Triodos Investment Management

SMITH & NEPHEW AGM Date: 10 April 2014

1 Receive the Annual Report **For**

The Business Review meets guidelines. There is a clear strategic report giving a detailed insight on the Company's objectives and strategies. It is also forward looking. The environmental disclosure provided by the Company is sufficient and in line with the regulation. The Company has an adequate Employment Policy. Gender breakdown has been provided at Board, Senior Management and Group levels. It is noted that the Company's 2013 Sustainability Report is not yet published.

2 Approve Remuneration Policy **Oppose**

Disclosure: Disclosure is acceptable.
Balance: The Long term incentive's vesting scales are not considered sufficiently broad and geared towards better performance. The different performance conditions operate independently of each other. It is considered better when they operate in a concurrent fashion. The ratio of CEO pay to the average employee pay has been estimated and is considered to be excessive. The CEO's total potential rewards under all incentive schemes are also excessive. Performance period for share award is three years, which is not considered sufficiently long term. Additionally, there is no holding period used.
Contracts: The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers. This is considered an inappropriate practice. There is no evidence that upside discretion cannot be used while determining severance payment. Annual bonus may be taken into account when determining remuneration on loss of office. A clawback policy operates in the event of material misstatement or misconduct.
Based on the concerns over the vesting scales, non-concurrent performance metrics, the recruitment policy and the excessive CEO pay, Triodos does not support this policy.

3 Approve the Remuneration Report **For**

All elements of each directors cash remuneration are disclosed. All share incentive awards are disclosed with award dates but no price is provided. A payment in lieu of pension contributions operates. Compensation payments or significant changes in policy are fully explained. The Company has stated that discretion was applied by the remuneration committee during the year for the director that was appointed during the year. There is an acceptable balance of CEO pay with financial performance compared for the previous five years. Total realised rewards under all incentive schemes were not excessive. It is noted remuneration is disclosed under different currencies and comparison is not straightforward. Acceptable proposal.

4 Approve the dividend **For**

An interim dividend of 10.4p has been paid during the year. The Board is recommending a final dividend of 17.0p which will total to 27.4p for the year. The dividend is covered by earnings.

5 To re-elect Ian Barlow **For**

Independent Non-Executive Director.

6 To re-elect Olivier Bohuon **For**

Chief Executive. 12 months rolling contract.

7 To re-elect The Rt. Hon Baroness Virginia Bottomley **For**
Independent Non-Executive Director.

8 To re-elect Julie Brown **For**
Chief Financial Officer. 12 months rolling contract.

9 To re-elect Michael Friedman **For**
Independent Non-executive Director.

10 To re-elect Pamela Kirby **For**
Non-Executive Director. Independent by the company but not considered independent as she has been on the Board for more than nine years. However, there is sufficient independence on the Board.

11 To re-elect Brian Larcombe **For**
Non-Executive Director and new Senior Independent Director. Independent by the company but not considered independent as he has been on the Board for more than nine years. However, there is sufficient independence on the Board.

12 To re-elect Joseph Papa **For**
Independent Non-Executive Director.

13 To elect Roberto Quarta **For**
Chairman. Independent upon appointment.
Concern: He is also Chairman of IMI plc, a FTSE 100 company. The role of the chairman is considered to be crucial to good governance as they are primarily responsible for the culture of the board, and by extension the organisation as a whole and for ensuring that the board operates effectively. As such we consider the chairman should be expected to commit a substantial proportion of his or her time to the role. A chair of more than one large public company cannot effectively represent corporate cultures which are potentially diverse and the possibility of having to commit additional time to the role in times of crisis is ever present, particularly in diverse international company or groups which are undergoing significant governance changes.

14 Appoint the auditors **Oppose**
Ernst & Young LLP proposed. Non-audit fees represent 33% of the statutory audit fees both during the year under review and on a three year aggregate basis. This raises concerns over the Auditors' independence.

15 Allow the board to determine the auditors remuneration **For**
Standard proposal.

16 Issue shares with pre-emption rights **For**
Authority is sought to issue up to one-third of the issued share capital. The authority would expire at the next annual general meeting. Within guidelines.

17* Issue shares for cash **For**
The authority which is sought is limited to five percent of the issued and outstanding share capital. The authority expires within an acceptable time-frame. Within acceptable limits.

18* Authorise Share Repurchase **For**
The authority is limited to less than 10% of the number of issued ordinary shares. The authority expires within an acceptable time-frame.

19* Meeting notification related proposal **Oppose**

The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will increase to 21 days unless shareholders agree on a shorter notice period, in which case it may be 14 days. Shareholder approval is sought to call general meetings on 14 clear days notice.
All companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues. Although the proposed change is permissible by the Companies Act, Triodos votes against this resolution.