


## ZIMMER BIOMET HOLDINGS INC

MEETING DATE	Fri, 12 May 2017 8:00 am	TYPE	AGM	ISSUE DATE	Mon, 08 May 2017
MEETING LOCATION	The Conrad Indianapolis, 50 West Washington Street, Indianapolis, Indiana 46204				
CURRENT INDICES	S&P500				
SECTOR	Orthopedic, prosthetic, and surgical appliances and supplies				

PROPOSALS		ADVICE
<b>1a</b>	<b>Re-elect Christopher B. Begley</b> Independent Non-Executive Director. However, there are concerns over the director's potential aggregate time commitments. Triodos abstains on this resolution.	<b>Abstain</b>
<b>1b</b>	<b>Re-elect Betsy J. Bernard</b> Independent Non-Executive Director. She is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not support.	<b>Oppose</b>
<b>1c</b>	<b>Re-elect Gail K. Boudreaux</b> Independent Non-Executive Director.	<b>For</b>
<b>1d</b>	<b>Re-elect David C. Dvorak</b> President and Chief Executive Officer.	<b>For</b>
<b>1e</b>	<b>Re-elect Michael J. Farrell</b> Independent Non-Executive Director.	<b>For</b>
<b>1f</b>	<b>Re-elect Larry C. Glasscock</b> Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	<b>For</b>
<b>1g</b>	<b>Re-elect Robert A. Hagemann</b> Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	<b>Oppose</b>
<b>1h</b>	<b>Re-elect Arthur J. Higgins</b> Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	<b>Oppose</b>
<b>1i</b>	<b>Re-elect Michael W. Michelson</b> Independent Non-Executive Director.	<b>For</b>
<b>1j</b>	<b>Re-elect Cecil B. Pickett</b> Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	<b>For</b>
<b>1k</b>	<b>Re-elect Jeffrey K. Rhodes</b> Independent Non-Executive Director.	<b>For</b>
<b>2</b>	<b>Appoint the Auditors</b> PwC proposed. Non-audit fees represented 21.64% of audit fees during the year under review and 27.60% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	<b>Oppose</b>

### 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: BCC.

Annual bonus payouts were below 200% of base salary. However, long-term awards exceeded 200% of base salary, and for the CEO represented 676% of base salary. There is no evidence that the Company takes into consideration internal pay equity (average employee) in setting executive pay. Based on these concerns, Triodos opposes this resolution.

### 4 **Approve the Frequency of Future Advisory Votes on Executive Compensation**

**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.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises 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 the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.

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## **SUPPORTING INFORMATION FOR RESOLUTIONS**

### **Proposal 3 - Advisory Vote on Executive Compensation**

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

**Disclosure: B-** The overall disclosure is considered transparent. Annual cash incentive was measured by constant currency revenue, adjusted operating profit, free cash flow and adjusted earnings per share. The Company can also use negative discretion based on individual performance to reduce payouts. Long-term awards are granted in the form of performance stock units ("PRSUs") (50%) and stock options (50%).

**Balance: C-** Executive compensation is in line with peer group averages and companies of a similar market capitalisation. Annual bonus payouts were below 200% of base salary. However, long-term awards exceeded 200% of base salary, and for the CEO represented 676% of base salary. There is no evidence that the Company takes into consideration internal pay equity (average employee) in setting executive pay.

**Contract: C-** Severance payments considered excessive. 'Good reason' and 'cause' not defined appropriately.

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