617)	0
<b>Non-GAAP income from operations</b>	<b>\$ 1,519,666</b>	<b>\$ 1,109,872</b>	<b>\$ 830,004</b>	<b>\$ 574,105</b>
Revenue	\$ 10,480,012	\$ 8,391,984	\$ 6,667,216	\$ 5,373,586
<b>Non-GAAP operating margin</b>	<b>14.5%</b>	<b>13.2%</b>	<b>12.4%</b>	<b>10.7%</b>



THANK YOU

