Triodos Investment Management

BECTON, DICKINSON AND COMPANY

MEETING DATE	Tue, 24 Jan 2017 1:00 am	TYPE	AGM	ISSUE DATE	Thu, 22 Dec 2016
MEETING LOCATION	Four Seasons Hotel New York, 57 East 57th Street, New York, New York				
CURRENT INDICES	S&P500				
SECTOR	Surgical and medical instruments and apparatus				

	PROPOSALS	ADVICE
1.01	**Elect Basil L. Anderson** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.02	**Elect Catherine M. Burzik** Independent Non-Executive Director.	**For**
1.03	**Elect R. Andrew Eckert** Independent Non-Executive Director.	**For**
1.04	**Elect Vincent A. Forlenza** Chairman and CEO. Combined roles at the head of the Company which Triodos does not support. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal. An oppose vote is recommended.	**Oppose**
1.05	**Elect Claire M. Fraser** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.06	**Elect Christopher Jones** Independent Non-Executive Director.	**For**
1.07	**Elect Marshall O. Larsen** Lead Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Remunertation committee which is not fully independent which Triodos does not support.	**Oppose**
1.08	**Elect Gary A. Mecklenburg** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.09	**Elect James F. Orr** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.10	**Elect Willard J. Overlock, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1.11	**Elect Claire Pomeroy** Independent Non-Executive Director.	**For**
1.12	**Elect Rebecca W. Rimel** Independent Non-Executive Director.	**For**
1.13	**Elect Bertram L. Scott** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**

2 Appoint the Auditors **Oppose**

Ernst & Young LLP proposed. Non-audit fees represented 8.59% of audit fees during the year under review and 9% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. An oppose vote is recommended.

3 Advisory Vote on Executive Compensation **Oppose**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: BDB.

There are important concerns over certain features of the equity awards. Whilst the amount of reward derived from SARs is determined by share price growth, the awards of SARs have no performance conditions attached. Thus an increase in share price over the lifespan of a SAR (and falls are unusual) can reward executives even in circumstances of poor relative performance. SARs vest over four years and Time Vested units vest in three annual installments following grant which is not considered sufficiently long-term.

Based on these concerns, Triodos opposes this resolution.

4 Say When on Pay **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

It is considered an annual vote on executive compensation to be best practice for companies. Executive compensation comprises of both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by legislation. Contentious compensation payments and issues could occur in the intervening years between votes if the frequency is less than annually. Triodos supports an annual vote.

5 Shareholder Resolution: Introduce an Independent Chairman Rule **For**

Proposed by: Kenneth Steiner. The Proponent requests the Board of Directors to adopt a policy that the Chair of the Board of Directors, whenever possible, shall be an independent member of the Board.

Supporting Argument: The Proponent argues that having a board chairman who is independent of management is a practice that will promote greater management accountability to shareholders and lead to a more objective evaluation of management. Also, the Proponent argues that an additional reason to support the proposal is that the Company has not adopted proxy access that would allow a reasonable number of shareholders holding 3% of company stock to merely nominate a well-qualified director.

Opposing Argument: The Board recommends shareholders oppose and believes it is important that it has the flexibility to determine who should serve in the roles of Chairman and CEO, and whether these roles should be combined. The Board argues that Mr. Forlenza's over 35 years of experience at the Company and knowledge of its complex businesses, along with his extensive industry expertise, make him uniquely qualified to lead the Board. Also, the Board argues that the Company's governance practices enable effective independent oversight of management: the Lead Director role provides effective independent Board oversight of management and coordination between the Chairman and the rest of the Board and the Board is composed of 13 members, all of whom, other than Mr. Forlenza, are independent.

Analysis: It is considered that an independent Chairman can provide independent oversight of management and facilitates clearer lines of accountability with respect to corporate decisions. It is also considered that all board meetings (not just those of independent directors) should be led by an independent director, and judge that in practice this means that there should be an independent Chairman. Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

The Company has achieved: a market best practice level of disclosure; a poor balance for rewards; and a market best practice approach to contracts with executives.

Disclosure: B- Annual cash incentives are based on adjusted EPS, revenues and free cash flow as a percentage of sales. The Company granted long-term incentives in the form of Stock Appreciation Rights (SARs), performance units and Time-Vested Unit (TVUs). Performance units are based on average return on invested capital (ROIC) and relative total shareholder return (TSR). The Company has disclosed the financial targets for its short-term and long-term incentives.

Balance: D- The Company failed to include non-financial metrics into the annual bonus structure, which is considered best practice as it provides a wider evaluation of Company performance, and is often linked with driving long-term growth as opposed to financial metrics, which can be easily manipulated year on year. With respect to performance units, the TSR vesting scale is insufficiently broad to ensure superior awards reflect superior performance as executives may receive 100% payout for median performance. Also, there are important concerns over certain features of the equity awards. Whilst the amount of reward derived from SARs is determined by share price growth, the awards of SARs have no performance conditions attached. Thus an increase in share price over the lifespan of a SAR (and falls are unusual) can reward executives even in circumstances of poor relative performance. SARs vest over four years and TVUs that vest in three annual installments following grant which is not considered sufficiently long-term.

Contract: B- The Company has a claw back policy. The Company's change in control agreements provide for double trigger severance payments. Good reason is not appropriately defined.

For Private Circulation only

Researcher: Irene Tsopanoglou
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

Regulated by the Financial Conduct Authority