Triodos Investment Management

BECTON, DICKINSON AND COMPANY

MEETING DATE	Tue, 22 Jan 2019 13:00	TYPE	AGM	ISSUE DATE	Mon, 07 Jan 2019
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
1.1	**Elect Director Catherine M. Burzik** Independent Non-Executive Director.	**For**
1.2	**Elect Director R. Andrew Eckert** Independent Non-Executive Director. However, there are concerns over the director's potential aggregate time commitments.	**Abstain**
1.3	**Elect Director Vincent A. Forlenza** Chairman and CEO. Combined roles at the head of the Company. 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.	**Oppose**
1.4	**Elect Director Claire M. Fraser** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1.5	**Elect Director Jeffrey W. Henderson** Independent Non-Executive Director.	**For**
1.6	**Elect Director Christopher Jones** Independent Non-Executive Director.	**For**
1.7	**Elect Director Marshall O. Larsen** 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.	**Oppose**
1.8	**Elect Director David F. Melcher** Independent Non-Executive Director.	**For**
1.9	**Elect Director Claire Pomeroy** Independent Non-Executive Director.	**For**
1.10	**Elect Director Rebecca W. Rimel** Independent Non-Executive Director.	**For**
1.11	**Elect Director Timothy M. Ring** Non-Executive Director. Not considered independent as he served as the Chairman and Chief Executive Officer of Bard from August 2003 until the closing of its acquisition by the Company. There is sufficient independent representation on the Board.	**For**
1.12	**Elect Director Bertram L. Scott** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board. There are concerns over the director's potential aggregate time commitments. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**

2	**Appoint the Auditors** EY proposed. Non-audit fees represented 3.77% of audit fees during the year under review and 6.51% 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 on Executive 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. The CEO's fiscal 2018 PIP pay-out is not considered excessive at 166.21% of salary. However, maximum long-term award opportunities are considered excessive at over 200% of salary. Executive compensation is not aligned with peer group averages. 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. Furthermore, the performance period is three years, which is not considered sufficiently long-term. Regarding the SARs, the amount of reward derived from SARs is determined by share price growth, with 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. Cash severance payments are considered excessive. Contracts do not define 'good reason' and'cause' appropriately. The Company does not have a robust clawback policy in place. The compensation rating is: DDE. Based on this rating, Triodos recommends to oppose.	**Oppose**
4	**Board Proposal to Eliminate Supermajority Voting** The Board is proposing an amendment to BD's Restated Certificate of Incorporation that would provide for approval of certain corporate actions by the affirmative vote of a majority of the votes cast by holders of BD common stock, rather than the affirmative vote of two-thirds of the votes cast as currently required under the New Jersey corporation statute. It is considered to be best practice that shareholders should have the right to approve most matters submitted for their consideration by a simple majority of the shares voted. There are concerns that the supermajority provisions which relate to the Company's corporate governance documents could frustrate attempts by the majority of shareholders to make the Company more accountable or strengthen the independence of the Board. Triodos supports this resolution.	**For**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: D - Short-term incentives are provided via the Performance Incentive Plan (PIP) which is an annual variable cash payment tied to performance during the fiscal year. The performance metrics used are: adjusted EPS, revenues and free cash flow as a percentage of sales. Performance targets are fully disclosed. However, there are concerns over the use of adjusted targets as these may prevent shareholders from being able to fully assess the challenging nature of the performance targets. Long term equity compensation is composed of Share Appreciation Rights (SARs), Performance Units and Time Vested Units (TVUs). The performance measures used for the Performance Units are average annual Return on Invested Capital (ROIC) and relative TSR, each weighted 50%. Performance targets for each metric are disclosed.
Balance: D - The CEO's fiscal 2018 PIP pay-out is not considered excessive at 166.21% of salary. However, maximum long-term award opportunities are considered excessive at over 200% of salary. Executive compensation is not aligned with peer group averages. 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. Furthermore, the performance period is three years, which is not considered sufficiently long-term. Regarding the SARs, the amount of reward derived from SARs is determined by share price growth, with 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.

Contract: E - Cash severance payments are considered excessive. Contracts do not define ‘good reason’ and‘cause’ appropriately. The Company does not have a robust clawback policy in place.

For Private Circulation only

Researcher: Ahmed Suliman
Email: pircresearch@pirc.co.uk

PIRC

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