Triodos Investment Management

ZIMMER BIOMET HOLDINGS INC

MEETING DATE	Tue, 15 May 2018 8:00 am	TYPE AGM ISSUE DATE	Wed, 02 May 2018
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
1a	**Elect Director Christopher B. Begley** Independent Non-Executive Director.	**For**
1b	**Elect Director Betsy J. Bernard** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1c	**Elect Director Gail K. Boudreaux** Independent Non-Executive Director.	**For**
1d	**Elect Director Michael J. Farrell** Independent Non-Executive Director.	**For**
1e	**Elect Director Larry C. Glasscock** Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1f	**Elect Director Robert A. Hagemann** 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**
1g	**Elect Director Bryan C. Hanson** Chief Executive.	**For**
1h	**Elect Director Arthur J. Higgins** 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 Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1i	**Elect Director Michael W. Michelson** Independent Non-Executive Director.	**For**
2	**Ratify PricewaterhouseCoopers LLP as Auditors** PwC proposed. Non-audit fees represented 11.56% of audit fees during the year under review and 23.26% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. 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.	**Oppose**
3	**Advisory Vote to Ratify Named Executive Officers' Compensation** 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.	**Oppose**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote to Ratify Named Executive Officers' Compensation

Disclosure: B- The Company has achieved a market best practice level of disclosure. Annual cash incentive awards are made based on Constant currency revenue, Adjusted operating profit, Free cash flow and Adjusted EPS. There are concerns over the use of adjusted measures, as this does not permit an assessment on the challenging nature of performance targets. The Compensation Committee adopted a multi-year cash integration incentive plan upon the closing of the Biomet merger in June 2015, which concluded in 2017. Accordingly, the Committee approved payouts for Messrs. Florin, Phipps and Yi and Dr. Mazur-Hofsaess under this plan totaling approximately USD 0.9 million for 2017.
Long-term incentives are granted in the form of stock options, restricted stock units (RSUs) and performance restricted stock units (PRSUs).
Balance: D- Mr. Hanson was granted a a one-time cash bonus of USD 573,000 that is intended to replace a pro-rata portion of the bonus he forfeited upon leaving his former employer. In December 2017, the committee also approved a one-time cash bonus of USD 100,000 for Mr. Florin. There are concerns over the discretionary nature of such awards, as they do not link pay to performance. The stock options will have value only to the extent the price of stock rises after the grant date and the vesting of the PRSUs is contingent on achievement of iTSR over a three-year performance period. This is a market standard; however, a five-year performance period is considered best practice. Whilst the amount of reward derived from stock options is determined by share price growth, the awards of options have no performance conditions attached. Thus, an increase in share price over the lifespan of an option (and falls are unusual) can reward executives even in circumstances of poor relative performance.
Contract: C- Potential severance awards are considered to be excessive. The Company has double-trigger provisions in place, which is welcomed.

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