

Directors' Remuneration Policy

Compliance with the UK Corporate Governance Code

The new Remuneration Policy has been developed taking into account the following principles set out in Provision 40 of the Code:

- **Simple and clear:** Our remuneration structure is straightforward and transparent with Executive Directors' variable pay consisting of an annual bonus and a single long-term incentive plan.
- **Aligned to culture, purpose and strategy:** The remuneration structure has been designed to support our culture and business purpose with particular attention being paid to remuneration throughout the organisation to ensure that arrangements are appropriate in the context of our approach to reward for the wider workforce. Performance measures used in the incentive plans are aligned with key strategic objectives and the principle of long-term sustainable value creation.
- **Predictability:** Incentive awards are capped so that the maximum potential award under each plan is transparent.

The charts on [page 132](#) provide an illustration of the potential total reward opportunity for the Executive Directors.

- **Proportionality and mitigating risk:** Our variable remuneration arrangements are designed to provide a fair and proportionate link between Group performance and reward whilst mitigating risk where appropriate. The Committee has overriding discretion that allows it to adjust formulaic annual bonus or PSP outcomes so as to prevent disproportionate results and Policy provisions allow for the application of malus and/or clawback in specific circumstances. Additionally, there is a clear link between executive remuneration and the longer-term performance of the Group through a combination of bonus deferral into shares, five-year release periods for PSP awards and stretching shareholding requirements that apply during and post employment.

Changes to policy

The new Policy contains no changes to the 2023 Remuneration Policy for Executive Directors who reside outside

the US. The changes proposed in the new Policy are summarised below.

In designing the Directors' remuneration policy set out on [pages 126–135](#), the Committee followed a robust process which included detailed Committee discussions on approach and content of the Policy, engagement by the Committee Chair and Chair of the Board with 52 shareholders comprising over 67% of the share capital of the Company and proxy advisors, and further discussions following shareholder and proxy feedback culminating in the Proposal being put to the shareholder vote.

In order to avoid any conflicts of interest, the Committee is composed entirely of independent Non-Executive Directors. The Committee considered input from management, while ensuring that conflicts of interest were suitably mitigated, and our independent advisors, and sought the views of Smith & Nephew plc (the Company) major shareholders and other stakeholders, including employees. If approved by shareholders, the Policy will take effect from the date of that approval.

Proposed implementation of new Policy in 2024

Base salary

- 2023 salaries: CEO \$1,526,625; CFO £637,519
- 2024 salaries: CEO \$1,572,424; Incoming CFO: £725,000. For context, the average 2023 increase for the US workforce was 3% and 3.65% for the UK workforce.

Pension

- CEO: 7.5% of base salary. The contribution is capped in accordance with plan rules and regulations (aligned with the US-based workforce), see [page 141](#).
- CFO: 12% of salary (aligned with UK employees).

Annual Bonus

- 2024 opportunity for Executive Directors: 215% of salary (unchanged from 2023).
- Executive Directors receive 50% paid in cash, 50% deferred in shares for three years. 70% paid in cash, 30% deferred in shares once the shareholding guidelines have been met.
- Performance measures:* 35% revenue growth, 35% trading profit margin, 15% trading cash flow conversion, 15% business objectives (including 5% on ESG metrics).

Performance Share Programme

- 2024 award for US Executive Directors increased to 300%. UK Executive Directors remains at 275% of salary.
- Three-year performance period plus two-year holding period.

- Performance measures: 30% relative TSR, 30% ROIC, 30% revenue growth and 10% ESG metrics.

Restricted Share Plan

- 2024 award for US Executive Directors at 125% of salary.
- Awards will vest in 3 equal tranches over a 3-year period contingent on reasonable judgement underpins being met.

Shareholding guideline

- Whilst in employment, build up and maintain shareholding worth at least 500%/200% of salary for US Executive Director/Non-US Executive Director.
- After ceasing employment, remain compliant with their 'in employment' guideline for two years after stepping down as Director.

* These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on [pages 244–248](#).

Future policy table – Executive Directors

Base salary and benefits

Base salary

Core element of remuneration, paid for doing the expected day-to-day job to recruit and retain Executive Directors of the calibre required to deliver the Company's strategy.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
<p>Salaries are normally reviewed annually with any increase usually applying from 1 April. Salary levels and increases take into account:</p> <ul style="list-style-type: none"> – scope and responsibility of position; – skill/experience and performance of the individual Executive Director; – general economic conditions in the relevant geographical market; – average increases awarded across the Company, with particular regard to increases in the market in which the Executive Director is based; and – market movements seen among relevant peer companies. 	<p>While there is no maximum salary level, any increases will normally not exceed the typical increase for the wider employee population within the relevant geographic area. Higher increases may be made under certain circumstances at the Committee's discretion. For example, this may include:</p> <ul style="list-style-type: none"> – increase in the scope and/or responsibility of the individual's role; and – development of the individual within the role. <p>A full explanation will be provided in the Implementation Report should higher increases be approved in exceptional cases.</p> <p>In addition, where an Executive Director has been appointed to the Board at a lower than typical salary, larger increases may be awarded to move them closer to market practice as their experience develops.</p>	<p>Performance in the prior year is one of the factors taken into account and poor performance is likely to lead to a zero salary increase.</p>

Pension and payment in lieu of pension

Provide Executive Directors with an allowance for retirement planning to recruit and retain Executive Directors of the calibre required to deliver the Company's strategy.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
<p>Executive Directors receive a cash allowance in lieu of membership of a Company-run pension scheme.</p> <p>In jurisdictions where the local law requires employees to participate in a Company-run pension scheme, Executive Directors participate in the local pension scheme.</p> <p>Base salary is the only component of remuneration which is pensionable.</p>	<p>The maximum pension allowance for an Executive Director will be no more than the percentage of salary contribution paid in respect of the majority of our UK workforce (currently 12% of salary) unless the percentage of salary contribution paid in respect of the majority of the workforce in the Executive Director's home country or the country in which the Executive Director is based is lower, in which case that lower percentage of salary contribution would usually be offered.</p>	<p>None.</p>

Remuneration continued

Directors' Remuneration Policy continued

Benefits

Provide Executive Directors with a market competitive benefits package to recruit and retain Executive Directors of the calibre required to deliver the Company's strategy.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
<p>A wide range of benefits may be provided depending on the benefits provided for comparable roles in the location in which the Executive Director is based.</p> <p>These benefits will include, as a minimum: healthcare cover, life assurance, long-term disability, annual medical examinations, company car or car allowance.</p> <p>The Committee retains the discretion to provide additional benefits, where necessary or relevant in the context of the Executive Director's location, or, in connection with an Executive Director's recruitment, the country from which the Executive Director is recruited.</p> <p>Where applicable, relocation costs may be provided in-line with the Company's relocation policy for senior executives, which may include, amongst other items: removal costs, assistance with accommodation, living expenses for self and family and financial, tax and/or legal consultancy advice. In some cases, such payments may be grossed up.</p>	<p>While no maximum level of benefits is prescribed, they are set at an appropriate market competitive level, taking into account a number of factors, which may include:</p> <ul style="list-style-type: none">– the jurisdiction in which the individual is based.– the level of benefits provided for other employees within the Company.– market practice for comparable roles within appropriate pay comparators. <p>The actual amount payable will depend on the cost of providing such benefits to an employee in the location at which the Executive Director is based.</p> <p>The Committee regularly reviews the benefit policy and benefit levels.</p>	<p>None.</p>

All-employee arrangements

All-employee share plans

To enable Executive Directors to participate in all-employee share plans on a similar basis as other employees.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
<p>ShareSave Plans are operated in the UK and 31 other countries internationally. In the US, an Employee Stock Purchase Plan is operated. These plans enable employees to save on a regular basis and then buy shares in the Company. Executive Directors are able to participate in such plans on a similar basis to other employees, depending on where they are based.</p>	<p>Executive Directors may currently invest up to £500 per month in the UK ShareSave Plan, in-line with UK participants.</p> <p>The Committee may exercise its discretion to increase this amount up to the maximum permitted by HM Revenue & Customs. Similar limits will apply in different locations.</p>	<p>None.</p>

Annual incentives

Annual Bonus Plan

Incentivises delivery of the business plan on an annual basis. Rewards performance against key performance indicators which are critical to the delivery of our business strategy.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
<p>The Annual Bonus Plan is designed to reward performance over the year against financial and business objectives.</p> <p>The Committee determines pay out levels based on the extent to which performance against these objectives has been achieved. The Committee retains discretion, in exceptional circumstances, to pay bonuses in respect of the half year and/or full year. The Committee has full discretion to adjust outcomes under the Annual Bonus Plan where: (i) the occurrence of certain events would unfairly advantage or disadvantage participants, in the reasonable opinion of the Committee and/or (ii) the amount that a participant would/could receive under an award would result in the participant receiving an amount which the Committee considers cannot be justified or which the Committee considers to unfairly disadvantage or advantage a participant.</p> <p>In exercising this discretion, the Committee may consider all circumstances, including (but not limited to): the financial performance of the Company; any changes in the Company's share price; and the performance, conduct and contribution of the participant.</p> <p>Malus and clawback provisions apply, as detailed in the notes to this table.</p> <p>Normally, where the in-employment shareholding guideline of an Executive Director has not been met, half of the award is paid in cash after the end of the performance year and half is deferred into an award of shares under the Deferred Share Bonus Plan (DBP), which normally vests after three years. The bonus deferral reduces from 50% to 30% of base salary once shareholding guidelines have been met. The Committee has full discretion to authorise the payment of dividend equivalent payments on DBP awards to the extent they vest.</p>	<p>The maximum opportunity is 215% of base salary.</p> <p>50% of maximum is payable for on-target performance. Up to 15% of maximum is payable for threshold performance.</p>	<p>The Committee will determine the appropriate performance measures for each financial year, in order to ensure that the Annual Bonus Plan focuses on key business priorities for the Company.</p> <p>Typically, at least 80% of the annual bonus will be based on financial performance measures. The remainder will usually be based on business objectives linked to key areas of strategic focus.</p> <p>The Committee retains the discretion to adjust the relative weightings of the financial and strategic components and to adopt any performance measure that is relevant to the Company.</p> <p>Under whatever measures are chosen, the Committee will set appropriately challenging maximum performance targets and additionally, where appropriate, targets for threshold and/or on-target performance. In doing so, they will take into account a number of internal and external reference points, including the Company's key strategic objectives. The Committee may amend the performance conditions applicable to an award in accordance with the terms of the performance conditions or if events happen which cause the Committee to consider that it fails to fulfil its original purpose and would result in participants being unfairly advantaged or disadvantaged.</p>

Remuneration continued

Directors' Remuneration Policy continued

Long-term incentives

Performance Share Programme (PSP) and Restricted Share Programme (RSP)

To motivate and reward performance linked to the long-term strategy and share price of the Company.

The performance measures which determine the level of vesting of the PSP awards are linked to our corporate strategy.

How the component operates	Maximum levels of payment	Framework in which performance is assessed
<p>Awards are granted pursuant to the terms of the PSP and RSP.</p> <p>Awards are normally made in the form of conditional share awards, but may be awarded in other forms if appropriate, including nil cost options or a combination of awards.</p> <p>PSP awards usually vest after three years, subject to the achievement of stretching performance targets linked to the Company's strategy. The performance period for the PSP is usually three years.</p> <p>RSP awards usually vest in equal annual tranches over the three-year vesting period.</p> <p>The Committee has full discretion to adjust outcomes under the PSP and RSP where: (i) the occurrence of certain events would unfairly advantage or disadvantage participants in the reasonable opinion of the Committee; and/or (ii) the amount that a participant would/could receive under an Award would result in the participant receiving an amount which the Committee considers cannot be justified or which the Committee considers to unfairly disadvantage or advantage a participant.</p> <p>In exercising this discretion, the Committee may consider all circumstances, including (but not limited to): the financial performance of the Company; any changes in the Company's share price; and the performance, conduct and contribution of the participant.</p> <p>Participants may receive an additional number of shares (or, exceptionally, cash) equivalent to the amount of dividends payable on ordinary shares subject to the award that vest during the period up to vesting. On vesting, a number of shares are sold to cover the tax liability. The remaining shares are usually required to be held by the Executive Director for a further two year holding period.</p> <p>Malus and clawback provisions apply as detailed in the notes to this table.</p>	<p>PSP</p> <p>Awards for Executive Directors not resident in the US will consist of performance shares only with a maximum annual opportunity of 275% of base salary.</p> <p>US Executive Directors will receive a mix of performance shares and restricted shares with a maximum performance shares annual opportunity of 300% of base salary.</p> <p>For on-target levels of performance, 50% of the award vests. For threshold levels of performance, 25% of the award vests.</p> <p>RSP</p> <p>US Executive Directors awards will consist of a mix of performance shares and restricted shares, with the annual grant of Restricted Shares comprising no more than 125% of salary.</p>	<p>PSP</p> <p>The Committee aims to align the PSP performance measures with the Company's key long-term strategic objectives. In this manner, strong performance against the measures should lead to long-term sustainable value creation for our shareholders.</p> <p>Measures used will typically include:</p> <ul style="list-style-type: none"> – Financial measures – to reflect the financial performance of our business and a direct and focused measure of Company success. – Shareholder return measures – a measure of the ultimate delivery of shareholder returns, providing direct alignment. – Strategic measures – aligned with the Company's long-term strategy <p>The make-up and weighting of each measure will be determined by the Committee each year to reflect the particular strategic objectives over the relevant performance period.</p> <p>Maximum pay-outs will only be made for significant outperformance.</p> <p>Under whatever performance measures are chosen, the Committee will set appropriately challenging maximum performance targets and additionally, where appropriate, targets for threshold and/or on-target performance. In doing so, they will take into account a number of internal and external reference points, including the Company's key strategic objectives.</p> <p>The Committee may amend the performance conditions applicable to an award in accordance with the terms of the performance conditions or if events happen which cause the Committee to consider it appropriate to do so provided that this would not result in, in the Committee's reasonable opinion, an unfair benefit to the Executive Director.</p> <p>RSP</p> <p>Awards under the RSP are not subject to financial performance conditions and will vest to the extent the Committee determines in its discretion that the reasonable judgement underpin has been met. In determining the extent to which an award will vest, the Committee's will consider multiple factors relating to the vesting period including market movements, shareholder experience, the impact of the regulatory environment and reputational factors. The Committee retains full discretion following the grant of an award to make adjustments to the vesting outcome if full vesting is not considered to be appropriate. Any awards granted to Executive Directors must be in line with the Directors' Remuneration Policy.</p>

Notes to future policy table – Executive Directors

Share awards

The Committee may, in the event of any variation of the Company's share capital, demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of DBP, PSP, or RSP awards in accordance with the plan rules.

Malus and clawback

At any time prior to the vesting of a PSP, RSP, or DBP award or payment of a cash bonus, the Committee may determine that an unvested award or part of an award may not vest, including to zero on the occurrence of a Trigger Event (as defined below), regardless of whether or not the performance conditions have been met). At any time up to three years after the vesting of a PSP, RSP, or DBP award or payment of a cash bonus, the Committee may determine that any cash bonus, vested shares, or their equivalent value in cash be returned to the Company on the occurrence of a Trigger Event.

A **Trigger Event** will occur if any of the following matters is discovered where:

- There has been a misstatement of the Company's financial results which has resulted in a material overpayment to participants, which is in the form of awards under the applicable programme or otherwise, irrespective of whether the relevant participants are at fault;
- There has been an error in determining the size of the award or to the extent to which the performance conditions have been satisfied, or erroneous or misleading data, which has resulted in the vesting of an award which would not otherwise have vested or which would otherwise have vested to a materially lesser extent;
- There has been a significant adverse change in the financial performance or reputation of the Company, including corporate failure and/or any significant loss at a general level or in respect of a global business unit or function in which a participant worked; and/or
- The Committee determines that the conduct, capability or performance of a participant or any team, business area or profit centre warrants a review.

These provisions will apply under the Global Share Plan 2020, the Annual Bonus Plan and the Deferred Bonus Shares Plan 2020.

On 25 September 2023, the Board adopted the Financial Statement Compensation Recoupment Policy (the "Clawback Policy") providing for the recovery of certain incentive-based compensation from current and former executive officers of the Company in the event the Company is required to restate its financial statements filed with the SEC in order to correct an error that is material to its financial statements. The Clawback Policy is in addition to the rights granted to the SEC under applicable legislation and the malus and clawback provisions set forth in the Global Share Plan 2020 which permit the Remuneration Committee to reduce or clawback awards in specific circumstances.

Legacy matters

The Committee can make remuneration payments and payments for loss of office outside of the Policy set out above where the terms of the payment were agreed (i) before the Policy came into effect, provided the terms of the payment were consistent with any applicable policy in force at the time they were agreed or the terms were agreed before the date on which the Company first obtained shareholder approval for a Directors' remuneration policy; or (ii) at a time when the relevant individual was not an Executive Director of the Company (or other person to whom the Policy set out above applies) and that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company (or such other person). This includes the exercise of any discretion available to the Committee in connection with such payments.

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. The Policy set out above applies equally to any individual who would be required to be treated as an Executive Director under the applicable regulations. The Committee can make remuneration payments and payments for loss of office outside of the Policy set out above if such payments are required by law in a relevant country.

Consideration of employment conditions elsewhere in the Group and differences between arrangements for Executive Directors and workforce as a whole

When setting the Policy for Director's Remuneration, the Committee discusses, and takes into account of pay arrangements and employment conditions of employees across the Group when determining the pay of Executive Directors in the following ways:

Base salary

Increases to Executive Director base salaries will generally not exceed base salary budgets in the geography in which the Executive Director is based, although the Committee will also have oversight of base salary budgets across the Company more generally when making the decision.

Pension contributions and payments in lieu of a pension

A range of different pension arrangements operate across the Group depending on location and/or length of service. Executive Directors either participate in pension arrangements relevant to wider workforce in their local market or receive a cash allowance payable in lieu of a pension at a percentage of base salary in line with the wider workforce in the geography in which they are based.

Benefits

Benefit packages vary across the world depending on local market practice. Executive Directors receive a range of benefits in line with the standard executive benefits package available to the wider executive workforce in the geography in which they are based.

Annual Bonus Plan

Nearly all employees are eligible to receive performance-based pay, primarily in form of the Annual Bonus. Employees at different levels throughout the Group participate in Annual Bonus Plans with different payment outcomes. The annual performance objectives are cascaded down to all employees from the objectives set at the beginning of the year for the Executive Directors and Executive Officers, to ensure that the performance of all employees is linked to the Company's strategy and the objectives of the Executive Directors and senior management as applicable. In 2023, Executive Officers and senior executives

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Directors' Remuneration Policy continued

participated in the Annual Bonus Plan on the same basis as the Executive Directors, subject to lower limits.

All Employee Share Plans

We operate two all-employee share plan arrangements depending on the most appropriate arrangement for different geographies. In 2023, US employees participated in the Employee Stock Purchase Plan. In 2023, UK and international employees from 31 other countries, participated in the ShareSave Plan. Executive Directors, executive officers and senior executives participated in these plans aligned to the geography in which they are based.

Long term incentives

Executive Officers and senior executives participate in the PSP and RSP on the same basis as the Executive Directors subject to lower limits.

Shareholding requirements

Executive Officers and senior executives who participate in the Annual Bonus Plan, the PSP, and RSP are also required to build a significant shareholding in the Company.

Corporate events

If there is a takeover of the Company, awards under the PSP and DBP will normally vest early at the time of the transaction. DBP awards will normally vest in full. The extent to which awards under the PSP and RSP vest will be determined by the Committee, taking into account, where considered to be appropriate in all the circumstances, the actual or likely achievement of the relevant performance conditions and, unless the Committee determines otherwise, the awards will be time pro-rated by reference to the proportion of the relevant performance period that has elapsed. Any post-vesting holding requirements will normally cease to apply.

In these circumstances, the Committee reserves the discretion to treat the payment of annual bonuses for the financial year in which the takeover takes place in such manner as it considers appropriate (subject to the limit set out in the Policy table above).

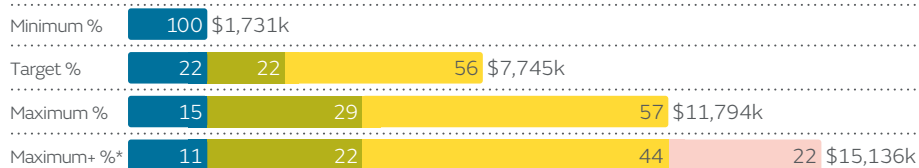
If there is a demerger or other transaction that is likely to materially affect the Company's share price, the Committee may allow awards to vest and bonus to be paid early on the same basis as set out above for a takeover.

Illustrations of the application of the Remuneration Policy 2024

The following charts show the potential split between the different elements of the Executive Directors' remuneration under four different performance scenarios:

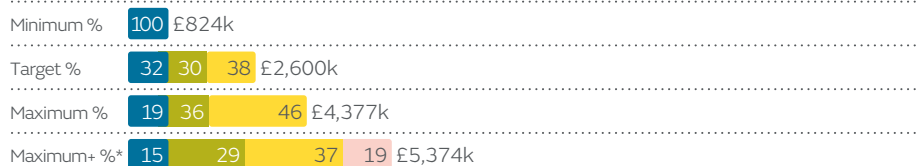
Chief Executive Officer

Current



Chief Financial Officer

Current



* + 50% share price growth ■ Fixed pay ■ Annual bonus ■ LTIP ■ LTIP – share price appreciation

	Assumed performance	Assumptions used for proposed Policy
Fixed pay	All performance scenarios	<ul style="list-style-type: none"> Consists of total fixed pay, including base salary and pension allowance (as at 1 April 2024) and benefits (as received during 2023). Pro-rated for Deepak Nath.
Variable pay	Minimum Performance	<ul style="list-style-type: none"> No pay out under the Annual Bonus Plan. No vesting under the PSP.
	Target Performance	<ul style="list-style-type: none"> 50% of maximum pay out under the Annual Bonus Plan (i.e. 107.5% of salary). 50% vesting under the PSP (i.e. 137.5% of salary).
	Maximum Performance	<ul style="list-style-type: none"> 100% of the maximum pay out under the Annual Bonus Plan (i.e. 215% of salary). 100% vesting under the PSP (i.e. 300% of salary for the CEO and 275% for the CFO).
	Maximum performance + 50% share price growth	<ul style="list-style-type: none"> As maximum performance but this column assumes that the face value of the PSP award increases by 50% as a result of share price growth.

PSP awards have been shown at face value with no discount rate assumptions. The charts provide illustrative values of the remuneration package in 2023. Actual outcomes may differ from those shown.

Policy on recruitment arrangements

Our policy on the recruitment of Executive Directors is to pay a fair remuneration package for the role being undertaken and the experience of the Executive Director appointed. In terms of base salary, we will seek to pay a salary comparable, in the opinion of the Committee, to that which would be paid for an equivalent position elsewhere. The Committee will determine a base salary in line with the Policy and having regard to the parameters set out in the Future Policy Table. Incoming Executive Directors will be entitled to pension (or cash payment in lieu of pension), benefits and incentive arrangements aligned with those set out in the Policy table above. On that basis, the aggregate annual opportunity under their incentive arrangements would not exceed 490% of base salary if based outside the US or 640% of base salary if based in the US.

We recognise that in the event that we require a new Executive Director to relocate to take up a position with the Company, we may also pay relocation and related costs, in line with the relocation arrangements we operate across the Group. In addition, where a new Executive Director requires legal or other professional advice related to the appointment with the Company, we may agree to pay directly or reimburse the Executive Director for fees and expenses reasonably and properly incurred including the provision of advice to enable the Executive Director to understand the obligations, duties and legal and regulatory requirements of the new role.

The Committee also has the discretion to determine whether a new Executive Director should be subject to a different set of criteria for annual and/or long-term incentive performance measures during the first 12 months following appointment.

For external appointments, the Committee may award compensation for the forfeiture of remuneration awards or compensation arrangements from a previous employer. In doing so, the Committee would aim to structure the replacement awards in a like-for-like manner to the extent possible, taking into account relevant factors, including:

- the form of the forfeited awards (e.g. cash or shares);
- any performance conditions attached to them and the likelihood of these conditions being satisfied; and
- the proportion of the vesting and/or performance period remaining.

The Committee will have regard to the best interests of both Smith+Nephew and its shareholders and is conscious of the need to pay no more than is necessary, particularly when determining buy-out arrangements.

In making buy-out awards to new appointments, the Committee may grant awards under the relevant provision in the Financial Conduct Authority Listing Rules, which allows for the granting of awards specifically to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval.

The overall approach outlined above would also apply to internal appointments, with the proviso that any commitments entered into before promotion which are inconsistent with the Policy will continue to be honoured.

Service contracts

We employ Executive Directors on rolling service contracts with notice periods of up to 12 months from the Company and up to 12 months from the Executive Director. On termination of the contract, we may require the Executive Director not to work their notice period and pay them (in phased instalments or as a lump sum) an amount equivalent to the base salary, contributions to a pension or equivalent savings plan (or payment in lieu thereof) and benefits they would have received if they had been required to work their notice period. The Executive Directors may become entitled to additional/alternative sums if termination occurs within 12 months of a change in control (as further described in the following section 'Policy for payment for loss of office').

Directors' service contracts are available for inspection at the Company's registered office: Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire WD18 8YE, United Kingdom.

Policy for payment for loss of office

Our usual policy regarding termination payments to departing Executive Directors is to limit severance payments to pre-established contractual terms. Where necessary to comply with the mandatory laws of the jurisdiction in which the Executive Director is resident, the Committee may authorise remuneration payments or payments for loss of office in excess of the pre-established contractual terms. In the event that the employment and/or office of an Executive Director ends, any compensation payable will be

determined in accordance with the terms of the service contract between the Company and the Executive Director, as well as the rules of any incentive plans and the Policy. In addition, the Committee will have the discretion to make payments in discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement of any claim arising in connection with the cessation of office or employment.

Under normal circumstances (excluding termination for gross misconduct and certain other terminations for 'cause') all leavers are entitled to receive a termination payment (in phased instalments or as a lump sum) in lieu of notice equal to base salary, pension contributions (or payment in lieu of pension) and benefits. The leaver may also be paid a payment in lieu of accrued but untaken holiday leave.

Payments may also include (but are not limited to) costs associated with relocation/repatriation, the costs of legal advice, financial (including tax) advice and outplacement services in connection with cessation of office or employment.

In the event of termination in connection with a change in control of the Company, in circumstances where there is a diminution of status, a reduction in salary or benefits, a mandatory relocation or where termination results from the change in control, the payment in lieu of notice will be payable as a lump sum, the Committee will consider to what extent an annual bonus award should be made, and the leaver will receive reasonable outplacement costs.

In the event that an Executive Director dies or ceases to be an employee because of ill-health, injury, disability, redundancy, retirement with the agreement with the Company, the sale of their employing company or business out of the Group, or for any other reason for which the Committee determines that good leaver treatment is appropriate:

- They may be eligible to receive an annual bonus on a time pro-rated basis for the period of the year that they have worked.
- The annual bonus will typically be subject to business and individual performance in the same manner as for the continuing Executive Directors, and paid at the usual time. The annual bonus may be paid in such proportion of cash and shares and subject to such deferral arrangements as the Committee may determine.

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The Committee will have the discretion to take into account performance over the full financial year or up to the date of cessation of employment based on appropriate performance measures determined by the Committee in line with the Policy.

- Outstanding PSP and RSP awards will typically, unless the Committee determines otherwise, be pro-rated for the proportion of the relevant performance period (in the case of the PSP) or the vesting period (in the case of the RSP) that has elapsed at the time Executive Director leaves, and be tested for performance at the end of the performance period (in the case of the PSP), unless the Committee determines to test performance otherwise. The two-year post-vesting holding period for the PSP will, unless the Committee determines otherwise, continue to be enforced. If an Executive Director dies, awards will normally vest early and only be time pro-rated if the Committee considers it appropriate. Any outstanding awards under the PSP and RSP will remain subject to the same terms and conditions (including, malus and clawback) as applied at time of grant. For participants who leave for any other reason, outstanding PSP or RSP awards will lapse in full.
- If an Executive Director leaves for any reason other than dismissal or any other reason that the Committee determines, any outstanding DBP awards will remain subject to the same terms and conditions (including malus and clawback) as applied at time of grant and vest as if the Executive Director had not left. In the event of termination in connection with a change in control of the Company or, if an Executive Director dies, any outstanding DBP awards will vest. In any other circumstances any unvested DBP awards will lapse.

One-off awards granted on appointment will normally lapse on leaving except in cases of death, retirement, redundancy or ill-health. The Committee has discretion to permit such awards to vest in other circumstances or to agree to make a cash payment in respect of such an award and will be subject to satisfactorily meeting applicable performance conditions.

We will supply details via an announcement to the London Stock Exchange of a departing Executive Director's termination arrangements as soon as is practicable.

Policy on shareholding requirements

The Committee believes that one of the best ways our Executive Directors' interests can be aligned with that of shareholders is for them to hold a significant number of shares in the Company. If based outside the US, the Chief Executive Officer is expected to build a holding of Smith+Nephew shares worth three times base salary and the Chief Financial Officer is expected to build a holding of two times base salary. If based in the US, the Chief Executive Officer is expected to build a holding of Smith+Nephew shares worth five times base salary and the Chief Financial Officer is expected to build a holding of two times base salary. Executive Directors are required to retain at least 50% of the shares (after tax) vesting under Company incentive plans decreasing to 30% once share ownership guidelines are met, recognising that differing international tax regimes affect the pace at which Executive Directors may fulfil the shareholding requirement, unless the Committee determines otherwise.

When calculating whether or not this requirement has been met, Ordinary Shares or ADRs held by the Executive Directors and their immediate family are included, as are unvested awards under the DBP (on a net-of-tax basis), but not PSP awards. Ordinarily we would expect Executive Directors to achieve their shareholding requirement within a period of five years from the date of appointment.

Executive Directors are also usually required to hold any shares vesting under the PSP for a period of two years after vesting.

The Executive Officers and senior executives who participate in the Annual Bonus Plan and PSP are also required to build a significant shareholding in the Company, extending the principle of alignment with our shareholders across the senior management team.

Policy on post cessation shareholding

Executive Directors are usually required to retain any shareholding up to the applicable shareholding requirement (or their actual holding on departure if lower) for a period of two years after cessation of employment.

This post employment holding requirement does not apply to shares purchased by an Executive Director in the market which have not been awarded as part of remuneration.

In order to reinforce this expectation, and to the extent that the shareholding requirement has not been reached, all relevant vested DBP, PSP, and RSP shares will be held in a vested share plan account, which will not usually be accessible until two years post cessation of employment. In addition, former Executive Directors will be required to seek permission to deal during this period.

The Committee retains the discretion to adjust or waive all or part of the post-employment shareholding requirement in appropriate circumstances. In exercising this discretion, the Committee may consider circumstances including (but not limited to) the performance, conduct and contribution of the participant.

Limited discretion to make minor amendments to Policy

The Committee retains the discretion to make minor amendments to the Policy as may be required or reasonably necessary for administrative reasons or to the extent required or reasonably necessary to comply with applicable laws and regulations.

Consultation with employees relating to Executive Director remuneration

While the Committee does not directly consult with our employees as part of the process of determining executive pay, the Chair provided an overview of the compensation of Executive Officers at one of our Board Listening Sessions. No comments were raised by the employees attending that session.

Statement of consideration of shareholder views

Angie Risley, the Committee Chair, engaged with shareholders during development of the Policy. The feedback received was presented to and discussed by the Committee and informed the final shape of the proposed Policy which is being put to the 2024 Annual General Meeting.

The Committee Chair and shareholders appreciated the engagement and the Committee took all comments received on board during its subsequent discussions and ensured further clarity was included in the narrative detailing the proposed changes to the new Policy (see [page 126](#)).

Future policy table – Chair and Non-Executive Directors

The following table and accompanying notes explain the different elements of remuneration we pay to our Chair and Non-Executive Directors. No element of their remuneration is subject to performance. All payments made to the Chair are determined by the Committee, whilst payments made to the Non-Executive Directors are determined by those Directors who are not themselves Non-Executive Directors, currently the Chair, Chief Executive Officer and Chief Financial Officer.

Annual fees

Basic annual fee

To attract and retain Directors by setting fees at rates comparable to what would be paid in an equivalent position elsewhere.

A proportion of the fees is usually paid in shares in the third quarter of each year in order to further align Non-Executive Directors' fees with the interests of shareholders. Where appropriate, the Chair or Non-Executive Director may be provided with an alternative option of receiving their fee wholly in cash in return for them entering into a commitment to separately purchase the required number of shares to comply with the above requirement.

How the component operates

Fees will be reviewed on an annual basis. Any increase will usually be paid in shares until 25% of the total fees is paid in shares.

Fees are set in-line with market practice for companies of a similar size and complexity. Annual fees are set and paid in UK Sterling or US Dollars depending on the location of the Non-Executive Director. If appropriate, fees may be set and paid in alternative currencies and exchange rate fluctuation will be taken into account when determining fees to be paid in alternative currencies.

Maximum levels of payment

Whilst it is not usually expected to increase the fees paid to the Non-Executive Directors and the Chair by more than the increases paid to employees generally, in certain circumstances (including periodic and substantial increases in activity or time commitment), higher fees might become payable.

The total maximum aggregate fees payable to the Non-Executive Directors will not exceed the limit set out in the Company's Articles of Association.

Additional Fees

To compensate Non-Executive Directors for additional responsibilities such as Committee Chair or Senior Independent Director reflecting additional time involved in such roles.

How the component operates

A fixed fee is paid, which is reviewed annually.

Maximum levels of payment

The aggregate amount of fees payable to the Non-Executive Directors may not exceed the limit set out in the Company's Articles of Association.

Intercontinental travel

To compensate Non-Executive Directors for the time spent travelling to attend meetings in another continent.

How the component operates

A fixed fee is paid, which is reviewed annually.

Maximum levels of payment

The aggregate amount of fees payable to the Non-Executive Directors may not exceed the limit set out in the Company's Articles of Association.

Notes to future policy table – Non-Executive Directors

Additional duties undertaken by Non-Executive Directors

In the event that the Chair or a Non-Executive Director is required to undertake significant executive duties in order to support the Executive Directors during a period of absence due to illness or a gap prior to the appointment of a permanent Executive Director, the Committee is authorised to determine an appropriate level of fees which will be payable. These fees will not exceed the amounts which would normally be paid to a permanent Executive Director undertaking such duties and will not include participation in short or long-term incentive arrangements or benefit plans.

Additional benefits

The Committee will have the discretion to approve such additional benefits for Non-Executive Directors as may be required or reasonably necessary

in connection with the performance of their duties, including without limitation expenses and associated taxes.

Policy on recruitment arrangements

Any new Non-Executive Director will be paid in accordance with the current fee levels on appointment, in-line with the Policy set out above. With respect to the appointment of a new Chair, fee levels will take account of market rates, the individual's profile and experience, the time required to undertake the role and general business conditions. In addition, the Committee retains the right to: (i) authorise the payment of relocation assistance or an accommodation allowance in the event of the appointment of a Chair not currently based in the UK; and (ii) authorise the payment of a contribution towards ongoing administrative support services as may be required or reasonably necessary to enable the Chair to fulfil the required duties and obligations of the role.

Terms of appointment

The Chair and Non-Executive Directors have letters of appointment which set out the terms under which they provide their services to the Company. These are available for inspection at the Company's registered office: Building 5, Croxley Park, Hatters Lane, Watford, Hertfordshire WD18 8YE, United Kingdom.

The appointment of the Non-Executive Directors is not subject to a notice period, nor is there any compensation payable on loss of office, for example, should they not be re-elected at an Annual General Meeting. The Committee has the discretion to waive all or a portion of the notice period of six months applicable for the Chair.

The Chair and Non-Executive Directors are encouraged to acquire a shareholding in the Company equivalent in value to their basic fee within two years of their appointment to the Board.