Salesforce

Proxy Statement Supplement

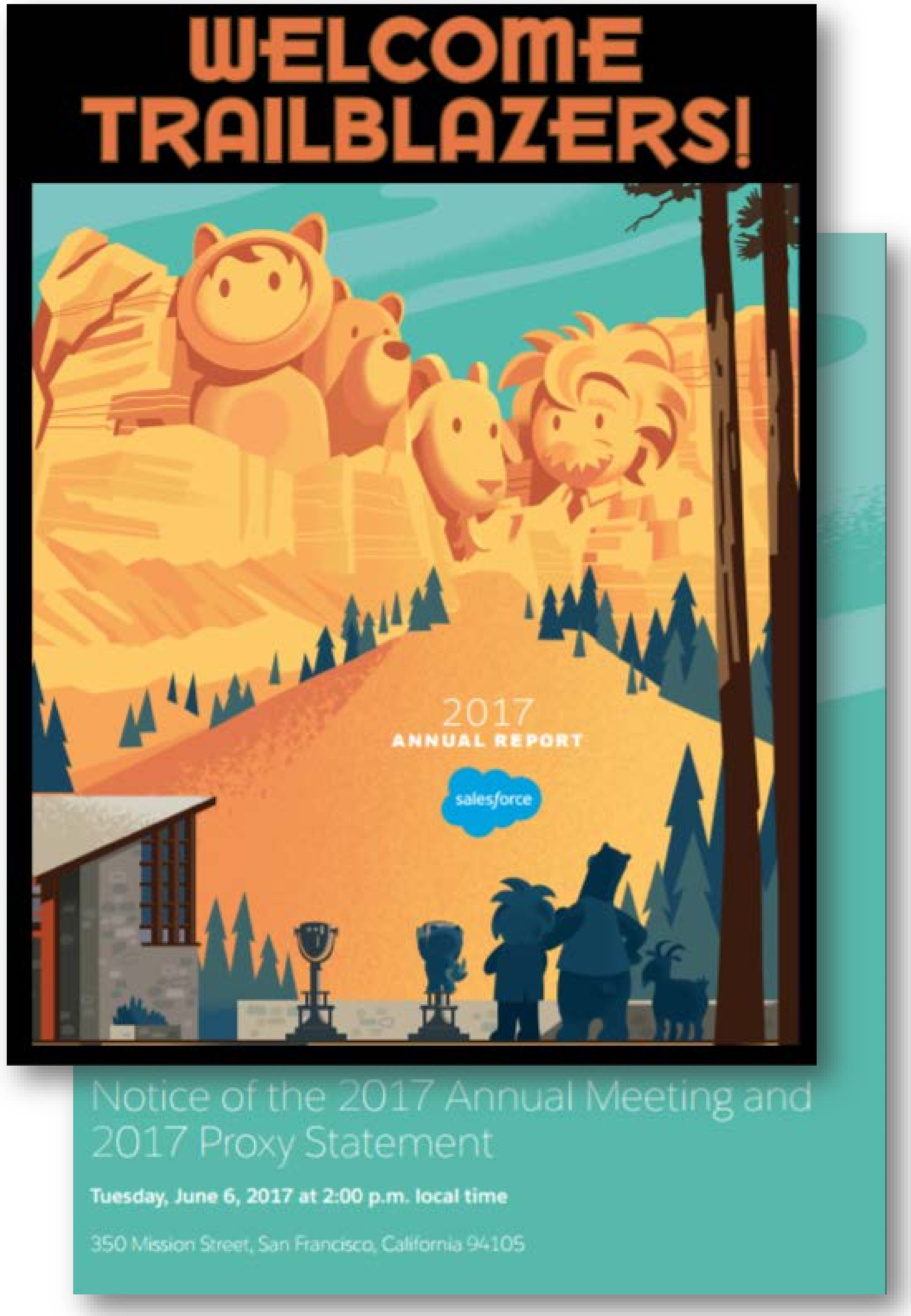
Spring 2017

investor@salesforce.com

2017 Proxy Statement Highlights

Significant changes to executive compensation

- **Reduced CEO total compensation by 60%** in FY17 vs. FY16 with total compensation now at levels below FY12
- **Expanded use of performance-based restricted stock units** (PRSUs) beyond CEO to include all named executive officers (NEOs)
- **Froze CEO salary and bonus target** for second year in a row (no increase since FY15)
- **Eliminated company-funded CEO personal security benefit** for FY18
- Salesforce **continues to engage and solicit feedback from investors** on a year-round basis (engaging >50% of shares outstanding), and continues to respond to this feedback
- **2017 proxy agenda** includes request to increase shares authorized under 2013 Equity Incentive Plan and 2004 ESPP



salesforce

Company Overview

World's largest customer relationship management software provider

- Founded 1999, public listing (**NYSE: CRM**) 2004
- **#1 in CRM market share** for the 5th year in a row (Gartner)
- **$8.4 billion in revenue** FY17 (26% Y/Y)
- **$2.2 billion** in operating **cash** flow (29% Y/Y)
- **$60.45 billion market capitalization** (4/26/17)
- Headquartered in San Francisco, **~25,000 Employees**
- **Integrated Philanthropy** Model (1-1-1)

Salesforce enables our customers to create deeper relationships with their customers using our suite of web-based CRM software to help customers sell, service, market, and build apps on a single platform.

"Innovator of the Decade" Forbes September 2016

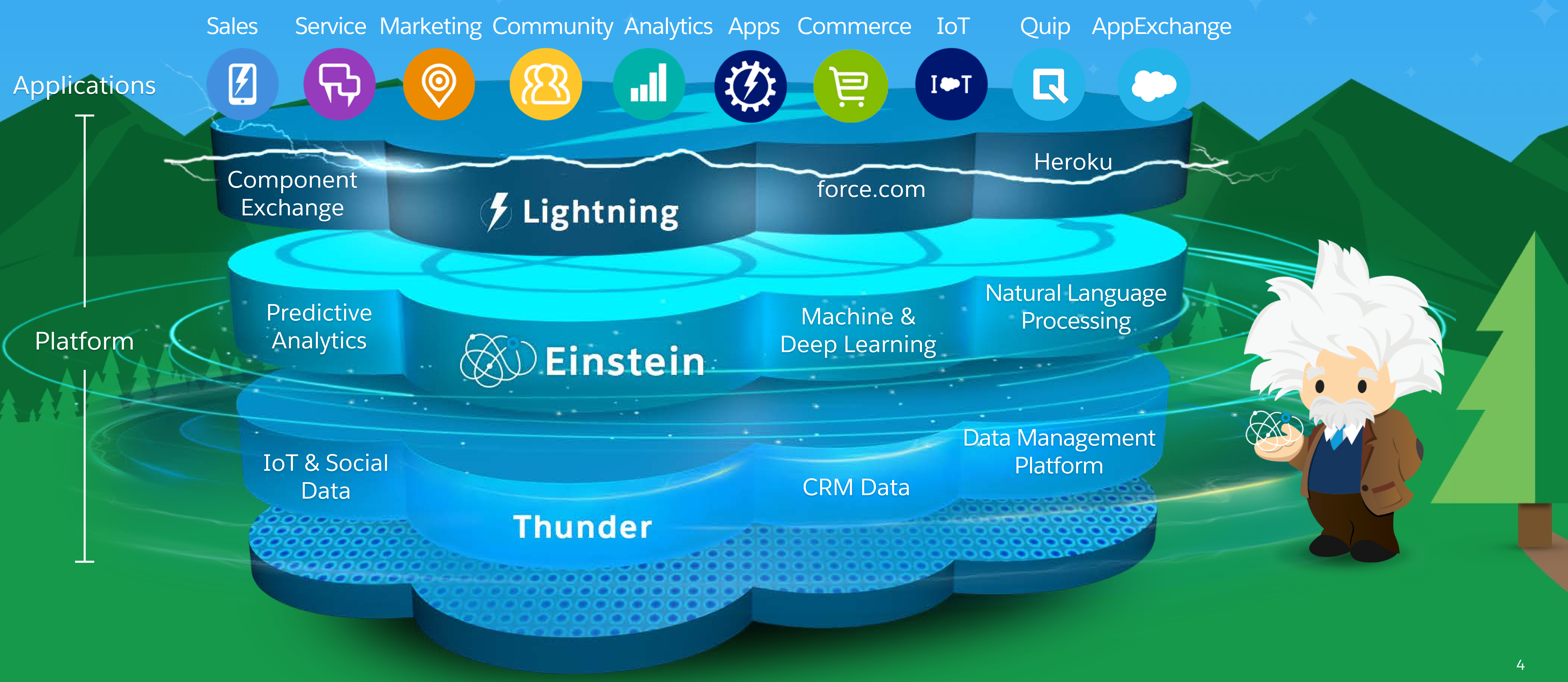
FORTUNE 100 BEST COMPANIES TO WORK FOR 2017 — 2009 · 2010 · 2011 · 2012 · 2013 · 2014 · 2015 · 2016 · 2017

Forbes The world's most innovative companies — 2011 · 2012 · 2013 · 2014 · 2015 · 2016

FORTUNE 500 2016

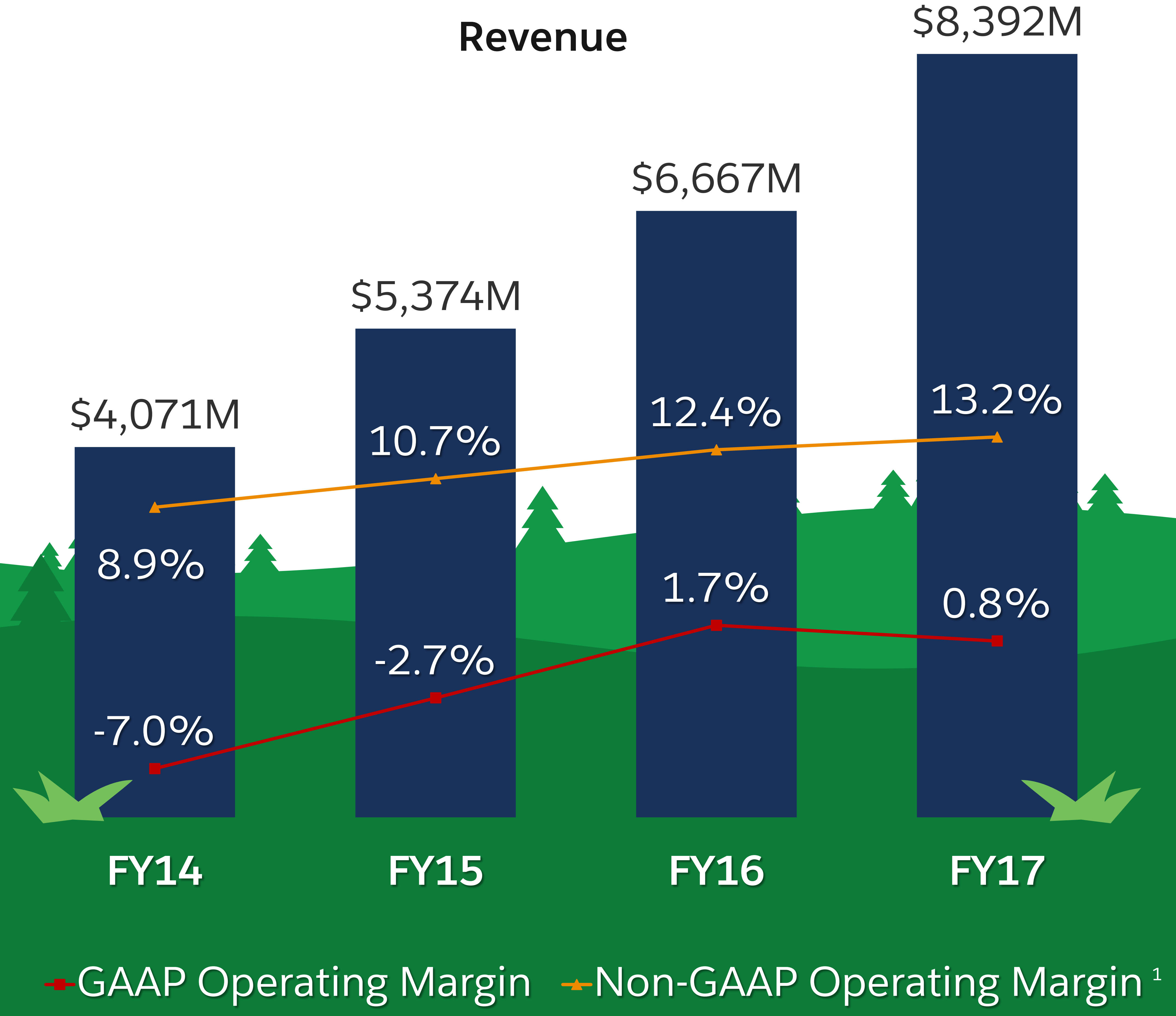
Intelligent Customer Success Platform

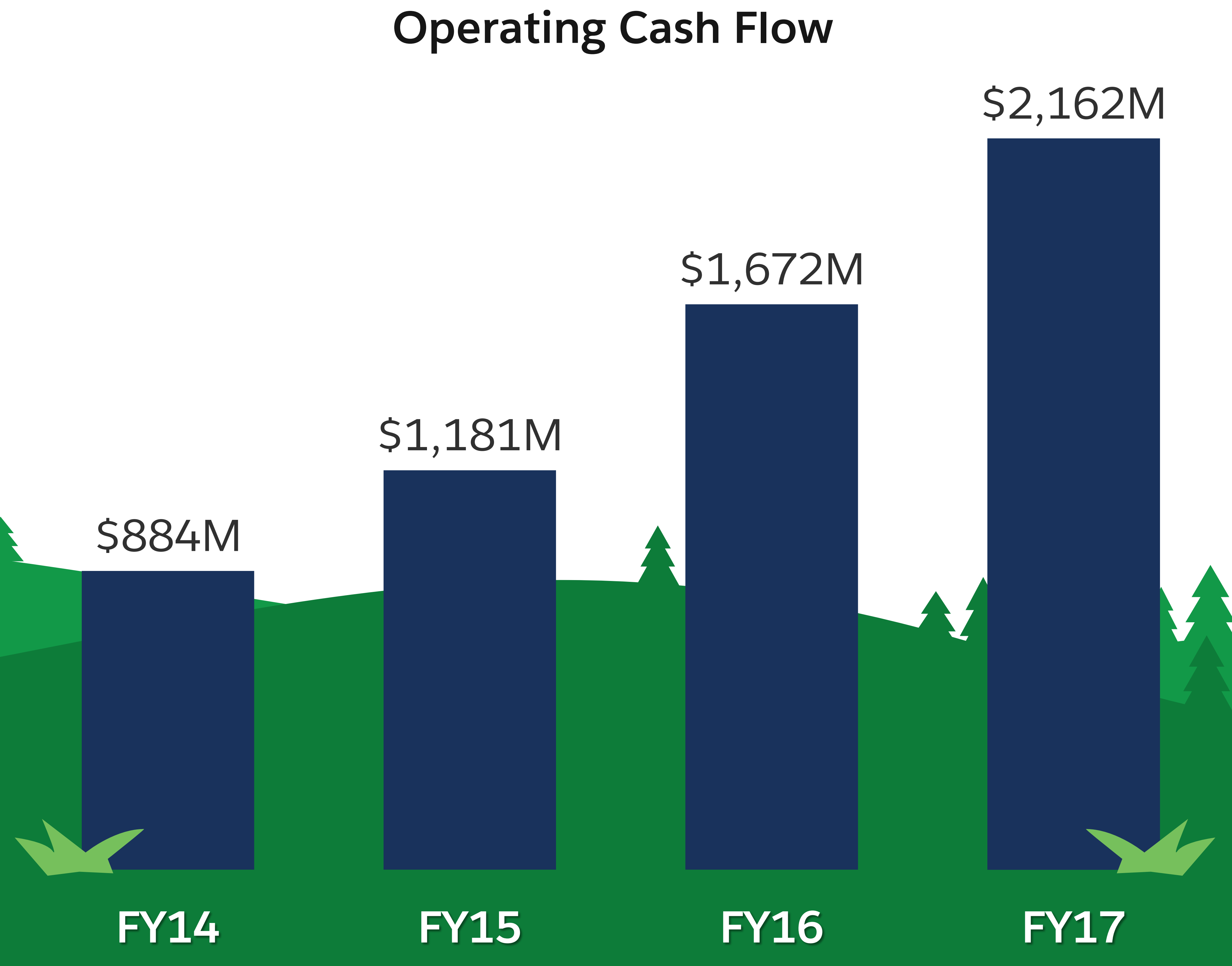
Industry leading CRM applications on the industry's leading cloud platform



Sustained Growth …

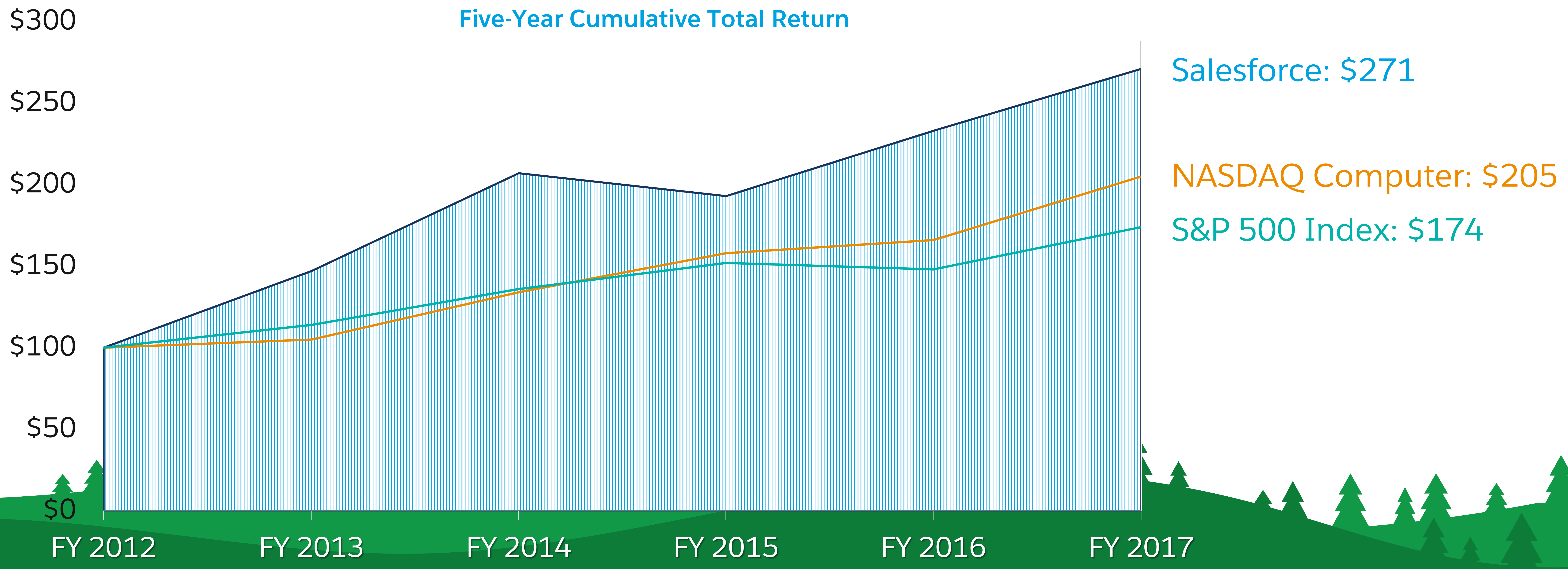
Balancing top and bottom line growth





… Drives Stockholder Value

Salesforce has a track record of delivering significant total stockholder returns



The chart shows how a $100 investment in Salesforce on January 31, 2012 would have grown to $271 on January 31, 2017. The chart also compares the TSR on an investment in our common stock to the same investment in the S&P 500 Index and the Nasdaq Computer & Data Processing Index over the last five fiscal years, assuming reinvestment of dividends.

Diverse Board

Ongoing and proactive board refreshment practices


Marc Benioff (CEO)


Keith Block


Craig Conway


Alan Hassenfeld


Neelie Kroes


Colin Powell


Sanford Robertson (LID)


John Roos


Robin Washington

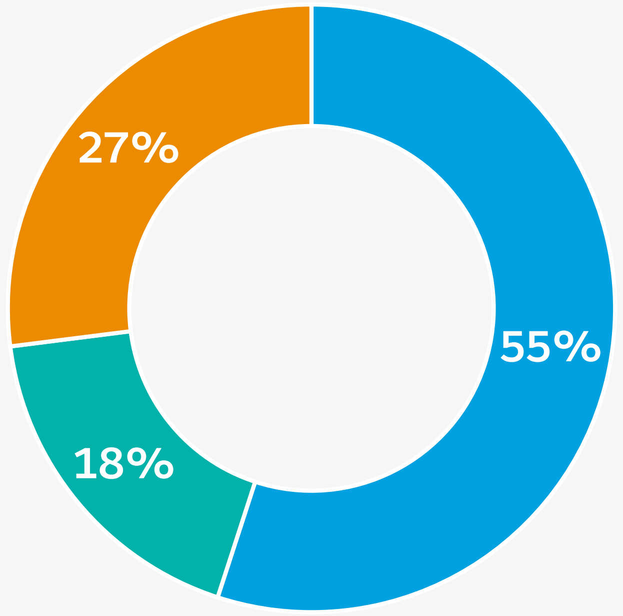

Maynard Webb


Susan Wojcicki

Average tenure (years):	8

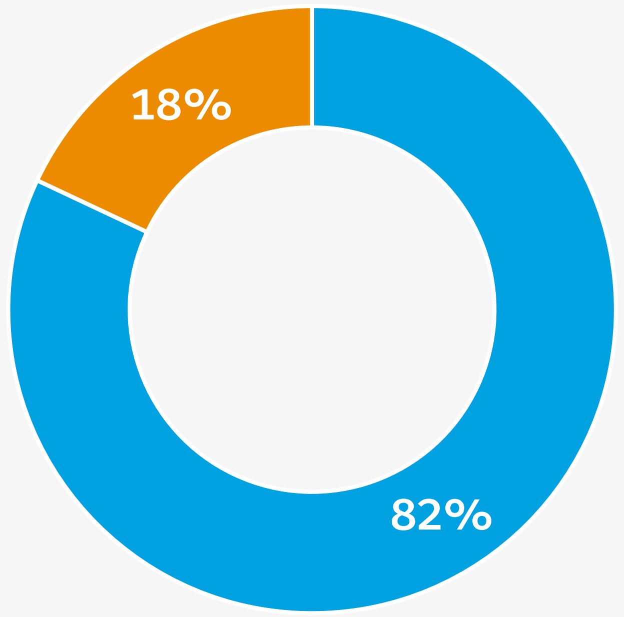
New directors since June 2013:	6

Tenure



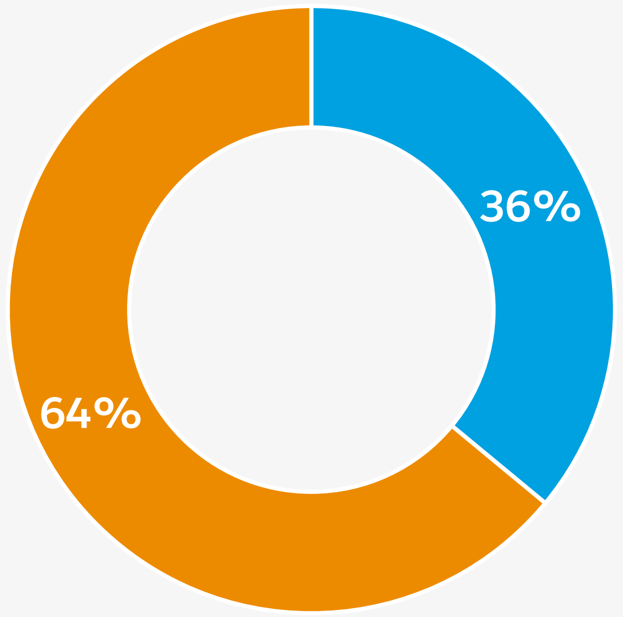
- <6 years
- 6-12 years
- >12 years

Independence



- Independent
- Non-Independent

Diversity



- Gender & Ethnic Diversity

Diverse and Dynamic Experience

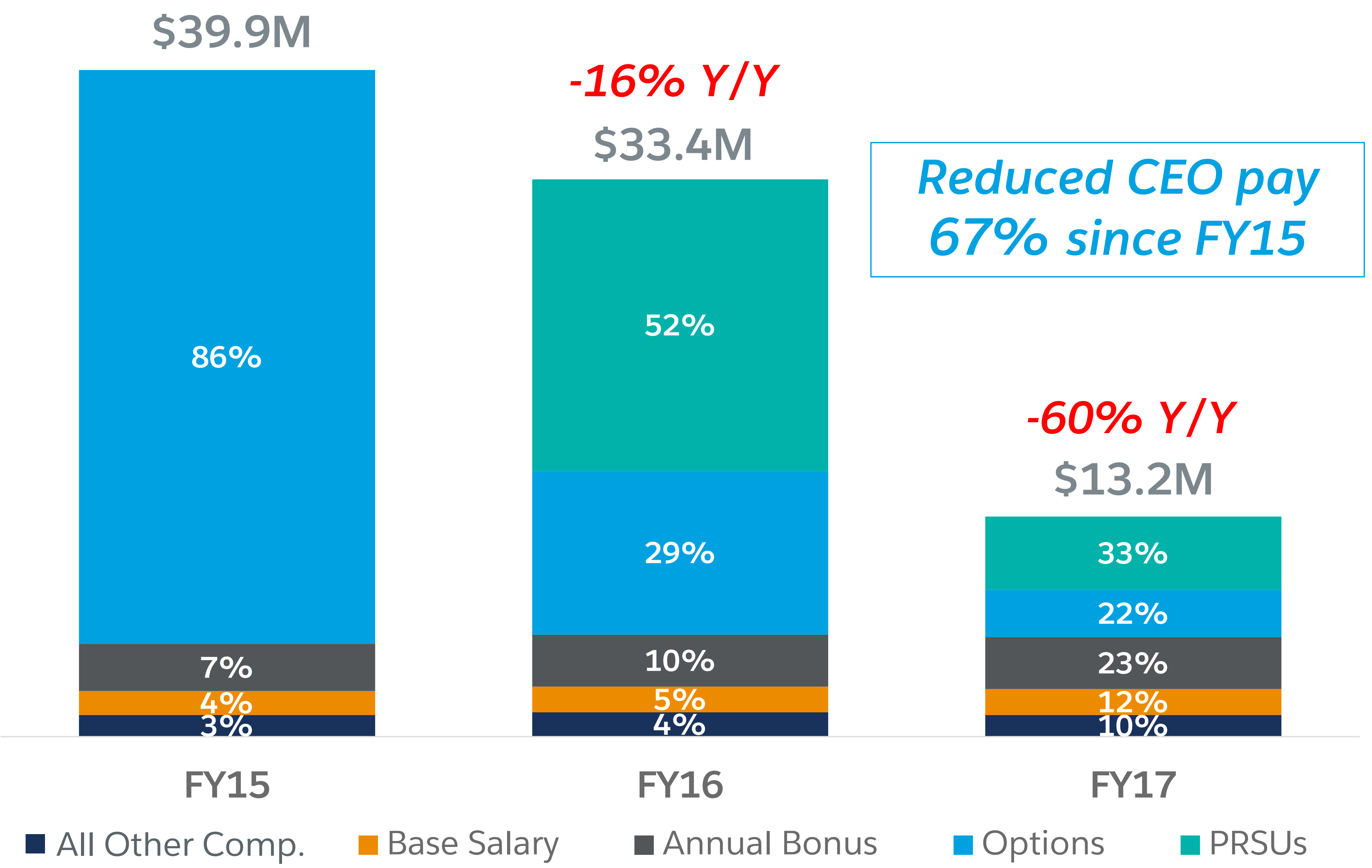
Diverse and Dynamic Experience
10 Public Company Board
7 Entrepreneurship / VC
7 International
6 Software Industry
6 Public Company CEO/Executive
5 Sales Distribution
5 Marketing / Branding
4 Cloud Computing Technology
3 Finance / Accounting
3 Government
1 Law

Note: Excludes Larry Tomlinson, who is not standing for reelection and will retire from the Board effective as of the Company's 2017 Annual Meeting of Stockholders (see Form 8-K filed March 17, 2017)

Substantial Changes to CEO Compensation

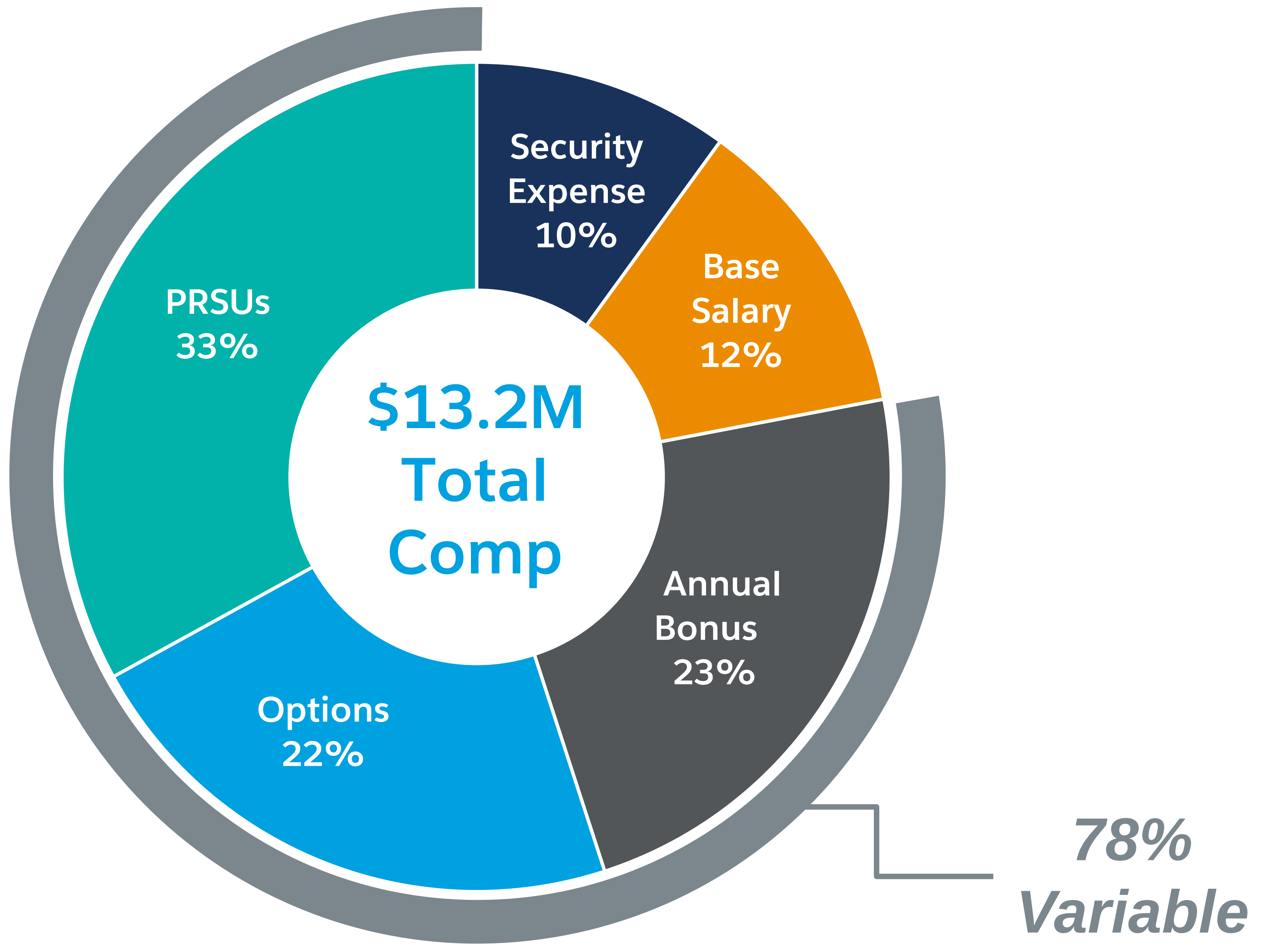
CEO compensation informed by stockholder feedback

FY15-FY17 CEO Compensation



Reduced CEO pay 67% since FY15

CEO Compensation Structure FY17



FY17 Annual Incentive Components

- **Performance-Based Cash Bonus**: Three equally weighted financial measures to incentivize achievement of annual corporate performance goals: 1/3 Revenue; 1/3 Operating Cash Flow; and, 1/3 Non-GAAP Income from Operations

FY17 Long-Term Incentive Components

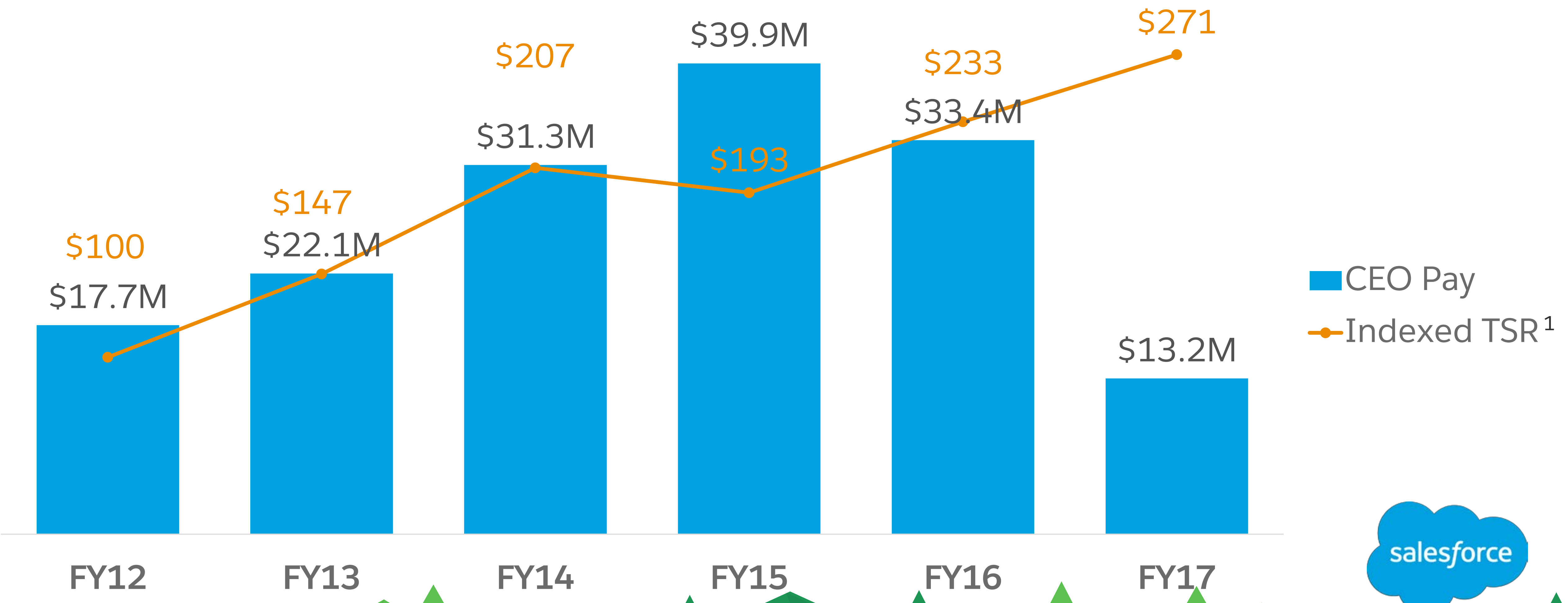
- **Performance-Based Restricted Stock Units**: Value tied to relative TSR vs. the NASDAQ 100 over **three-year** performance period; payouts **capped at target** if absolute TSR is negative
- **Stock Options**: Value tied to increase in market price of Common Stock during the period that the option is outstanding

Evolution of Compensation Program

Compensation changes in direct response to stockholder feedback

Feedback We Heard	Changes We Made in Fiscal 2016	Changes We Made in Fiscal 2017
CEO pay magnitude concerns	✓ Reduced CEO compensation 16% ✓ Froze CEO salary	✓ Reduced CEO compensation 60% ✓ Froze CEO salary
Preference towards **performance-based equity**	✓ Introduced performance-based RSUs (PRSUs) to CEO • PRSUs 64% of target long-term compensation • PRSUs 52% of the total direct compensation	✓ Introduced PRSUs for other NEOs
CEO personal security cost concerns	✓ Evaluated CEO personal security expenses	✓ Eliminated CEO personal security expenses for FY18
Ensure **rigorous performance metrics**	✓ Maintained rigorous cash incentive plan targets for FY16, which exceeded both guidance and prior year's target and actual results	✓ Maintained rigorous cash incentive plan targets and introduced PRSUs for FY17 for all NEOs that require above-median relative TSR performance for target payouts
Align incentives with stockholder interests	✓ Introduced PRSUs for our CEO ✓ Increased Board and NEO share ownership requirements	✓ Introduced PRSUs for all NEOs

Reduced total CEO compensation **67%** since FY15 with TSR of **40%**



[1]Note: The above chart shows how a $100 investment in Salesforce on January 31, 2012 would have grown to $271 on January 31, 2017.

Compensation Program Framework

Align executive compensation with the interests of our stockholders

Objective: Attract and retain the premier talent needed 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 2017 Metrics	Rationale
Annual Performance-Based Cash Bonus	Revenue Operating Cash Flow Non-GAAP Income from Operations	To influence executive performance in achieving pre-established annual corporate performance goals in line with our strategy and that are used by investors to evaluate our financial performance
Performance-Based Restricted Stock Units (all FY2017 NEOs)	Relative TSR *with absolute TSR payout cap*	To directly align our executives' interests with those of our stockholders (CEO LTI consists of PRSUs and stock options)
Restricted Stock Units	Stock Price	
Stock Options	Stock Price	
Base Salary		To attract, motivate and retain all employees

Our Practices

Compensation and Corporate Governance

Compensation

- ✓ Active year-round dialogue with stockholders
- ✓ Significant portion of NEO compensation is at-risk/variable
- ✓ Provide appropriate mix of fixed and variable pay
- ✓ Implemented PRSUs for all NEOs
- ✓ Stock ownership requirements for executives and directors
- ✓ Maintain a compensation clawback policy
- ✓ Use an independent compensation consultant
- ✓ Compensation Committee composed of independent directors
- ✓ Regular review of executive compensation and peer groups
- × No individual Supplemental Executive Retirement Plans
- × No stock option repricing
- × No hedging or pledging of our securities
- × No excise tax gross-ups upon a change of control

Governance

- ✓ Board composed of 82% independent directors
- ✓ Board refreshment (six new directors since June 2013)
- ✓ Lead Independent Director with robust responsibilities
- ✓ Annual election of directors
- ✓ Majority voting for directors
- ✓ Proxy access right at market standard
- ✓ Rigorous director selection and evaluation process
- ✓ Limit on outside directorships
- ✓ Fully independent committees
- ✓ Comprehensive risk oversight by full board and committees
- ✓ Extensive and ongoing stockholder engagement program (engaging more than 50% of shares in 2016)
- ✓ Stock ownership policy for directors and executive officers

Stockholder Proposal: Special Meeting Right

The Board views this proposal as not appropriate at this time

We oppose the stockholder proposal requesting establishment of a special meeting right for stockholders owning 15% of our outstanding common stock.

We intend to gather **additional views from stockholders** on this topic to incorporate into the Board's ongoing review of corporate governance practices that are appropriate for our company.

We are concerned that this proposal, which advocates a **relatively low ownership threshold** for triggering the ability to call special meetings, could result in misuse by enabling a small group of stockholders to pursue narrow special interests that may not be in the best interests of all stockholders.

We **recommend against this proposal** in light of:

- Our existing corporate governance practices and history of pro-actively embracing appropriate changes
- Our commitment to engage with stockholders on this topic
- The potential for misuse by a small group

The Board recommends a vote AGAINST Proposal 7

Appendix

GAAP to Non-GAAP Financial Reconciliation

(in thousands)	Fiscal Year Ended January 31,			
Non-GAAP income from operations	**2017**	**2016**	**2015**	**2014**
GAAP income (loss) from operations	64,228	114,923	(145,633)	(286,074)
Plus:				
Amortization of purchased intangibles	225,277	158,070	154,973	146,535
Stock-based expense	820,367	593,628	564,765	503,280
Less:				
Operating lease termination resulting from purchase of 50 Fremont, net		(36,617)	0	0
Non-GAAP income from operations	$ 1,109,872	$ 830,004	$ 574,105	$ 363,741

Thank You

investor@salesforce.com