Governance at a glance

This section provides an overview of our corporate governance structure, our policies and practices, as well as the key activities undertaken by the Board and its Committees to ensure effective leadership and the implementation of strong corporate governance at Smith+Nephew.

1. Board leadership and Company purpose

The Board's primary focus is the long-term success of the Company. It ensures the right resources and culture are in place to deliver on its objectives, and is responsible for effective engagement with stakeholders.

» See pages 84–87 and 90–95

"In a world in which stakeholders have different, and sometimes conflicting, views on how, and to what end, companies should be run, Boards have to be resolute in discharging their responsibilities in the best interests of the Company as a whole."

Rupert Soames, OBE
Chair

2. Division of responsibilities

The Board ensures a diverse balance of Executive and Non-Executive Directors with clear definition of their respective roles and responsibilities.

» See pages 96–99

Board meeting attendance

Board	Audit	Nomination & Governance	Compliance & Culture	Remuneration
94%	100%	88%	95%	96%

Key Activities

– Purpose and culture
– Strategy and innovation
– Operations and commercial excellence
– Stakeholders
– Risk and internal controls

Statement of Compliance

The Board is committed to the highest standards of corporate governance. We comply with the provisions and principles of the UK Corporate Governance Code 2018 (2018 Code). The Company's American Depositary Shares and bonds are listed on the New York Stock Exchange (NYSE) and we are therefore subject to the rules of the NYSE as well as to US securities laws and the rules of the Securities and Exchange Commission (SEC) applicable to foreign private issuers. We comply with the requirements of the NYSE and SEC and have no significant differences to report between the US and UK corporate governance standards.

We explain in this 'Governance' section how we comply with and have applied the 2018 Code during the year. The 2018 Code can be found at www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf. We also explain how we have complied with the Financial Conduct Authority's (FCA) Listing Rules and Disclosure & Transparency Rules (DTRs) throughout the year.

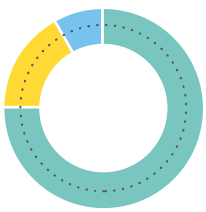
3. Composition, succession and evaluation

The Board maintains an appropriate balance of skills, experience and knowledge to ensure that it can discharge its responsibilities. The evaluation of Board performance and succession plans are crucial to ensure that the Board operates effectively.

» See pages 102–110

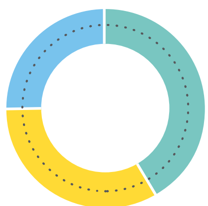
Board ethnicity

- White British or other White (including minority-white groups) 9
- Asian/Asian British 2
- Not specified/prefer not to say 1

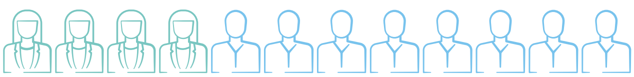


Board tenure

- 0-2 yrs 5
- 3-5 yrs 4
- 6+ yrs 3



Board gender diversity



33.33% female 66.67% male

Board experience

Employee engagement	67%
CEO	58%
Financial	42%
International	92%
Healthcare/Medical Devices	58%
Emerging Markets	67%
Cybersecurity	58%
ESG	67%
UK Governance	58%
Remuneration	58%

4. Audit, risk and internal control and Compliance and Culture

The Audit Committee's assurance that the financial reporting is fair, balanced and understandable is important for stakeholders to determine the Company's performance.

The Compliance & Culture Committee assists the Board in monitoring ethics and compliance, quality and regulatory, culture and sustainability matters across the Group.

» See pages 111–120

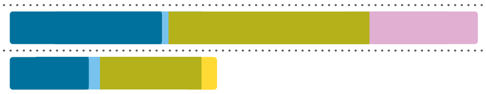
5. Remuneration

The Remuneration Committee designs policies and practices to support strategy and stability thereby promoting the long-term sustainable success of the Company. In doing so, it ensures these align with the remuneration and related policies across the Group's workforce.

» See pages 121–154

Single figure remuneration

Deepak Nath
Anne-Françoise Nesmes



	Deepak Nath	Anne-Françoise Nesmes
Salary	$1,512,726	$785,673
Pension & Benefits	$65,000	$109,735
Bonus	$1,997,124	$1,010,184
LTI	Nil	$154,354
Forfeited Incentives	$1,083,402	Nil

Total remuneration

Deepak Nath

$4,658,252

Anne-Françoise Nesmes

$2,059,946

Board of Directors

Committee key

Member of the Audit Committee (A)
Member of the Nomination & Governance Committee (N)
Committee Chair (C)
Member of the Remuneration Committee (R)
Member of the Compliance & Culture Committee (C)

Rupert Soames

Chair

Appointed as an Independent Non-Executive Director in April 2023 and as Chair in September 2023

N R

Key skills and competencies:
Rupert has extensive global leadership experience, a proven track record of delivering shareholder value and a deep understanding of UK corporate governance.

Current external appointments:
– Chair of the Confederation of British Industry.

Previous experience:
Rupert stepped down in December 2022 after nine years as Group Chief Executive from Serco Group plc, the specialist services business in Health, Defence, Transport and Immigration. Previously, he was Chief Executive Officer of Aggreko plc for 11 years and prior to that Chief Executive of Misys plc's Banking and Securities Division. Rupert was Senior Independent Director and a member of the Audit, Remuneration and Nomination Committees for both DS Smith and Electrocomponents plc (now RS Group).

Nationality:
British

Deepak Nath

Chief Executive Officer

Appointed Chief Executive Officer in April 2022

Key skills and competencies:
Deepak brings global leadership and risk-management expertise and has a track record of driving growth at major healthcare companies through delivering a significant improvement in execution and building a strong results-focused culture.

Current external appointments:
None.

Previous experience:
He began his career as a scientist in computational physics at Lawrence Livermore National Laboratory and holds a BSc and MSc in Mechanical Engineering and a PhD in Theoretical Mechanics from the University of California, Berkeley. Prior to joining Siemens Healthineers, he held roles at both Amgen and McKinsey and spent 10 years at Abbott Laboratories, Inc. culminating in his appointment as President of Abbott Vascular. At Siemens Healthineers (2018–2022) he was President of the Diagnostics business responsible for $6 billion of revenue and 15,000 employees.

Nationality:
American

Anne-Françoise Nesmes

Chief Financial Officer

Appointed Chief Financial Officer in July 2020 and stepping down from the Board in Q1 2024

Key skills and competencies:
Anne-Françoise has worked as a senior finance executive in global FTSE listed companies for many years, which alongside a strong business acumen and deep sector knowledge provides her with the experience required to be part of the Smith+Nephew leadership team. She demonstrates a high competency for delivering operational excellence across different geographic markets and leading large teams who are responsible for significant budgets. She has an impressive and diverse background and her ability to translate financial insights into results helps guide Smith+Nephew.

Current external appointments:
– Senior Independent Director and Chair of the Audit Committee at Compass Group plc.

Previous experience:
Anne-Françoise joined GlaxoSmithKline plc in 1997 where she worked for 16 years, holding multiple senior finance roles including Senior Vice President, Global Vaccines. Anne-Françoise served as Chief Financial Officer for Dechra Pharmaceuticals plc in 2013 where she successfully implemented financial strategies to support the growth of the business. She was Chief Financial Officer of Merlin Entertainments Limited (formerly Merlin Entertainments plc) from 2016 to 2020, leaving after successfully completing the transaction to take the company private.

Nationality:
British/French

Marc Owen

Senior Independent Director

Appointed Independent Non-Executive Director in October 2017 and Senior Independent Director in September 2022

A C N

Key skills and competencies:
Marc is a proven leader with an astute strategic vision, capable of building significant international healthcare businesses. He has strong commercial healthcare expertise. Marc is responsible for ESG through his role as Chair of the CCC.

Current external appointments:
None.

Previous experience:
Marc commenced his healthcare and technology career at McKinsey & Company where he progressed to senior partner and eventually a founding partner of McKinsey's Business Technology Office. In 2001, Marc joined McKesson Corporation and served as Executive Vice President and member of their Executive Committee. He delivered strategic objectives and led over 40 acquisitions and divestments over a 10-year period. In late 2011, he headed McKesson Speciality Health, which operates over 130 cancer centres across the US and provides market intelligence, supply chain services, patient access to therapy, provider and patient engagement and clinical trial support. In 2014, he was appointed Chair of the European Management Board at Celesio AG. He retired in March 2017 once he had improved operations, set the strategy and recruited his successor.

Nationality:
British/American

Erik Engstrom

Independent Non-Executive Director

Appointed Independent Non-Executive Director in January 2015. Stepped down from the Board on 31 December 2023

A N

Key skills and competencies:
Erik has successfully reshaped RELX Group's business in terms of portfolio and geographies. He brings a deep understanding of how technology can be used to transform a business and insight into the development of new commercial models that deliver attractive economics. His experience as a Chief Executive Officer of a global company gives him valuable insights as a member of our Audit and Nomination & Governance Committees.

Current external appointments:
- Chief Executive Officer of RELX Group.

Previous experience:
Erik commenced his career at McKinsey & Company and then worked in publishing, latterly as President and Chief Operating Officer of Random House Inc. and as President and Chief Executive Officer of Bantam Doubleday Dell, North America. In 2001, he moved on to be a partner at General Atlantic Partners, a private equity investment firm. Between 2004 and 2009, he was Chief Executive Officer of Elsevier, the division specialising in scientific and medical information and then from 2009 Chief Executive Officer of RELX Group, the division specialising in scientific and medical information and then from 2009 Chief Executive Officer of RELX Group.

Nationality:
Swedish

Jo Hallas

Independent Non-Executive Director

Appointed Independent Non-Executive Director in February 2022

A

Key skills and competencies:
Jo has extensive international experience focused on business transformation through both organic and acquisitive growth in global industrial and consumer sectors. She brings valuable expertise which will help Smith+Nephew build upon and achieve our strategic ambitions.

Current external appointments:
None.

Previous experience:
Jo commenced her career at Procter & Gamble based in Germany, the US, Thailand and the Netherlands. She then joined Bosch where she held a business unit leadership role in their Power Tools division followed by Invensys in 2009 where she ran their global heating controls business unit including launching its first smart home offer. She then moved to Spectris plc, where she had responsibility for a portfolio of global industrial technology businesses, as well as for the Group's digital strategy. From April 2019 to April 2023, Jo served as Chief Executive Officer for Tyman plc where she made sustainability a core foundation of the group's strategy. Jo was also previously Chair of the Remuneration Committee for Norcros plc.

Nationality:
British

John Ma

Independent Non-Executive Director

Appointed Independent Non-Executive Director in February 2021

C

Key skills and competencies:
John has an impressive track record in medical device businesses and his contribution provides value as Smith+Nephew continues to develop innovative ways to grow and serve our markets with a focus towards Asia Pacific regions. He is an established healthcare leader and has strong experience of driving market entry and growth within emerging markets.

Current external appointments:
- Founder, Chair and Chief Executive of Ronovo Surgical.

Previous experience:
In 2000, John joined GE Healthcare and became Vice President and General Manager of their Global Product Company in China. John has also held a number of senior positions as President of Asia Pacific regions at Pentair Inc., Vice President of Express Scripts Inc., and Global Partner of Fosun Group. He initially joined Fosun Pharma to lead their medical device business and in 2014 became President of Fosun Healthcare Holdings. He served as a key member of their healthcare investment committee which went on to establish a global presence across the US, Europe, Israel and China. In 2017, John joined Intuitive Surgical as their Senior Vice President of Strategic Growth Initiatives. He has previously served as a NED for both Haier Electronics Group and Clinical Innovations LLC.

Nationality:
American

Katarzyna Mazur-Hofsaess

Independent Non-Executive Director

Appointed Independent Non-Executive Director in November 2020

C

Key skills and competencies:
Katarzyna demonstrates a true passion for customer focus and maintains an impressive track record in senior leadership within the MedTech industry. She is a qualified medical doctor (PhD) and has a wealth of experience in medical devices and orthopaedic sectors. Her Chief Executive Officer experience of a global company and valuable industry knowledge will help drive innovation and ensure the continued development of Smith+Nephew.

Current external appointments:
- Chief Executive Officer, Care Enablement (MedTech segment), at Fresenius Medical Care AG and a member of the Management Board.

Previous experience:
Katarzyna commenced her corporate career at Roche in Poland, was later recruited by Abbott Laboratories to manage their diabetes care division in Poland and became Country General Manager. Her career progressed to General Manager of Molecular Diagnostics Division for EMEA and eventually to Divisional Vice President Abbott Diagnostics for Europe. In 2010, she became President EMEA region at Zimmer, following the Biomet acquisition and led the integration in the region and served as President EMEA for Zimmer Biomet, leading orthopaedic company. In 2018, she joined Fresenius Medical Care, the renal company, as CEO EMEA and Member of the Management Board.

Effective January 2022, Katarzyna took over responsibility for the globally operating Care Enablement segment in which Fresenius Medical Care AG has consolidated its €5.5 billion healthcare products business into one MedTech organization. Her responsibility includes research and development, quality and regulatory, manufacturing, supply chain and commercial operations.

Nationality:
German/Polish

Board of Directors continued

Jez Maiden

Independent Non-Executive Director

Appointed Independent Non-Executive Director in September 2023 and as a member of the Audit and Remuneration Committee. Will become Chair of the Audit Committee from 1 March 2024

A R

Key skills and competencies:
Jez has extensive financial experience across a diverse range of industries and sectors. Jez brings more than 15 years of global experience both as a FTSE Chief Financial Officer and as a Non-Executive Director on boards of companies addressing strategic and operational challenges across a number of different industries, including life-sciences and healthcare. He has had oversight of large operations in the US, Europe and Asia in highly regulated industries.

Current external appointments:
- Senior Independent Director, Travis Perkins plc.
- Non-Executive Director and member of the Audit Committee at Intertek Group plc.

Previous experience:
Jez retired in 2023 as Group Finance Director at Croda International plc, the FTSE 100 global speciality chemicals company, and previously held similar roles at National Express Group plc and Northern Foods Limited. He has served as the Senior Independent Director at Synthomer PLC and at both PZ Cussons plc and Synthomer PLC he chaired the Audit Committee and served on the Remuneration Committee. He is a fellow of the Chartered Institute of Management Accountants.

Nationality:
British

Rick Medlock

Independent Non-Executive Director

Appointed Independent Non-Executive Director in April 2020. Stepping down as Chair of the Audit Committee on 1 March 2024 and will not submit for re-election at the AGM

A

Key skills and competencies:
Rick has extensive experience and a deep understanding of technology focused R&D businesses. He has driven value and transformation throughout his executive career which will further reinforce the ability of Smith+Nephew to grow and develop into new and existing markets. Rick brings significant financial and risk management expertise as a well-regarded former FTSE 100 Chief Financial Officer, NED and Audit Committee Chair.

Current external appointments:
- NED and member of the Audit, Risk and Compliance Committee at Datatec Ltd.
- NED and Chair of the Audit Committee at Deliveroo.
- NED and Chair of the Board at British Engineering Services Limited.
- NED and Chair of the Board at Alaska TopCo Limited, the parent company of Nomentia Oy (the software cash and treasury solutions provider).

Previous experience:
Rick has had a highly successful career as a strong commercial Chief Financial Officer in the technology industry, working for a range of international FTSE 100 and NASDAQ listed businesses during periods of high growth. He has held a number of Chief Financial Officer positions throughout his career, including at NDS Group plc, Inmarsat plc and Worldpay Group plc. Rick brings a wealth of experience as a former NED and Audit Committee Chair of several technology driven businesses, such as Sophos Group plc, Edwards Vacuum, and Thus plc. Rick was also previously Chair of BluJay Solutions Ltd, Chair of Momondo Group and Chair of the Audit Committee for LoveFilm UK Limited.

Nationality:
British

Angie Risley

Independent Non-Executive Director

Appointed Independent Non-Executive Director in September 2017

C R N

Key skills and competencies:
Angie has gained experience in a wide range of sectors, including a regulated environment. This diversity of experience is welcomed by the Board and the Remuneration Committee. Angie is also an additional resource and sounding board for Smith+Nephew's own internal Human Resources function.

Current external appointments:
- Non-Executive Director and Chair of the Remuneration Committee at InterContinental Hotels Group plc.

Previous experience:
From 2007 to 2013 Angie was the Group HR Director for Lloyds Banking Group and was Group HR Director of Sainsbury plc and a member of their Operating Board from January 2013 to May 2023. Over the years, Angie has been a member of the Low Pay Commission and has held a number of Non-Executive Directorships with Biffa plc, Arriva and Serco Group plc. At Serco Group plc she was the Chair of the Remuneration Committee. Previously she has attended Remuneration Committees of Whitbread plc and Lloyds Bank.

Nationality:
British

Bob White

Independent Non-Executive Director

Appointed Independent Non-Executive Director in May 2020

C R

Key skills and competencies:
Bob is an experienced leader with more than 25 years' worth of industry relevant experience. He is an influential and well-known figure in the medical technology sector and has an impressive track record in delivering growth and fostering innovation. He brings valuable global medical technology insight to the Board, which will prove fundamental in helping to shape and develop the future strategic direction of Smith+Nephew healthcare expertise.

Current external appointments:
None

Previous experience:
Bob has held a number of senior Vice President positions throughout his career, most recently as Executive Vice President and President at Medtronic plc. He was also senior Vice President at Chemdex Corporation, Accelrys Inc., SourceOne Healthcare Technologies, Inc., GE Healthcare and Covidien as President for Emerging Markets and President for Respiratory and Monitoring Solutions. He then became Senior Vice President and President of Medtronic Asia Pacific, having led the integration of Covidien Asia Pacific when it was acquired by Medtronic plc in 2015.

Nationality:
American

Directors who have joined the Board since 31 December 2023

Simon Lowth

Independent Non-Executive Director

Appointed as Independent Non-Executive Director on 1 January 2024

A N

Key skills and competencies:
Simon has extensive experience in finance, accounting, risk, corporate strategy as well as mergers and acquisitions and brings a wealth of expertise across a wide range of sectors, including within regulated industries. Having served as the CFO in four FTSE 100 companies, he has deep experience of capital markets, implementing strategic change, cost transformation and performance improvement programmes as well as understanding how technology can be used to transform a business.

Current external appointments:
– Group Chief Financial Officer of BT Group.

Previous experience:
Simon was previously Group Chief Financial Officer at AstraZeneca and Scottish Power. Before joining Scottish Power, he led the Industrial Practice of McKinsey in the UK. He previously served as a Non-Executive Director on the Board of Standard Chartered.

Nationality:
British

John Rogers

Chief Financial Officer Designate

Joining the Board as Chief Financial Officer in Q1 2024

Key skills and competencies:
John has extensive financial and commercial leadership experience across a range of sectors and on a global basis, as well as a track record of delivering complex international transformation programmes.

Current external appointments:
– Non-Executive Director of Grab Holdings Limited.

Previous experience:
He has served as the Chief Financial Officer at WPP plc, where he successfully led the implementation of their global transformation programme, and as Chief Financial Officer at J Sainsbury plc where he also served as Chief Executive Officer of Argos, Habitat and Sainsbury's clothing and general merchandise businesses.

Nationality:
British

Helen Barraclough

Group General Counsel and Company Secretary

Appointed Company Secretary in April 2022

Key skills and competencies:
Helen is a qualified Solicitor admitted in England & Wales and a Chartered Governance Professional. She also serves as the Chief Risk Officer for Smith+Nephew.

Previous experience:
Helen started her career with Allen & Overy LLP and prior to joining Smith+Nephew held senior legal roles at WPP plc and Nomura International plc.

Nationality:
British

Board member whose tenure ceased during the year

Roberto Quarta, Chair, stepped down from the Board on 15 September 2023.

Executive Committee

The CEO, with support from the CFO, leads the Executive Committee of Smith+Nephew which is responsible for the day-to-day operational management of the Group and executing its strategy.

» **See page 90 for CEO and CFO biographies**

Brad Cannon

President Orthopaedics & Americas

Nationality: American
Location: Andover, US

Brad brings more than 25 years of experience across medical devices and medtech. Prior to Smith+Nephew, Brad worked in Medtronic plc's Spine and Biologics division and previously served as Chief Marketing Officer and President of Europe and Canada at Smith+Nephew.

Paul Connolly

President Global Operations

Nationality: American/Irish
Location: Andover, US

Paul brings more than 30 years of global manufacturing and supply chain experience at multinational companies with a strong track record in delivering operational excellence and transformation programmes. Prior to joining Smith+Nephew, Paul held senior roles at Goodyear, DePuy, Inc., and other Johnson & Johnson family companies.

Rohit Kashyap

President Advanced Wound Management and Global Commercial Operations

Nationality: American
Location: Fort Worth, US

Rohit brings more than 20 years' experience across wound care, surgical management, business development and global commercial leadership. Prior to joining Smith+Nephew, Rohit worked at Acelity, a global advanced wound care company, most recently as President, Global Commercial and at MIMEDX as President of the Wound and Surgical business and as Chief Commercial Officer.

Phil Cowdy

Chief Corporate Development & Corporate Affairs Officer

Nationality: British
Location: Watford, UK

Prior to joining Smith+Nephew, Phil served as a senior Director at Deutsche Bank AG for 13 years specialising in corporate finance and equity capital markets. Phil serves as the representative of Smith+Nephew on the Board of Bioventus Inc.

Mizanu Kebede

Chief Quality & Regulatory Affairs Officer

Nationality: American
Location: Georgia, US

Mizanu brings more than 20 years of leadership experience in Quality and Regulatory Affairs. Prior to Smith+Nephew, Mizanu held senior roles at Avanos Medical, Life Technologies Corporation, Johnson & Johnson and STERIS Corporation.

Elga Lohler

Chief HR Officer

Nationality: American/South African
Location: Fort Worth, US

Prior to joining Smith+Nephew, Elga held Human Resources roles at Transnet SOC Ltd, Sensormatic (now Tyco International plc) and Advanced Tissue Sciences, Inc. (acquired by Smith+Nephew in 2002).

Scott Schaffner

President Sports Medicine

Nationality: American
Location: Austin, US

Scott has more than 30 years experience across the medical device industry, including cardiac rhythm management, neuromodulation, spine, and sports medicine. Prior to moving into his current role, Scott served as Executive Vice President, Global Marketing and US Commercial, Sports Medicine, Senior Vice President, Global Marketing, Sports Medicine and Vice President, Sports Medicine.

Helen Barraclough

Group General Counsel and Company Secretary

Nationality: British
Location: Watford, UK

Prior to joining Smith+Nephew, Helen started her career at Allen & Overy LLP and held senior roles at WPP plc and Nomura International plc. She is a qualified Solicitor admitted in England & Wales and a Chartered Governance Professional. She also serves as the Chief Risk Officer for Smith+Nephew.

Vasant Padmanabhan

President Research & Development and ENT

Nationality: American
Location: Andover, US

Vasant has over 25 years of global med-tech leadership experience. Prior to Smith+Nephew, Vasant held senior roles at Thoratec Corporation and Medtronic plc as Vice President of Connected Care R&D and Operations and Vice President of Product Development for the Implantable Defibrillator Business.

Alison Parkes

Chief Compliance Officer

Nationality: British
Location: Hull, UK

Prior to moving into her current role, Alison served as the Compliance Officer for the Global Advanced Wound Management business, APAC and Emerging Markets and established and led the Global Compliance Programme Effectiveness & Improvement team.

Executive Officers whose tenures ceased and recent appointments

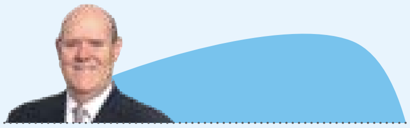
Simon Fraser, President Advanced Wound Management and Global Commercial Operations, served until 2 June 2023.

Myra Eskes, President APAC Region, served until 1 November 2023.

Brad Cannon, President Orthopaedics & Americas, served until 4 March 2024.

Craig Gaffin was appointed President Orthopaedics effective as of 4 March 2024.

Roles and composition of the Board

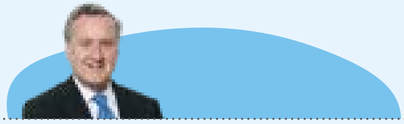


Chair

Rupert Soames

- Responsible for the effective leadership and operation of the Board and for facilitating the review of its composition, effectiveness and development.
- Promotes effective board relationships, encouraging constructive challenge and facilitating effective communication between Board members and supporting a culture of openness, challenge and debate.
- Ensures that the Board understands the views and needs of the Company's stakeholders and facilitates effective communication and dialogue, whilst maintaining an appropriate balance between stakeholders.
- Leads relations with shareholders in order to understand their views on governance and performance against strategy.
- Responsible for promoting high standards of governance by the Board and its Committees.

The Chair achieves this through effective chairing of Board meetings; setting a board agenda which focuses on strategy, performance, value creation, risk management, culture, stakeholders and accountability; enabling an annual review of Board effectiveness; holding discussions with Board members both inside and outside the boardroom and ensuring appropriate Board induction and development programmes are in place.



Senior Independent Director

Marc Owen

- Acts as a sounding board for the Chair and as an intermediary for other Directors and stakeholders as necessary.
- As a member of the Nomination & Governance Committee, leads the Board evaluation process and searches for Chair and Independent Non-Executive Directors to ensure effective succession.
- Acts as an alternative contact for stakeholders to raise concerns (in addition to Chair and senior management).

Independent Non-Executive Directors

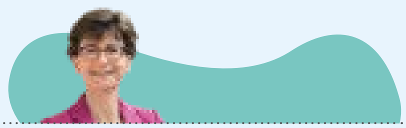
Jo Hallas, John Ma, Katarzyna Mazur-Hofsaess, Erik Engstrom, Jez Maiden, Rick Medlock, Angie Risley and Bob White

- Comprise more than half of Board membership in order to meet the independence criteria set out in the 2018 Code.
- Ensure that no individual/small group can dominate the Board's decision making.
- Provide constructive challenge, give strategic guidance, offer specialist advice and hold executive management to account.

Chief Executive Officer

Deepak Nath

- Responsible for delivering and implementing Group strategy and management of the organisation as a whole. Provides information and participates in Board discussions regarding Group management and operational matters.
- Leads the Executive Committee and ensures its effectiveness in managing the overall operations and resources of the Group.
- Sets tone at the top with regard to culture, compliance and sustainability matters.
- Ensures the Chair and Board are updated regularly regarding key matters and maintains relationships with shareholders, advising the Board accordingly.



Chief Financial Officer

Anne-Françoise Nesmes

- Supports the Chief Executive Officer in developing and implementing Group strategy.
- Responsible for ensuring effective financial reporting, investor relations, tax, treasury and financial controls are in place within the Group.
- Provides information and participates in Board discussions regarding financial matters.
- Leads global finance function, developing key finance talent and succession planning.

Company Secretary

Helen Barraclough

- Supports the Chair and ensures Board members have access to the information required to perform their duties.
- Advises the Board on legal and corporate governance matters and supports the Board in applying the 2018 Code and complying with UK listing obligations, and other statutory and regulatory requirements.
- Provides a channel for Board and Committee communications and a link between the Board and management.

At the opening and close of each Board meeting, the Full Board meets for a short closed session discussion. At the end of each Board meeting, the Chair meets with Non-Executive Directors in the absence of the Executive Directors. The Chair also holds one to one discussions with each Board member throughout the year.

Independence of Directors

We require our Non-Executive Directors to remain independent from management so that they are able to exercise independent oversight and effectively challenge management. We therefore continually assess the independence of each of our Non-Executive Directors. The Executive Directors have determined that all our Non-Executive Directors are independent in accordance with both UK and US requirements. None of our Non-Executive Directors or their immediate families has ever had a material relationship with the Group. None of them receive additional remuneration apart from Directors' fees, nor do they participate in the Group's share plans or pension schemes. None of them serve as directors of any companies or affiliates in which any other Director is a director. The Board considers all external directorships prior to appointment, reviewing any potential conflict of interests and time commitment for both Executive Directors and Non-Executive Directors.

Management of conflicts of interest

None of our Directors or their connected persons, has any family relationship with any other Director or Officer, nor has a material interest in any contract to which the Company or any of its subsidiaries are, or were, a party during the year or up to 16 February 2024.

Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. This duty is in addition to the existing duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company.

If any Director becomes aware of any situation which might give rise to a conflict of interest, they must, and do, inform the rest of the Board immediately and the Board is then permitted under the Company's Articles of Association to authorise such conflict. This information is then recorded in the Company's Register of Conflicts, together with the date on which authorisation was given. In addition, each Director certifies on an annual basis that the information contained in the Register of Conflicts is correct.

When the Board decides whether or not to authorise a conflict, only the Directors who have no interest in the matter are permitted to participate in the discussion and a conflict is only authorised if the Board believes that it would not have an impact on the Board's ability to promote the success of the Company in the long term. Additionally, the Board may determine that certain limits or conditions must be imposed when giving authorisation. No actual conflicts have been identified, which have required approval by the Board. However, the situations that could potentially give rise to a conflict of interest have been identified and duly authorised by the Board and are reviewed at least on an annual basis.

Outside directorships

We encourage our Executive Directors to serve as Non-Executive Directors of external companies. We believe that the work they do as Non-Executive Directors of other companies has benefits for their executive roles with the Company, giving them a fresh insight into the role of a Non-Executive Director.

Anne-Françoise Nesmes is the Senior Independent Director and Chair of the Audit Committee at Compass Group plc which is listed on the London Stock Exchange.

Re-appointment of Directors

In accordance with the 2018 Code, all Directors offer themselves to shareholders for re-election annually, except those who are retiring immediately after the Annual General Meeting. Each Director may be removed at any time by the Board or the shareholders.

Board support

Together with the Chief Executive Officer and the Group General Counsel and Company Secretary, the Chair ensures that the Board is kept properly informed. Each Director has access to the Group General Counsel and Company Secretary, who helps to ensure that Board procedures and good corporate governance practices are followed. Directors are permitted to take independent professional advice at the Company's expense if required in order to enable them to fulfil their duties.

Each Director is covered by appropriate directors' and officers' liability insurance and there are also Deeds of Indemnity in place between the Company and each Director. These Deeds of Indemnity mean that the Company indemnifies Directors in respect of any proceedings brought by third parties against them personally in their capacity as Directors of the Company. The Company would also fund ongoing costs in defending a legal action as they are incurred rather than after judgment has been given. In the event of an unsuccessful defence in an action against them, individual Directors would be liable to repay the Company for any damages and to repay defence costs to the extent funded by the Company.

Corporate governance framework

Our Board

www.smith-nephew.com

The Board is accountable to shareholders for the performance and long-term sustainable success of the Company. It approves the strategy of the Group, evaluates and monitors the management of risk, and oversees the implementation of the strategy in order to achieve sustainable growth. The Board delegates certain matters to the Audit, Remuneration, Nomination & Governance and Compliance & Culture committees which support the Board in carrying out its responsibilities. Full details of the Matters Reserved to the Board can be found on the Company's website.

Audit Committee

>> pages 114–120

Ensures the integrity of the Company's financial reporting, systems and controls.

Oversight of risk management process. Reviews and monitors climate change disclosures and related ESG financial reporting obligations. Monitors the Group's cyber resilience.

Ensures effectiveness of internal and external audit functions.

Remuneration Committee

>> pages 121–154

Determines Remuneration Policy and packages for Executive Directors and senior management, having regard to pay across our workforce.

Ensures reward strategy aligns with our purpose, values and long-term strategy.

Nomination & Governance Committee

>> pages 102–110

Reviews size, skills, experience, knowledge and composition of the Board, succession planning, diversity and governance matters.

Compliance & Culture Committee

>> pages 111–113

Reviews and monitors and has oversight of ethics and compliance, quality and regulatory, culture, sustainability matters and metrics, stakeholder relationships and related legal matters across the Group.

Finance & Banking Committee

A Committee comprising senior executives which approves banking and treasury matters, guarantees and Group structure changes relating to mergers, acquisitions and disposals.

Disclosures Committee

A Committee comprising senior executives which oversees and approves public announcements and communications to investors and Stock Exchanges. Reviews communications and reporting requirements in respect of market sensitive information.

Executive Committee

>> pages 94–95

The Board delegates the day-to-day operational management and implementation of Group strategy to the Chief Executive Officer and Executive Committee). The Executive Committee recommends, and following Board approval, implements strategy, budget and three-year strategic plan within the Group. It ensures cross-functional alignment in order to deliver on strategy and reviews major investments, divestments and capital expenditure proposals. The Executive Committee also focuses on people and organisational culture, reviewing recruitment, attrition and development initiatives within the Company and developing and monitoring succession planning and talent pipeline below Board level.

The Executive Committee meets at least 10 times per year to review commercial and operating results against budget, key initiatives, KPIs and performance metrics aligned to deliver Group strategy.

The Executive Committee forms sub-committees including those listed below:

- **Group Ethics & Compliance Committee**
- **ESG Operating Committee**
- **Mergers & Acquisitions Investment Committee**
- **Global Benefits Committee**
- **12-Point Plan Steering Committee**
- **Global Crisis Management Team**
- **New Product Development Review Committee**
- **Inclusion, Diversity and Equity Council**
- **Security and Privacy Steering Committee**

Board and Committee attendance

		Total meetings				
		Board WIP	Audit	Remuneration	Nomination & Governance	Compliance & Culture
Attendees	Appointed	8	7	9	6	4
Roberto Quarta[1]	December 2013	4/5	–	4/5	3/4	–
Rupert Soames[2]	April 2023	6/6	–	6/6	4/5	–
Deepak Nath	April 2022	8/8	–	–	–	–
Erik Engstrom[3]	January 2015	8/8	7/7	–	5/6	–
Jez Maiden[4]	September 2023	3/3	3/3	4/4	–	–
John Ma[5]	February 2021	7/8	–	–	–	4/4
Katarzyna Mazur-Hofsaess[6]	November 2020	7/8	–	–	–	3/4
Rick Medlock[7]	April 2020	7/8	7/7	–	–	–
Anne-Françoise Nesmes	July 2020	8/8	–	–	–	–
Marc Owen	October 2017	8/8	7/7	–	6/6	4/4
Angie Risley[8]	September 2017	7/8	–	9/9	6/6	4/4
Bob White	May 2020	8/8	–	9/9	–	4/4
Jo Hallas	February 2022	8/8	7/7	–	–	–

1 Roberto Quarta stepped down from the Board on 15 September 2023 and of the five meetings held during his tenure in 2023, he was unable to attend the Board meeting in April as he was recuperating from a surgical procedure. Roberto was unable to attend the Nomination & Governance Committee meeting in August and the Remuneration Committee Meeting in February due to travel disruption.
2 Rupert Soames was appointed as an Independent Non-Executive Director and Chair Designate on 26 April 2023. Rupert was unable to join the Nomination & Governance Committee in July due to a pre-existing commitment prior to appointment as Chair Designate.
3 Erik Engstrom retired from the Board on 31 December 2023. Erik was unable to join the Nomination & Governance Committee in October due to executive management commitments.
4 John Ma was unable to attend the July Board meeting due to travel disruption.
5 Jez Maiden was appointed to the Board as an Independent Non-Executive Director and a member of the Audit and Remuneration Committees on 14 September 2023.
6 Katarzyna Mazur-Hofsaess was not in attendance at the December Board meetings due to a prior statutory commitment. She provided comments to the Chair in advance of the meeting.
7 Rick Medlock was not in attendance at the January Board Meeting due to a prior professional commitment. He provided his comments to the Chair in advance of the meeting.
8 Angie Risley was not in attendance at the January Board Meeting due to a prior professional commitment. She provided her comments to the Chair in advance of the meeting.

Board activities

The following pages provide an overview of the key topics reviewed, monitored, considered and debated by the Board in the year to 31 December 2023.

- Agendas for each Board meeting focus on matters within the core areas of strategy and risk, innovation and portfolio, capital allocation and operational excellence and are agreed in advance by the Chair, CEO and CFO with the support of the Company Secretary.
- The Board receives the 12-Point Plan updates on performance against key metrics, operating and financial reports from the CEO and CFO on strategic and business developments, as well as financial performance and forecasts at each meeting.
- Presentations led by Exco members and their direct reports and senior leaders are also included on key topics of interest to the Board, such as Sustainability, Risk Management, Cybersecurity and AI.
- The Chairs of each Committees update the Board on the proceedings of those meetings, including key topics and areas of concern.
- At the end of each meeting the Chair holds a closed session with Board members providing further opportunity for the Non-Executive Directors to assess the performance of management in an atmosphere conducive to transparent and collaborative debate.

Group Purpose and Culture

1 2 3 4 5

- Reviewing and monitoring Group strategy in alignment to the Purpose of Life Unlimited and culture pillars of Care, Collaboration and Courage.
- Monitoring and ensuring the scope and focus of strategic projects and initiatives support the Group's purpose and culture pillars.
- Review of initiatives on people, leadership and development of internal talent pipeline.
- Review of Sustainability strategy, climate-related disclosures and key performance metrics with input from Audit, Remuneration and Compliance & Culture Committee Chairs.
- Review of initiatives to strengthen and embed Inclusion, Diversity and Equity throughout the Group, including receiving reports on employee engagement, employee interest groups and Board listening sessions.
- Approving Group policies relating to Code of Conduct and Business Principles, Code of Share Dealing and other reserved matters.

>> Employees (pages 46–49)

>> Compliance & Culture Committee report (pages 111–113)

Strategy and Innovation

1 2 3 4 5

- Reviewing and monitoring progress against the 12-Point Plan and related metrics, global business unit reorganisation and infrastructure and network optimisation projects in support of the Group strategy.
- Reviewing and approving three-year strategic plan, with a focus on innovation, transformation and portfolio.
- Setting priorities for capital investment across the Group with a view to ensuring systemic transformation.
- Determining the dividend policy and dividend recommendations.
- Reviewing the implementation of cost management programmes and monitoring outcomes against objectives.
- Approving annual budget and financial plan and half-year, full-year and trading updates.
- Approving major borrowings and finance and banking arrangements, such as the refinancing of the Group's $1bn USD revolving credit facility in October 2023.
- Approving changes to the composition of the Board, its Committees and the Executive Committee.

>> Chair's Statement (pages 4–7)

>> Financial Review (pages 20–23)

Link to stakeholder groups

1 Employees
2 Investors
3 Customers/Suppliers
4 Governments/Regulators
5 Environment/Communities

Link to our strategic priorities

3
2
1

Operations and Commercial Excellence

1 2 3 4 5

- Strategic deep dives on global business unit plans in Orthopaedics, Sports Medicine & ENT and Advanced Wound Management aligned to 12-Point Plan initiatives and broader long-term strategic initiatives.
- Monitoring Group operations updates on inventory management, asset utilisation, network optimisation, and response to external and internal challenges in line with 12-Point Plan key metrics and deliverables.
- Review of global innovation pipeline and product portfolio with a focus on differentiation and delivery for our customers, patients and stakeholders.
- Overseeing succession planning at Board and senior management level to ensure development of internal talent pipeline and stability for the Group.
- Review of performance and return on investment of acquisitions and integration planning.
- Continuing review and monitoring of impact of external factors such as inflation, supply constraints, cybersecurity and business continuity on ability to deliver on strategic objectives.

» Compliance & Culture Committee report (pages 111–113)

» Audit Committee report (pages 114–120)

Stakeholders

1 2 3 4 5

- Overseeing and maintaining relationships with stakeholders including employees, customers, suppliers, investors, regulators, governments and local communities. Further details of Board interactions with stakeholders can be found on pages 84–87.
- Review of external and investor perceptions of the Company including feedback on investor engagement and Meet the Management sessions.
- Reviewing Executive Director and Executive Officer talent pipeline and succession planning.
- Reviewing employee engagement scores and performance/trends within the Company.
- Review of diversity metrics and gender pay gap data and reporting.
- Engaging with shareholders on strategy, operational performance, governance, remuneration, succession planning, ESG and Governance matters.

» Our stakeholders (pages 82–83)

» Engaging with Stakeholders (pages 84– 87)

Risk Oversight, Management and Controls

1 2 3 4 5

- Evaluation of risks and opportunities with regard to strategic initiatives such as the 12-Point Plan, global business unit reorganisation, operations and network optimisation, innovation and portfolio opportunities, AI strategic initiatives and Sustainability.
- Oversight of the Group's risk management strategy, programme and related processes. See pages 67–77 for further details.
- Review and approval of the Principal Risks of the Group and Board appetite for risk.
- Board consideration of key risks and opportunities to manage risk and create value in including cybersecurity and business continuity, succession and talent pipeline, IT investment and infrastructure and ESG considerations.
- Discussion at Board and Committee meetings on key macro topics including impact of inflation, regulatory changes and portfolio competitiveness, geopolitical outlook and global conflicts, operational challenges and global talent outlook.
- Approving the appointment and removal of the External Auditor on the recommendation of the Audit Committee.
- Approving significant changes to accounting policies or practices.
- Approving the use of the Company's shares for the Company's Share Plans.

» Chair's Statement (pages 4–7)

» Financial Review (pages 20–23)

Our Investor presentations are available to download on our website

www.smith-nephew.com

Nomination & Governance Committee Report

Rupert Soames
Chair of the Nomination & Governance Committee

Membership

	Member from	Meetings attended
Rupert Soames (Chair)[1]	April 2023	4/5
Erik Engstrom[2]	April 2023	5/6
Roberto Quarta[3]	April 2014	3/4
Marc Owen	March 2020	6/6
Angie Risley	Sept 2022	6/6

1 Rupert Soames joined the Committee with effect from 26 April 2023 and was appointed as Chair on 15 September 2023.
2 Erik Engstrom was unable to join the Nomination & Governance Committee in October due to executive management commitments.
3 Roberto Quarta stepped down from the Board on 15 September 2023.

www.smith-nephew.com/investor-centre/about-us/governance/corporate-documents-and-policies/terms-of-reference/

The Terms of Reference for the Nomination & Governance Committee describe the role and responsibilities of the Nomination & Governance Committee more fully and can be found on our website.

Dear Fellow Shareholder,

In my first Annual Report as your Chair of the Nomination & Governance Committee, I am pleased to present this report within the governance section of our Annual Report.

The Committee has been busy over the past 12 months managing the appointment of four new Directors to the Board: Chair of the Board, two Non-Executive Directors, and a Chief Financial Officer. This will result in a Board which, over the last 18 months, is substantially refreshed, and I would like to recognise in particular the contribution of our Senior Independent Director, Marc Owen, who has diligently and effectively led the Chair and NED searches. In addition, the Committee carried out its other responsibilities supporting Board induction, development programmes and strong corporate governance.

Board and Executive appointments in 2023

Jez Maiden was appointed as a Non-Executive Director to the Board on 14 September 2023 and as a member of the Audit Committee and Remuneration Committee. Jez brings more than 15 years of experience both as a FTSE Chief Financial Officer and as a Non-Executive Director in businesses involved in manufacturing, science and technology and has already demonstrated that he is a valuable addition to the Board and its Committees.

We welcomed Simon Lowth on 1 January 2024 as a Non-Executive Director and member of the Audit Committee and Nomination & Governance Committee following Erik Engstrom's completion of his 9 year tenure. Simon brings a wealth of expertise across a wide range of sectors, including within regulated industries. His experience of capital markets, implementing strategic change, cost transformation and performance improvement programmes as well as understanding how technology can be used to transform a business, will be very helpful to the Board.

Following Anne-Françoise notifying the Board in August 2023 of her intention to step down from her role as Chief Financial Officer, John Rogers joined the Company as Chief Financial Officer designate on 1 December 2023 and will join the Board during the first quarter of 2024. John is a highly regarded Chief Financial Officer with a proven track record operating around the world and across a number of industry sectors. His extensive experience in transformation and capital markets is especially important given Smith+Nephew's focus on driving greater shareholder value and we look forward to welcoming him to the Board.

New Director appointments and process

For our new Board appointments in 2023, the Committee followed the process outlined in the table on page 103 and considered the shortlist of candidates for each position taking into account: (i) the purpose, values and culture of the business and the Company's strategic priorities; (ii) the key skills and experience which may be required on the Board and its Committees; and (iii) the importance of diversity including gender, personal strengths, and social and ethnic backgrounds.

With all of our new appointments, we had a diverse slate of candidates taking into account diversity in its broadest sense. In our appointments, we will always ensure we select the most qualified candidate for the role in the best interests of the organisation as a whole.

Board appointment process

1 Before any appointment is made, the Committee evaluates the balance of skills, knowledge, experience, independence and diversity on the Board.

2 In light of this evaluation, the Committee prepares a description of the role and capabilities required for a particular appointment and works with external advisors, as appropriate, to compile a shortlist of candidates based on the role description.

3 The Committee (together with external advisors*) then compiles a shortlist including a broad slate of candidates from a wide range of backgrounds to ensure diversity.

4 The Committee evaluates the shortlist of candidates on merit and against objective criteria, taking care to ensure that appointees have sufficient time to devote to the position in light of their other commitments. The Committee also assesses any actual or potential conflicts of interest as part of the process.

5 Members of the Committee interview key candidates from the shortlist. Other Board members are also involved in the interview process as appropriate. For example, where a candidate is required to have a requisite level of financial expertise, the Audit Committee Chair and Chief Financial Officer would be involved in the interview process.

6 The Committee reviews and considers the feedback provided based on the interview process, reference checks and due diligence in arriving at a decision on a candidate to recommend to the Board.

* Russell Reynolds was appointed as the search firm in respect of the appointments of Rupert Soames, Jez Maiden and Simon Lowth. Spencer Stuart was engaged for the Chief Financial Officer appointment.

Board and Executive Succession Planning

Succession planning is a key focus for the Board from both a leadership and governance perspective. The Committee engaged in a review throughout the year of Board and Committee composition and skillsets to ensure alignment with the Company's strategic objectives and culture pillars to enable effective succession planning for Non-Executive and Executive Directors.

The full Board also reviewed the Board Skills Composition Matrix (please see table on page 106) which sets out the tenure, skills, competencies and diversity of the Board. The Board composition and skills matrix feeds into a formal rolling succession plan for Directors.

The Committee starts board recruitment well ahead of retirements, understanding the competitiveness of the market. Priorities for recruiting and succession planning include the ability to respond to evolving strategic imperatives for the Company, adding and enhancing Board skills including in the areas of healthcare sector perspectives, finance, operational and digital/cyber experience and ESG and enhancing diversity in the boardroom.

The Board discusses succession plans with management for senior executives and this will receive enhanced focus in 2024, with a biannual Board review of talent pipeline and development programmes (see page 110 Board Effectiveness) in addition to the focus already provided by the Compliance & Culture Committee on employee engagement and the Remuneration Committee on executive compensation. These plans include consideration and monitoring of diversity in the executive pipeline. Pages 94–95 give details of the members of the Executive Committee, 33.3% of whom are female, one of whom is of African heritage and one of Asian ethnicity. Following the leadership changes at executive level this year, the Committee is aware that management are focused on ensuring that there are development plans in progress to enable a broader range of candidates to be considered within the internal succession pipeline for senior management roles.

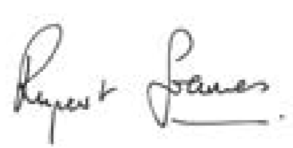
Diversity

The Committee believes that a Board and management team which has a range of diverse skills, background and experience is best equipped to take the decisions which will deliver sustainable value to shareholders and other stakeholders. We are therefore committed to fostering diversity in its broadest sense and we continue to ensure that our Board membership draws from a wide range of backgrounds and cultures.

When Anne-Françoise steps down from the Board in 2024, our Board will continue to have three experienced female Directors and our succession planning process will continue to ensure that we have a diverse slate of candidates and will seek to increase diversity within the Board as and when the opportunity arises. We will also have a diverse range of ethnicities, experience and backgrounds on the Board. The Committee will continue to appoint Board members on merit, valuing the unique contribution that they will bring to the Board, regardless of gender, ethnicity or with other specific diversity measure. Our diversity statement is located on our website: www.smith-nephew.com/en/about-us/corporate-governance/diversity-statements.

During 2023, the Board has benefited from the diversity of experience, background and global and regional expertise of its members. The Committee believes the Board's composition gives us the necessary balance of diversity, skills, experience, independence and knowledge to ensure continued effectiveness in running the business and delivery of sustainable growth.

Yours sincerely,



Rupert Soames, OBE
Nomination & Governance Committee Chair

Responsibilities of the Nomination & Governance Committee

Board composition

- Reviewing the structure, size and composition of the Board.
- Overseeing Board succession plans including engaging external search consultancies and making recommendations on appointments to the Board.
- Recommending the appointment of Directors and Company Secretary.
- Monitoring the range of skills, knowledge, experience, independence and diversity of the Board.
- Monitoring Board diversity in its broadest sense.

Corporate governance

- Overseeing governance aspects of the Board and its Committees.
- Overseeing the review into the effectiveness of the Board.
- Considering and updating the Schedule of Matters Reserved to the Board and the Terms of Reference of the Board Committees.
- Overseeing the Induction process for new Directors and the Board Development Programme to support the ongoing development of all Board members.
- Considering the continued independence of the Non-Executive Directors and any conflict of interest.
- Overseeing the annual Board Evaluation process led either externally or internally by the Senior Independent Director.
- Approving external directorships to be held by the Board.

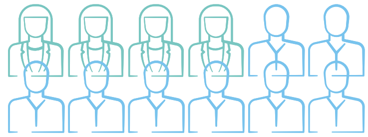
Highlights in 2023:

- Appointment of Rupert Soames as a Non-Executive Director and Chair designate on 26 April 2023. Rupert became Chair of both the Board and the Committee effective 15 September 2023 following a transition from Roberto Quarta.
- Appointment of Jez Maiden on 14 September 2023 as Independent Non-Executive Director and a member of the Audit and Remuneration Committees.
- Appointment of John Rogers as Chief Financial Officer designate announced on 2 November 2023. John joined the Company on 1 December 2023 and will be appointed as an Executive Director during the first quarter of 2024.
- Appointment of Simon Lowth effective 1 January 2024 as Independent Non-Executive Director and a member of the Audit and Nomination & Governance Committees following the departure of Erik Engstrom.
- Devising and implementing comprehensive induction and development programmes for our new Board members.
- Annual review of conflict process and Directors' external appointments.
- Approval of re-appointment of Directors and assessment of continued independence of Non-Executive Directors.

Focus and Actions for 2024

- Continued oversight of succession planning at and below Board level, with biannual discussion at Board level as well as at Compliance & Culture and Remuneration Committees on senior management talent pipeline planning, attraction, retention and development.
- Ongoing review of Board structure, size and composition with a view to ensuring that the Board continues to demonstrate the right balance of skills, knowledge and diversity in its broadest sense and to evaluate potential opportunities to increase diversity within the Board and the timeline for doing so.
- Implementing comprehensive induction programmes for our new Board members to enable them to gain strong insight into our business and high levels of engagement with our Purpose, Culture Pillars and strategic objectives over the short, medium and longer term.

Board gender diversity



66.67% male
33.33% female

FTSE 350 companies to have at least one woman in the Chair or Senior Independent Director role on the Board, and/or one woman in the Chief Executive or Finance Director role in the company by the end of 2025.

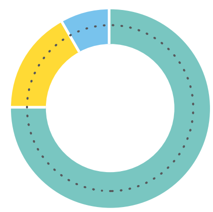
Year achieved

2020

Anne-Françoise Nesmes was appointed Chief Financial Officer in 2020.

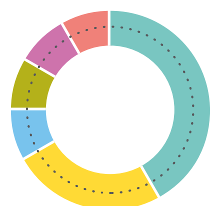
Board ethnicity*

White British or other White (including minority-white groups)	9
Asian/Asian British	2
Not specified/ prefer not to say	1



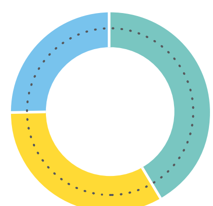
Board nationality*

British	5
American	3
British/American	1
Swedish	1
British/French	1
Polish/German	1



Board tenure*

0–2 yrs	5
3–5 yrs	4
6+ yrs	3



* This information is at 31 December 2023.

Board and executive management diversity

Prepared in accordance with UK Listing Rule 9.8.6R(10) as at 31 December 2023.

	Number of Board members	Percentage of the Board %	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1] %
Gender Representation: Board & Executive Management (as at 31 December 2023)					
Men	8	66.67	3	8	66.67
Women	4	33.33	1	4	33.33
Other categories	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0
Ethnic Background: Board & Executive Management (as at 31 December 2023)					
White British or other White (including minority-white groups)	9	75	3	8	66.67
Mixed/Multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	2	16.67	1	1	8.33
Black/African/Caribbean/Black British	0	0	0	1	8.33
Other ethnic group, including Arab	0	0	0	2	16.67
Not specified/prefer not to say	1	8.33	0	0	0

1 Executive management is the Executive Committee (most senior executive body below the Board).

Explanation against LR 9.8.6(9)

The table above provides our Board and executive management diversity data as at 31 December 2023, our chosen reference date, which has been prepared in accordance with UK Listing Rule 9.8.6. One of the four senior positions on the Board (Chair, CFO, CEO or SID) was held by a woman, our Board composition included two Directors from ethnic minority backgrounds and 33.33% of the Board of Directors are women. The Board is pleased that two of the targets have been met but recognises that it has not met the target of 40% individuals on the Board being women. The Board membership draws from a wide range of backgrounds and cultures with a commitment to fostering diversity in its broadest sense. The Board succession planning process includes a diverse range of candidates and the Board will seek to increase diversity as part of succession planning relating to future board changes.

All appointments to the Board are determined on merit and valuing the unique contribution that a member brings to the Board, regardless of gender, ethnicity or other specific diversity measure. The overriding priority across all Board appointments remains identification of the strongest candidate for the role, based on clear search criteria.

Further detail of the focus by the Nomination & Governance Committee on the continued development of a diverse talent pipeline, and the work to oversee external benchmarking to ensure Smith+Nephew has the diversity and capabilities needed for future growth, is set out on page 103.

Source of Data

Data concerning gender and ethnicity representation on the Board and Executive Committee is set out below. This data was collected directly from all the individual Board and Executive Committee members. Each individual disclosed their gender and ethnicity using the options included on a form, which align with the detail in the left-hand column of the table below and therefore includes the option to not specify an answer.

Skills and experience matrix

Executive Directors	Tenure	Employee engagement	CEO	Financial	International	Healthcare/ Medical Devices	Emerging Markets	Cyber security	ESG	UK Governance	Remuneration
Deepak Nath	1y 08m	■	■		■	■	■	■	■		
Anne-Françoise Nesmes	3y 05m			■	■	■	■	■	■	■	
John Rogers[1]			■	■	■		■	■	■	■	

Non-Executive Directors	Tenure	Employee engagement	CEO	Financial	International	Healthcare/ Medical Devices	Emerging Markets	Cyber security	ESG	UK Governance	Remuneration
Rupert Soames[2]	0y 08m	■	■		■		■	■	■	■	■
Roberto Quarta[3]	10y 00m		■		■		■	■	■	■	■
Marc Owen	6y 02m	■	■		■	■					
Erik Engstrom[4]	8y 11m		■		■			■	■	■	■
Jo Hallas	1y 10m	■	■	■	■		■	■	■	■	■
Simon Lowth[5]				■	■	■	■	■	■	■	
John Ma	2y 10m	■	■		■	■	■				
Jez Maiden[6]	0y 03m			■	■	■	■	■	■	■	■
Katarzyna Mazur-Hofsaess	3y 01m	■	■		■	■	■				
Rick Medlock[7]	3y 08m			■	■			■	■	■	■
Angie Risley	6y 03m	■							■	■	■
Bob White	3y 07m	■			■	■	■				■

Notes
1 John Rogers is to replace Anne-Françoise Nesmes as Chief Financial Officer during Q1 2024.
2 Rupert Soames joined the board on 26 April 2023 and became Chair on 15 September 2023.
3 Roberto Quarta stepped down as Chair on 15 September 2023.
4 Erik Engstrom stepped down from the Board on 31 December 2023.
5 Simon Lowth joined the Board as a Non-Executive Director and as member of the Audit and Nomination and Governance Committees on 1 January 2024.
6 Jez Maiden joined the Board on 14 September 2023 and will become Chair of the Audit Committee on 1 March 2024.
7 Rick Medlock has notified the Board of his decision not to submit himself for re-election as a Non-Executive Director. He will step down as Chair of the Audit Committee on 1 March 2024 and as a Non-Executive Director on 30 April 2024.

Q&A with Jez Maiden, Independent Non-Executive Director

What most interested you in joining S+N?

Most of my executive career has been spent in manufacturing businesses and I now help connect government innovation funding to growing process manufacturing businesses. I believe that innovative manufacturing must and will continue to play a key role in driving the global economy. Smith+Nephew is creating value through innovation, combining successful R&D with high-quality, efficient manufacturing. I am excited by the opportunity to support the team from a lifetime of manufacturing experience, hopefully leveraging insights in lean manufacture, inventory management and improving productivity.

With many years experience helping companies develop in Life Sciences and Health Care, I am also excited by the opportunity to help drive success in a new but adjacent space, the MedTech market. Smith+Nephew has a broad, clinically proven and differentiated portfolio of MedTech products and services. Its Purpose is clear, Life Unlimited. I hope to bring my experience in R&D-driven, highly regulated, attractive growth markets to good use in helping Smith+Nephew deliver its strategy and 12-Point Plan.

But perhaps the most exciting element for me in joining Smith+Nephew is the opportunity to help grow our global leading businesses, in Sports Medicine & ENT and Advanced Wound Management, combined with the significant benefits of fixing Orthopaedics, to create value for all stakeholders. I am convinced that companies such as Smith+Nephew with a clear purpose, embedded values and a focused ESG strategy will ultimately be the winners.

How effective has your induction been?

Induction is an ongoing process – as Directors, we are always learning about the business through our interactions and visits. For my first five months with Smith+Nephew, I started with an immersion in the MedTech market, gaining external perspectives on competitors and our strengths and weaknesses. This was followed by a two-day deep dive into our strategy and one-to-one meetings with all of the Executives, benefiting from their knowledge and expertise in the MedTech sector.

Reflecting my forthcoming move to chair the Audit Committee, I spent a day at Croxley with the Finance Team, which will be really useful in helping the Committee execute its responsibilities to ensure accountability and effectiveness in reporting and control. I have also spent time with our external advisors – corporate brokers, remuneration advisor and auditors, particularly valuable as Deloitte will become our new external auditor in 2024 as I take over the Audit Committee Chair.

Building on my previous IT experience, I have also had valuable sessions with Smith+Nephew's application development and information security management teams, a key area of both systems opportunity and cyber risk.

As a manufacturing guy, I was excited by my visit in February to the Advanced Wound Management production site in Hull, UK. As a resident of Yorkshire for over 30 years, I was already familiar with the heritage and reputation attached to Smith+Nephew's foundation in the region, and the chance to see the site, and learn more on the development of the new state-of-the-art facility, was immensely rewarding. I am looking forward to meeting the Ortho and Sports Medicine teams as part of the forthcoming Board visit to the US in 2024.

Crucial to Board members is the chance to hear about life at the 'coal face'. I am looking forward to meeting more Smith+Nephew employees as part of our Employee Listening sessions in 2024.

What have your first impressions of S+N been?

My first few months have been really fulfilling. Joining as Rupert took over as Chair and benefiting from Deepak's deep knowledge of the MedTech sector, it is clear that we have a great opportunity to take the business forward in delivering its strategy and 12-Point Plan. I have been particularly struck by the Board's balance, blending a strong combination of MedTech and general industry expertise. There is an openness to discuss challenging and difficult questions, living up to our culture pillars of Care, Courage and Collaboration. Most of all, the people I have met are committed to Smith+Nephew and to doing the right thing with quality, innovation and trust.

"There is an openness to discuss challenging and difficult questions, living up to our culture pillars of Care, Courage and Collaboration. Most of all, the people I have met are committed to Smith+Nephew and to doing the right thing, with quality, innovation and trust."

Jez Maiden
Independent Non-Executive Director

Board development

Board Induction and Development Programme

Our Board induction and development programmes are customised to address the specific needs and interests of each of our Directors. We focus the induction and development sessions on facilitating a greater awareness and understanding of our business, our stakeholders and the regulatory frameworks within which we operate.

During 2023, we implemented induction programmes for our new Chair Rupert Soames as well as for Jez Maiden, Simon Lowth and John Rogers whose appointments to the Board were announced during the year.

Induction programmes are tailored to each Board member's individual skills and experiences and their roles on the Board and its Committees and include:

- One-to-one meetings with senior executives to understand the organisation, the roles and responsibilities of our senior employees and specifically how we do things at Smith+Nephew;
- Meetings with our external advisers including brokers, external counsel, remuneration consultants and auditors, to explain the legal and regulatory background to their role on our Board and how these matters are approached at Smith+Nephew;
- Strategic presentations and site visits tailored to Executive and Non-Executive needs respectively in order to provide a strong foundation to learn about the organisation, its history, current and future opportunities and challenges and to give Board members an opportunity to ask questions and interact with our wider workforce.

On an ongoing basis, we provide our Directors with both virtual and in-person opportunities to understand more about our business and the healthcare industry and support engagement with our teams and internal/external resources as appropriate, for example:

- A number of Board Members have enjoyed holding employee listening sessions throughout the year both physically and virtually, where they have talked with employees and heard their views on what it means to work for Smith+Nephew. These sessions are discussed in more detail on page 113.
- In November 2023, Board Members were invited to our Meet the Management session in London and were able to attend sessions virtually and in person which provided further insight into global product innovation strategy across each of our business units and our differentiated product pipeline, together with the opportunity to meet our investors.
- All Board members have access to a library of Board induction and development internal materials within our Board resource portal as well as external thought leadership articles, materials, webinars and other resources.
- We have arranged sessions on external perspectives on the Healthcare industry and macro trends/insights on topics of interest/relevance to the Board.

The Chair regularly reviews the development needs of individual Directors and the Board as a whole.

Chair Induction 2023

- Our 2023 Chair Induction programme was tailored with a strategic overview and introduction to Medtech and Medical Devices coupled with an immersive introduction to our Purpose, Culture Pillars and People through various meetings, visits and presentations from our Executive Committee and its direct reports.
- External session on Global Healthcare Context and Trends.
- External session on Medical Devices.
- One-to-one sessions with each member of the Executive Committee, Investor Relations and Finance Global Leadership Team.
- Visits to Hull, Croxley, Poland, Memphis, Pittsburgh and Andover sites in addition to the full Board Costa Rica site visit.
- Informal office touchpoints with employees at the UK Group Head Office
- Introduction at Global Senior Leadership Virtual Meeting.
- Subject matter expert sessions on Medical Device Regulation, Healthcare Compliance, Enterprise Risk Management and Inventory/Asset Utilisation.
- Introductory sessions with external advisors, auditors, brokers and consultants.
- Additional internal and external sessions upon request based on interest.

Rupert Soames
Chair of the Nomination & Governance Committee

Costa Rica – Site Visit

In addition to the Chair Induction programme, the June 2023 Board site visit to Costa Rica focused on strategic and operational initiatives aligned with key priorities for the Board, including core business strategy, value creation opportunities, culture and workforce, operational transformation and ESG and stakeholder considerations.

The visit began at our Coyol Facility with a tour of the Coyol Free Zone Business Park to orient Board members within the Medtech hub. The Board were provided with an overview of Costa Rica, its political, economic and social history and the business and Medtech context together with a history of the site.

The Operations Site Tour and Product Demonstrations allowed Board members to see our clean rooms, microbiology lab and quality and operations facilities. The Board also enjoyed Product demonstrations for PICO◊ 14, WEREWOLF◊ and a number of other core product lines manufactured or assembled on site.

Following the tour, Board members engaged in listening sessions with our teams with presentations on Operational Excellence in Costa Rica focusing on the One Smith+Nephew approach to site governance, culture and behaviours aligned with our purpose of Life Unlimited and culture pillars of Care, Courage and Collaboration.

The Board also heard from teams on Sustainability and innovation at the site, highlighting success in sustainability and recycling programmes, quality frameworks, network footprint performance, engineering and quality innovation and business continuity and resilience in our Sports Medicine business and supply chain. The business focus of the afternoon was on accelerating growth in our Sports Medicine business. The sessions were framed to provide the Board with an overview of the impact of these projects on key stakeholders including employees, suppliers, customers, regulators, government, investors, local communities and the environment.

The Board visited the Smith+Nephew Service Center Site on the second day of the site visit which is home to the GBS Costa Rica teams. The morning highlighted the S+N Service Center transformation journey, reviewing the GBS business model and transformation. Over lunch, Board members hosted two of our EIG groups (SWE and Pride) with rich discussions on remote working challenges, achieving gender balance and equality and diversity more broadly. Aligned with the ESG strategy, the Board heard more about the volunteering and other efforts that are supporting embedding culture and engagement priorities within the Costa Rica sites.

"The site visit agenda was thoughtful and represented a good mix of listening sessions, presentations, product experience and customer voice. It was an insightful and uplifting experience that provided Board members with a great opportunity to understand more about the culture of the organisation and stakeholder perspectives."

Jo Hallas

Independent Non-Executive Director

"The Costa Rica site is a world class facility and I was impressed by the pride, accountability and energy of the teams to drive continuous improvement."

John Ma

Independent Non-Executive Director

"It was great to see the passion, authenticity, commitment and professionalism of the local teams in Costa Rica living our values. The organisation is working hard to capture and cascade best practice evidenced in this facility to other sites/teams."

Rupert Soames

Chair

Board effectiveness

Evaluation Process

The 2023 Review was conducted internally by the Senior Independent Director Marc Owen supported by the Company Secretary and sought to review all aspects of Board effectiveness.

Questionnaire responses were provided by Board members (including both scores and narrative responses) in advance of one-to-one discussions between our Senior Independent Director and: (i) each Board Member; and (ii) the Company Secretary.

Findings were summarised and presented to the Board for discussion in December 2023 with progress benchmarked against reviews from 2021 and 2022, noting the significant changes to the Board and management teams during the last 24 months.

2023 Progress and Conclusions

Overall, the Smith+Nephew Board believes it is operating effectively as assessed both holistically and against the areas of focus for 2022:

- During the year, the Board has spent more time on strategic discussions around the shape of portfolio, capital allocation and opportunities to drive longer-term strategic value creation.
- The Board has regularly evaluated risks, opportunities and progress against key metrics within the 12-Point Plan, the Company's restructuring programmes and systems and network optimisation, noting that considerable progress has been made over the last 18 months supported by stronger insights provided by management on the extent of the challenges and an ambitious plan on how to address them.
- Board and Committees have discussed management succession planning, including monitoring of employee engagement scores and internal talent pipeline and development framework in particular for high-value roles within the Company.
- Members of Exco and their direct reports have spent time over the year with Board members during inductions, site visits and strategic presentations fostering constructive discussion and continuing to build trust and credibility to strengthen governance.
- Composition of the Board has been reviewed by the full Board and Nomination & Governance Committee and is considered appropriate with good progress made during the year on recruitment of two NEDs and CFO designate. Board members feel that views are properly heard and discussions allow individual members to have an impact.
- The Board has had further discussions on the macro challenges, regulations and trends globally within healthcare and the Board and its Committees have been provided with additional sessions/materials from external experts to enhance understanding of the industry and the frameworks within which the Company operates.

Areas of strength and focus for 2024

Several areas of strength around the operation of the Board and each Committee, induction process for new Board members, ESG strategy and risk management were noted. The areas of focus for 2024 are set out below:

- Longer-term strategic drivers to deliver value creation: Continued focus on core areas of innovation, operational excellence/cost productivity, capital deployment and returns on capital and portfolio strategy. Formal opening session and informal closing session with Executive Directors at each Board meeting to provide more focused discussion and detail.
- Succession Planning: Enhanced focus on management succession planning to attract, retain and develop senior leaders. Actions will include a biannual review of talent pipeline and gap analysis at Board level in addition to reports to Compliance & Culture and Remuneration Committees to review long-term people strategy with an emphasis on developing strong pipelines of senior leaders. Board listening sessions will also include talent attraction, retention and development topics as appropriate.
- Commercial and operational transformation: Progress already made should continue, monitored by the Board through sessions with Exco and management.
- Reporting: Further refinement of Board papers to focus on insights and Q&A and financial reporting to provide further analysis and insight on performance, risks and opportunities.
- The 2024 review will be facilitated externally, with reviews in 2025 and 2026 to be facilitated internally and led by the Senior Independent Director, supported by the Company Secretary.

Compliance & Culture Committee Report

"The Board is committed to a strong focus on ethics and compliance, regulatory, quality and culture to support our Strategy for Growth and 12-Point Plan."

Marc Owen
Chair of the Compliance & Culture Committee

Membership

	Member from	Meetings attended
Marc Owen (Chair)	March 2018	4/4
John Ma	December 2021	4/4
Katarzyna Mazur-Hofsaess[1]	April 2021	3/4
Angie Risley	April 2020	4/4
Bob White	July 2020	4/4

In 2023, the Committee held four meetings. The Chief Executive Officer, Chief Financial Officer, Group General Counsel and Company Secretary, the Chief Compliance Officer, the Chief Quality & Regulatory Affairs Officer, Chief HR Officer, President of Global Operations and VP ESG also attended all or part of the meetings by invitation.

www.smith-nephew.com/investor-centre/about-us/governance corporate-documents-and-policies/terms-of-reference/

The Terms of Reference for the Compliance & Culture Committee describe the role and responsibilities of this Committee more fully and can be found on our website.

1 Katarzyna Mazur-Hofsaess was not present at the meeting held on 4 December 2023 due to a prior statutory commitment.

Our focus for 2024 will include:

- Continued evaluation of ethics and compliance, regulatory, quality and cultural activities and trends and impact on the Strategy for Growth and 12-Point Plan.
- Continued monitoring of the Company's progress against our ESG strategy and plan, measuring actions against objectives and metrics and evaluating implementation.
- Continued focus on stakeholder impact on Committee and Board decision making.
- Monitoring the progress of the Company's commitment to its net zero roadmap by 2045.
- Monitoring the actions taken by management following the Board/employee listening sessions in 2023.
- Amplification of the Board/employee listening sessions to include additional Non-Executive Board members to enable the full Board to hear from employees across the organisation and to monitor the corporate culture globally.
- Evaluation of employee feedback gathered through the annual survey and other mechanisms to ensure the Board is aware of employee views and any resulting actions required by management. Recent survey results are discussed on pages 48–49.
- Deeper understanding and focus on stakeholder needs and requests relating to ESG matters which are of interest to specific stakeholder groups.

Responsibilities of the Compliance & Culture Committee

Ethics and Compliance

- Overseeing ethics and compliance programmes, strategies and plans.
- Monitoring ethics and compliance process improvements and enhancements.
- Assessing compliance performance based on monitoring, auditing and internal and external investigations data.
- Discussion of allegations of significant potential compliance issues.
- Receiving reports from the Chief Compliance Officer on ethics and compliance matters.
- Reviewing implementation of the global data privacy compliance framework and other regulatory developments which impact our business.

Sustainability

- Overseeing the implementation of our ESG strategy and reviewing performance against targets and metrics, including the Scope 3 roadmap and ESG dashboard and metrics.
- Receiving and discussing reports from the ESG Operating Committee focused on alignment of our ESG strategy with stakeholder requirements and our Strategy for Growth.

Culture

- Oversight of our relationship with stakeholders, including the employee voice and sustainability.
- Receiving and assessing performance against Purpose and Culture, Talent, Engagement and Inclusion, Diversity and Equity (IDE).

Quality and Regulatory Affairs (QRA)

- Monitoring trends, activities and plans relating to regulatory and quality risks and events within the organisation aligned to our Strategy for Growth.
- Receiving and assessing regular functional reports and presentations from the Chief Quality & Regulatory Affairs Officer on QRA strategy and operations.

Ethics and Compliance

As stated in the Code of Conduct, the sustainability of our business depends on doing business the right way and ensuring that we work with third parties who adhere to business principles consistent with our own.

The Chief Compliance Officer provided regular reports to enable the Committee to evaluate the effectiveness of the Global Compliance programme and understand the audit, monitoring and continuous improvement activities undertaken to ensure our ethics and compliance programme continues to evolve aligned to our Strategy for Growth and the 12-Point Plan.

The Committee is provided with updates on allegations of potentially significant issues which are raised through the Company's hotline or to our Compliance team and the Company's response to such matters. It also receives an annual review of investigations, actions taken to address substantiated matters and developing trends.

The Committee received updates on potentially significant findings from compliance audits and oversight actions, including detail of mitigating actions to address findings. On an annual basis the Committee receives a trend analysis of audit findings and root cause analysis with details of any program changes required to address evolving trends. The Committee continues to receive a report on the annual self-assessment of the Compliance programme against the US Department of Justice Evaluation of Corporate Compliance programs guidance.

The reports to the Committee demonstrate that the organisation has established mature processes and controls over compliance and ethics reporting and investigations.

During 2023, the Committee also received updates with a regional focus on our Compliance programmes in China and the US which demonstrate how the global programme is adapted to mitigate market specific risks.

Sustainability/ESG

In 2023, sustainability and ESG matters more broadly received a refined focus and scrutiny from the Committee.

The Committee reviewed the Company's ESG strategy early in the year to ensure alignment with our Strategy for Growth, the 12-Point Plan and key stakeholder expectations.

The Committee received updates throughout the year from the President Global Operations and newly appointed Vice President ESG on our performance against People, Planet and Product initiatives.

Utilising enhanced dashboards and reporting following the establishment of the ESG Operating Committee, the Committee monitors management actions taken and tracks progress against the organisation's ESG objectives through KPIs, metrics and leading indicators.

Driven by increasing requirements by our Vice President ESG and the ESG Operating Committee for the organisation to align with and demonstrate shared sustainability objectives with a number of our stakeholders, the Committee reviewed our sustainability objectives holistically to align with strategy and approved updates to volunteering and sustainable packaging.

During the site visit to Costa Rica in June 2023, the Committee was able to learn more about our sustainability initiatives in both our manufacturing operations and corporate facilities.

In August 2023, the Committee discussed annual performance metrics as a member of the Dow Jones Sustainability Index to understand how the Company benchmarks against others in the industry.

In December 2023, the Committee analysed and discussed the proposed remuneration ESG metrics for our Performance Share Programme and engaged in further discussions on stakeholder priorities to inform the organisation's global ESG strategy in 2024.

The Committee Chair continues to engage with investors, governance teams and other stakeholders on sustainability topics. Since the year end, the Committee has also approved the 2023 Sustainability Report.

Quality and Regulatory Affairs

Product safety and effectiveness is at the foundation of our business. Regulatory authorities across the world implement and enforce a complex series of laws and regulations that govern the design, development, approval, manufacture, labelling, marketing and sale of healthcare products.

The Committee received and reviewed summary reports at each meeting of the Company's performance against internal and external KPIs and metrics in order to ensure oversight of the quality and regulatory activities of our business aligned to our Strategy for Growth and the 12-Point Plan.

At each meeting, the Committee received a briefing on key quality and regulatory matters from the Chief Quality & Regulatory Affairs Officer. The Committee reviewed results of external regulatory inspections and audits conducted by the FDA and other regulatory agencies including the progress being made on continuous improvement programs and activities.

The Committee also discussed results of internal quality audits and key performance metrics associated with critical quality and regulatory compliance processes. The Committee received reports regarding preparation for emerging regulations applicable to our business and also received an update on the closure of our EU Medical Device Regulation program and implementation of the compliance framework.

During the year, the Committee reviewed progress in areas of focus including quality assurance program improvements at key manufacturing sites across the business and our continued efforts on Quality System simplification and optimisation leading to continued efficiency across our network.

Culture

The Company's core purpose of Life Unlimited and the supporting culture pillars of Care, Courage and Collaboration continue to drive performance and accountability throughout the organisation globally. Our strategic objectives and culture pillars provide alignment across our business and stronger understanding by employees of their role in supporting our collective success.

At each meeting, the Committee received briefings and updates on culture from the Chief HR Officer demonstrating progress in key areas.

The specific focus for 2023 centred around the Employee Experience, People Leader Capabilities and Organisational Effectiveness and Embedding Change.

The Committee was pleased to receive updates on the Employee Experience focused on workplace flexibility initiatives, wellbeing plans, IDE strategy and implementation and tracking of internal and external KPIs and metrics and employee engagement through the annual survey. Discussions at the Committee on People Leader Capabilities focused on refreshed leadership programmes aligned to our Commitments and the People Leader hub was launched to provide enhanced resources for manager development and self-led learning. The Committee also evaluated the impact of culture on 12-Point Plan engagement and change management and the way in which our Commitments were embedded to focus on driving strategy and performance.

The Committee was made aware of the positive impact of and events held by our Employee Inclusion Groups (EIGs) including the consolidation of women employee EIGs into the S+N Women's Network, the expansion of the ethnicity EIG Unite to include a Latin Heritage EIG, as well as continued progress for the EIGs focused on generations, veterans, mental health and physical wellbeing, the differently abled and LGBTQ+.

The 2023 Gallup global employee survey results were shared with the Committee. These results, which allow Smith+Nephew to benchmark against similar companies in our industry, showed a strong employee response rate of 88%. The Committee was pleased to see that the survey highlighted overall strengths in employee connection to the purpose of Life Unlimited and an overall upward trend of our results compared with last year.

For specific issues where employees may not feel comfortable articulating their views, we have a whistle-blowing policy and confidential line, as outlined in the Ethics and Compliance section of this report.

Employees

The Board proactively supports and further reinforces the Purpose of Life Unlimited and culture pillars of Care, Courage and Collaboration through informal board listening sessions. These sessions give the Board the opportunity to hear directly from employees and understand thoughts and perspectives on a number of topics in connection with our purpose and culture.

Five Board listening sessions were held in 2023 with key enterprise-wide themes being raised and discussed such as portfolio strategy, innovation and simplification; embedding our leadership commitments and accountability; simplification, agility and speed of decision-making; celebrating purpose, talent, culture and organisational achievements; talent development and ESG engagement across the enterprise. One of the sessions was hosted by John Ma with the Greater China team in order to hear their views on strategy, operations, culture and people. The Committee will continue to track and monitor the implementation of actions arising from these listening sessions as part of its responsibilities in 2024.

The Board listening session programme has been amplified for 2024 to include additional Non-Executive Directors in addition to Committee members and will focus on several key topics including the new Global Business Unit model, new leaders, remuneration, 12-Point Plan initiatives within operations and the ways in which corporate functions enable success.

How we monitor culture

	2023 Interactions and Engagement	Looking ahead to 2024
The Employee Experience	**The Committee received updates on workplace flexibility, wellbeing plans and initiatives, IDE Strategy and IDE Council and annual engagement survey results and plans. Listening sessions aligned to hear employee voices in key areas of focus.**	The Committee will continue to engage and focus on understanding Smith+Nephew's well-being plan and initiatives and Allyship as part of the IDE strategy and plan.
People Leader Capabilities	**The Committee received updates on leadership and management programmes which were refreshed to align to our Commitments and the launch and implementation of the People Leader Hub provided further resources for manager self learning. Listening sessions for business unit and regional leadership teams facilitated discussions on leadership and our commitments.**	The Committee to receive updates on the programmes Smith+Nephew will deliver to improve leadership capabilities and how Smith+Nephew will continue to reinforce our Leadership Commitments and behaviours.
Organisational Effectiveness and Embedding Change	**Updates provided to the Committee on culture and change management relating to 12-Point Plan engagement and delivery embedding our Commitments; focus on talent development pipelines. Listening sessions on simplification and speed of decision making supported discussions on organisational effectiveness and pace of change.**	Discussions with the Committee to include details on operationalising the discipline of the 12-Point Plan, embedding the new organisational structure, tracking key internal and external metrics for ESG and review of performance enablement strategy.

Audit Committee Report

"As announced, I stepped down as Chair of this Committee on 1 March. I therefore take this opportunity to thank all of the Committee members for their support and focus during my tenure and to Erik Engstrom for his 9-year service to the Committee. We welcomed Simon Lowth to the Committee in January and I wish Jez Maiden every success in his new role as Chair of the Committee."

Rick Medlock
Audit Committee Chair

Membership*

	Member from	Meetings attended
Rick Medlock (Chair)[1]	April 2020	7/7
Erik Engstrom[2]	Jan 2015	7/7
Jez Maiden[3]	Sept 2023	3/3
Marc Owen	Oct 2017	7/7
Jo Hallas	Sept 2022	7/7

The Committee met seven times during the year, with meetings timed to coincide with the financial and reporting cycles of the Company. In addition, the Committee met with both the Company's external auditor and Group Head of Internal Audit without management present.

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The Terms of Reference of the Audit Committee describe the role and responsibilities more fully and can be found on our website.

1 Designated financial expert under the SEC Regulations or recent and relevant financial experience under the UK Corporate Governance Code.
2 Erik Engstrom stepped down from the Board and as a member of the Committee on 31 December 2023.
3 Jez Maiden was appointed to the Board and as a member of the Committee on 14 September 2023 and will become Chair of the Committee on 1 March 2024.
4 Simon Lowth became a member of the Committee on 1 January 2024.

* All members of the Committee are deemed to be independent Directors.

Focus for 2024:

- Continued oversight of the governance and maturity of our IT framework and controls, and of the planned upgrading of Enterprise Resource Planning (ERP) systems within the Group
- Monitoring of the continuing investment in cyber resilience
- Continued focus on the Group's Enterprise Risk Management framework and the evolution of the principal and emerging risks we face
- Supporting and monitoring the transition of the external audit to the Deloitte team
- Developing the existing framework of controls across the Group in order to meet new requirements under the UK Corporate Governance Code, particularly the monitoring and review of the effectiveness of material controls from 2026
- Ensuring that the Committee is compliant with the UK FRC's Minimum Standard: Audit Committees and the External Audit
- Oversee adoption of a new internal reporting structure and financial operating model within the Group, ensuring that reporting and controls remain effective
- Supporting new people in key roles within the Finance function, including a new CFO and new Head of Group Internal Audit.

Responsibilities of the Audit Committee

The Committee's key roles are to:

- Ensure the integrity of the Company's financial reporting to shareholders and any announcements relating to the Group's financial performance.
- Ensure financial statements comply with UK and US statutory requirements.
- Review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- Monitor the effectiveness of internal controls and compliance with the 2018 UK Corporate Governance Code and the SOX Act.
- Ensure the effectiveness of the internal audit function, agree audit plans and consider outcomes of internal audits.
- Review the operation of the Group's risk management framework.
- On behalf of the Board, carry out a robust assessment of the principal and emerging risks facing the Group.
- Ensure the effectiveness of the external audit function, agree the scope of the audits (including materiality thresholds and areas of risk for focus) and the auditor's fees and terms of engagement.
- Consider any reported frauds and any concerns raised by the Company's whistle-blowing process.
- Oversee other matters, including cybersecurity, IT governance, ESG reporting, tax and treasury.

Dear Fellow Shareholder,

During 2023, outside of the routine matters undertaken by the Committee (as set out in its Terms of Reference), the Committee has focused on the following:

- Monitored progress on and enhancement of our ESG reporting plan including TCFD.
- Continued oversight of the governance and maturity plan for our IT framework and controls.
- Reviewed the Group's cyber resilience.
- Monitored the transition of the Group's External Auditors.
- Received progress reports on the change in the finance operating model.
- Assessed the proposals within the Non-Financial Reporting Review, the changes to the UK Corporate Governance Code and the minimum standards for Audit Committees.

Significant matters related to the financial statements

We considered the following key areas of judgement in relation to the 2023 financial statements and at each half year and quarterly trading report, which we discussed in all cases with management and the External Auditor:

Valuation of inventories

A feature of the Orthopaedics business unit (which accounts for approximately 66% of the Group's total inventory and approximately 82% of the total provision for excess and obsolete inventory) is the high level of product inventory required, some of which is located at customer premises and is available for customers' immediate use. Complete sets of products, including large and small sizes, have to be made available in this way. These sizes are used less frequently than standard sizes and towards the end of the product life cycle are inevitably in excess of requirements. Adjustments to carrying value are therefore required to be made to orthopaedic inventory to anticipate this situation. These adjustments are calculated in accordance with a formula based on levels of inventory compared with historical usage. This formula is applied on an individual product line basis and typically is first applied when a product group has been on the market for two years. This method of calculation is considered appropriate based on experience, but it does involve management estimation of customer demand, effectiveness of inventory deployment, length of product lives and phase-out of old products.

Our action

At each quarter end, we received reports from, and discussed with, management the level of provisioning and material areas at risk. The provisioning level was 21% at 31 December 2023 (2022: 21%). We challenged the basis of the provisions and concluded that the proposed levels were appropriate and have been consistently estimated.

Challenge by KPMG

During 2023 KPMG challenged management's approach to inventory provisioning considering recovery of demand in 2023.

Liability provisioning

The recognition of provisions for legal disputes is subject to a significant degree of estimation. Provision is made for loss contingencies when it is considered probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated. In making its estimates, management takes into account the advice of internal and external legal counsel and uses third-party actuarial modelling where appropriate. Provisions are reviewed regularly and amounts updated where necessary to reflect developments in the disputes. The ultimate liability may differ from the amount provided depending on the outcome of court proceedings and settlement negotiations or if investigations bring to light new facts.

Our action

As members of the Board, we receive regular updates from the Group General Counsel & Company Secretary. These updates form the basis for the level of provisioning. The Group carries a provision relating to potential liabilities arising on its portfolio of metal-on-metal hip products of $149 million as of 31 December 2023. We received detailed reports from management on this position, including the actuarial model used to estimate the provision, and challenged the key assumptions including the number of claimants and projected value of each claim. The provisions for legal matters have decreased by $105 million during the year, primarily due to utilisation of the metal-on-metal provision. We have determined that the proposed levels of provisioning at year end of $159 million included within 'provisions' in Note 17.1 in 2023 (2022: $264 million) were appropriate in the circumstances.

Challenge by KPMG

KPMG challenged management's assumptions in determining the provisions for metal-on-metal hip claims including the work of management appointed actuaries.

Impairment

In carrying out impairment reviews of goodwill and acquisition intangible assets, a number of significant assumptions have to be made when preparing cash flow projections. These include the future rate of market growth, discount rates, the market demand for the products acquired, the future profitability of acquired businesses or products, levels of reimbursement and success in obtaining regulatory approvals. If actual results should differ or changes in expectations arise, impairment charges may be required, which would adversely impact operating results.

Our action

We reviewed management's reports on the key assumptions with respect to goodwill and acquisition intangible assets – particularly the forecast future cash flows and discount rates used to make these calculations. We reviewed in detail management's conclusion that the goodwill and acquisition intangible assets related to Engage Surgical and agreed that they should be fully impaired. We had a particular focus on goodwill impairment testing for the Orthopaedics CGU. Although the level of headroom has increased, it is sensitive to a reasonably possible change in assumptions. We challenged the downside sensitivity analyses undertaken and concluded that the carrying value of these assets, excluded for Engage, is reasonable and appropriately supported by the cash flow projections. We have also considered the disclosure surrounding these reviews, and concluded that the review and disclosure were appropriate.

Challenge by KPMG

KPMG challenged management on the impairment conclusions and the basis of the assessment.

Other matters related to the financial statements

As well as the identified significant matters, other matters that the Audit Committee considered during 2023 were:

Going concern

The impact of a global economic recession has been considered as part of the adoption of the going concern basis in these financial statements. We reviewed three-year projections as part of the Group's Strategic Plan, and also more detailed cash flow scenarios to 29 March 2025 for going concern purposes and concurred with management that the continued adoption of the going concern basis is appropriate.

Taxation

The Group operates in numerous tax jurisdictions around the world and is subject to factors that may affect future tax charges. We annually review policies and approve the principles for management of tax risks. We review quarterly reports from management evaluating the existing tax profile, tax risks and tax provisions. Based on a thorough report from management of tax liabilities and our challenge of the basis of any tax provisions recorded, we concluded that the levels of provisions and disclosures were appropriate.

Post-retirement benefits

The Group has post-retirement defined benefit pension schemes, which require estimation in setting the assumptions. We received a report from management setting out their proposed assumptions for the UK and US schemes and concurred with management that these assumptions were appropriate. We also reviewed the assumptions, accounting and disclosures for the UK scheme buy-in and US scheme buy-out and deemed them appropriate.

Climate change

The impact of climate change has been considered as part of our review of the impairment testing of goodwill and acquired intangible assets, and the going concern assessment. We have also considered the disclosures on climate change and considered them appropriate.

Since the year end

We have reviewed the results for the full year 2023 and the Annual Report 2023, and have concluded that they are fair, balanced and understandable. In coming to this conclusion, we have considered the description of the Group's strategy and key risks, the key elements of the business model, which is set out on pages 16–17, risks and the key performance indicators and their link to the strategy.

External auditor

Independence of external auditor

Following a competitive tender in 2014, KPMG was appointed external auditor of the Company in 2015. We are satisfied that KPMG is fully independent from the Company's management and free from conflicts of interest. Our Auditor Independence Policy, which ensures that this independence is maintained, is available on the Company's website.

We believe that the implementation of this policy helps ensure that auditor objectivity and independence is safeguarded. The policy also governs our approach when we require our external auditor to carry out non-audit services, and all such services are strictly governed by this policy.

The Auditor Independence Policy also governs the policy regarding audit partner rotation with the expectation that the audit partner will rotate at least every five years. Paul Nichols was appointed as our senior lead audit partner on 1 January 2022.

The Audit Committee confirms it has complied with the provision of the Competition and Markets Authority (CMA) Order 2014.

Effectiveness of external auditor

We conducted a review into the effectiveness of the external audit as part of the 2023 year-end process, in line with previous years. We sought the views of the Committee and key members of the finance management team, considered the feedback from this process and shared it with management.

During the year, we also considered the inspection reports from the Audit Oversight Board in the UK and determined that we were satisfied with the audit quality provided by KPMG.

The Audit Committee receives feedback from KPMG at each meeting where management present their summary of critical accounting estimates as at each quarter end and during the Committee's private sessions with the auditors which are held throughout the year.

Overall, therefore, we concluded that KPMG had carried out their audit for 2023 effectively.

Change in Auditor

Deloitte LLP has made good progress on the transition process further to the accelerated audit tender process reported last year. They are to be appointed auditors of the Company from 1 January 2024, subject to shareholders' approval at the Annual General Meeting in May 2024.

KPMG has been our auditor since 2015 and 2023 is their last year as our auditor. We would like to thank them for their service during their time as our auditor.

Appointment of external auditor at Annual General Meeting

Resolutions will be put to the Annual General Meeting to be held on 1 May 2024 for the appointment of Deloitte LLP as the Company's auditor and authorising the Board to determine its remuneration, on the recommendation of the Audit Committee in accordance with the CMA Order 2014.

Disclosure of information to the auditor

In accordance with Section 418 of the Companies Act 2006, the Directors serving at the time of approving the Directors' Report confirm that, to the best of their knowledge and belief, there is no relevant audit information of which the auditor, KPMG, is unaware and the Directors also confirm that they have taken reasonable steps to be aware of any relevant audit information and, accordingly, to establish that the auditor is aware of such information.

Non-audit fees paid to the auditor

Non-audit fees are subject to approval in line with the Auditor Independence Policy which is reviewed annually and forms part of the Terms of Reference of the Audit Committee.

The Audit Committee recognises the importance of the independence of the external auditor and ensures that the auditor's independence should not be breached. The Audit Committee ensures that the auditor does not receive a fee from the Company or its subsidiaries that would be deemed large enough to impact its independence or be deemed a contingent fee. The total fees for permitted non-audit services shall be no more than 70% of the average of the fees paid in the last three consecutive financial years for the statutory audits of the Company and its subsidiaries.

Any pre-approved aggregate or individual amounts up to $25,000 may be authorised by the Group Treasurer and SVP Group Finance respectively and amounts up to $50,000 by the Chief Financial Officer. Any individual amount over $50,000 must be pre-approved by the Chair of the Audit Committee. If unforeseen additional permitted services are required, or any which exceed the amounts approved, again pre-approval by the Chair of the Audit Committee is required.

The following reflects the non-audit fees incurred with KPMG in 2023, which were approved by the Chair of the Audit Committee.

	2023 $ million	2022 $ million
Audit-related services	**0.3**	0.4

Audit-related fees in 2023 primarily consisted of routine services and were deemed by the Committee not to infringe auditor objectivity or independence. The ratio of non-audit fees to audit fees for the year ended 31 December 2023 is 0.03. The ratio of non-audit fees to audit fees for the year ended 31 December 2022 was 0.04.

Full details are shown in Note 3.2 to the Notes to the Group accounts.

Audit fees paid to the auditor

Fees for professional services provided by KPMG, the Group's independent auditor in each of the last two fiscal years, in each of the following categories were:

	2023 $ million	2022 $ million
Audit fees	**10.0**	9.4
Audit-related fees	**0.3**	0.4
Total	**10.3**	9.8

Internal audit

The internal audit team, which reports functionally to the Audit Committee, carries out risk-based reviews across the Group. These reviews examine the management of risks and controls over financial, operational, commercial, IT and transformation programme activities.

The audit team, led by the Group Head of Internal Audit, consists of appropriately qualified and experienced employees. Third parties may be engaged to support audit work as appropriate.

The Group Head of Internal Audit has direct access to, and has regular meetings with, the Audit Committee Chair and prepares formal reports for Audit Committee meetings on the activities and key findings of the function, together with the status of management's implementation of recommendations. The Audit Committee has unrestricted access to all internal audit reports, should it wish to review them.

During the year, the team completed 35 audits and reviews across the Group. These covered significant aspects of all 11 Principal Risks and included: financial controls effectiveness reviews across the EMEA, APAC, US and LATAM regions; IT and various programme assurance reviews ranging from IT disaster recovery planning and cyber maturity; and an ERP pre-implementation review in Japan. Group-level reviews included enterprise risk management effectiveness, business continuity management arrangements, ESG governance, field inventory controls, trade compliance activities, 12-Point Plan governance and fraud risk management effectiveness. Management have taken swift action to implement Internal Audit's recommendations. The team was able to travel to a number of locations, following the relaxing of Covid-related restrictions and there was continued use of data extraction and analysis techniques during all work.

The function carries out its work in accordance with the standards and guidelines of the Institute of Internal Auditors. Its performance is annually assessed using a structured questionnaire, allowing non-executive, executive and senior management, plus the external auditor, to comment on key aspects of the function's performance. In addition, in early 2022, Grant Thornton carried out an evaluation of the function and concluded that it was operating effectively. The Audit Committee, which re-approved the function's charter in December 2023, has satisfied itself that adequate, objective internal audit standards and procedures exist within the Group and that the Internal Audit function is effective.

Risk management programme

Whilst the Board is responsible for ensuring oversight of strategic risks relating to the Company, determining an appropriate level of risk appetite, and monitoring risks through a range of Board and Board Committee processes, the Audit Committee is responsible for ensuring oversight of the processes by which operational risks, relating to the Company and its operations are managed and for reviewing financial risks and the operating effectiveness of the Group's Risk Management process.

During the year, we reviewed our Risk Management processes and progress was discussed at our meetings in February, April, July, and December. We approved the Risk Management programme for 2023 and monitored performance against that programme, specifically reviewing the work undertaken by the risk champions across the Group, identifying the risks which could impact their areas of our business.

The Risk Management programme followed the risk management policy and manual communicated company-wide in 2023. This programme combines a 'bottom-up' approach (whereby risks are identified within business areas by local risk champions working with their leadership teams), with a 'top-down' approach (when the Executive Committee meets as the Risk Committee to consider the risks facing the Group at an enterprise level).

Throughout the year, the Audit Committee maintained oversight of this programme. We reviewed the Principal Risks identified and the heat maps prepared by management showing how these risks were being managed. We considered where the risk profile was changing.

Since the year end, we have reviewed a report from the Group Head of Internal Audit into the effectiveness of the Risk Management programme throughout the year. We considered the Principal Risks, the actions taken by management to review those risks and the Board risk appetite in respect of each risk. We concluded that the Risk Management process during 2023 and up to the date of approval of this Annual Report was effective. Work will continue in 2024 and beyond to continue to enhance the process.

» **Risk Report (pages 67–77)**

Viability Statement

We also reviewed management's work in conducting a robust assessment of those risks which would threaten our business model and the future performance or liquidity of the Company, including its resilience to the threats of viability posed by those risks in severe but plausible scenarios. Management have considered various scenarios in assessing the impact of a global economic recession, with the key judgement applied being the speed and sustainability of the return to a normal volume of elective procedures in key markets. This assessment included stress and sensitivity analyses of these risks to enable us to evaluate the impact of a severe but plausible combination of risks. We then considered whether additional financing would be required in such eventualities. Based on this analysis, we recommended to the Board that it could approve and make the Viability Statement on page 78.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the financial review on pages 20–23 and the Principal Risks on pages 69–77.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 20–23. In addition, the Notes to the Group accounts include: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources and its customers and suppliers are diversified across different geographic areas. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully despite the ongoing uncertain economic outlook.

The Group has considered several scenarios (refer to Viability Statement on page 78 and 79) including the continued uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of a global economic recession as part of the adoption of the going concern basis in these financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis for accounting in preparing the annual financial statements. Management also believes that the Group has sufficient working capital for its present requirements.

Evaluation of internal controls

Management are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a–15(f) and 15d–15(f) under the US Securities Exchange Act of 1934.

There is an established system of internal control throughout the Group and our country business units. The main elements of the internal control framework include:

- The management of each country and Group function is responsible for the establishment, maintenance and review of effective financial controls within their business unit or function.
- The Group's IT organisation is responsible for the establishment of effective IT controls within the core financial systems and underlying IT infrastructure.
- The Financial Controls & Compliance Group has responsibility for the review of the effectiveness of controls operating in the countries, functions and IT organisation, by either: performing testing directly, reviewing testing performed in-country, or utilising a qualified third party to perform this management testing on its behalf.
- The Group Finance Manual sets out financial and accounting policies, and is updated regularly. The Group's Minimum Acceptable Practices (MAPs) internal control framework is updated annually to adjust to changing business processes or to leverage leading practices. The business is required to self-assess their level of compliance with the MAPs on a monthly basis and remediate any gaps.

- MAPs compliance is validated through spot-checks conducted by the Financial Controls & Compliance Group and Internal Audit, as well as during wider Internal Audit reviews performed throughout the year. We continue to leverage a technology solution to facilitate the real time monitoring of the operation and testing of controls and have established KPIs for control performance.
- There are clearly defined lines of accountability and delegations of authority.
- The Internal Audit function executes a risk-based annual work plan, as approved by the Audit Committee. The Audit Committee reviews reports from Internal Audit on their findings on internal financial controls, including compliance with MAPs and from the SVP Group Finance and the heads of the Financial Controls & Compliance, Taxation and Treasury functions.
- The Audit Committee reviews regular reports from the Financial Controls & Compliance Group with regard to compliance with the SOX (Sarbanes Oxley) Act.

Additional complementary elements of our control environment include the following:

- Business continuity planning, including preventative and contingency measures, back-up capabilities and the purchase of insurance.
- Risk management policies and procedures including segregation of duties, transaction authorisation, monitoring, financial and managerial review and comprehensive reporting and analysis against approved standards and budgets.
- A treasury operating framework and Group treasury team, accountable for treasury activities, which establishes policies and manages liquidity and financial risks, including foreign exchange, interest rate and counterparty exposures. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the Audit Committee or the Finance & Banking Committee, on behalf of the Board.
- Our published Group tax strategy which details our approach to tax risk management and governance, tax compliance, tax planning, the level of tax risk we are prepared to accept and how we deal with tax authorities, which is reviewed by the Audit Committee on behalf of the Board.
- The Audit Committee reviews the Group whistle-blower procedures to ensure they are effective.

This system of internal control has been designed to manage rather than eliminate material risks to the achievement of our strategic and business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. Because of inherent limitation, our internal controls over financial reporting may not prevent or detect all misstatements. In addition, our projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Entities where the Company does not hold a controlling interest have their own processes of internal controls.

We have reviewed the effectiveness of the Company's internal controls over financial reporting. The Company's assessment included documenting, evaluating and testing the design and operating effectiveness of its internal controls over financial reporting. Based on this evaluation, we have satisfied ourselves that we are meeting the required standards and that our internal control over financial reporting is effective both for the year ended 31 December 2023 and up to the date of approval of this Annual Report. No concerns were raised with us in 2023 regarding possible improprieties in matters of financial reporting.

This process complies with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' under the UK Corporate Governance Code and additionally contributes to our compliance with the obligations under the SOX Act and other internal assurance activities. There has been no change during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, the Group's internal control over financial reporting.

The Board is responsible overall for reviewing and approving the adequacy and effectiveness of the risk management framework and the system of internal controls over financial, operational (including quality management and ethical compliance) processes operated by the Group. The Board has delegated responsibility for this review to the Audit Committee. The Audit Committee, through the Internal Audit function, reviews the adequacy and effectiveness of internal control procedures and identifies any significant weaknesses and ensures these are remediated within agreed timelines. The latest review covered the financial year to 31 December 2023 and included the period up to the approval of this Annual Report. The main elements of this review are as follows:

- The Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 December 2023. Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded on 26 February 2024 that the disclosure controls and procedures were effective as at 31 December 2023.

- Management are responsible for establishing and maintaining adequate internal control over financial reporting. Management assessed the effectiveness of the Group's internal control over financial reporting as at 31 December 2023 in accordance with the requirements in the US under section 404 of the SOX Act. In making that assessment, they used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on their assessment, management concluded and reported that, as at 31 December 2023, the Group's internal control over financial reporting was effective based on those criteria. Having received the report from management, the Audit Committee reports to the Board on the effectiveness of controls. KPMG, an independent registered public accounting firm, audited the financial statements included in the 2023 Annual Report, containing the disclosure required by this item, issued an attestation report on the Group's internal control over financial reporting as at 31 December 2023.

Code of Ethics for Senior Financial Officers

We have adopted a Code of Ethics for Senior Financial Officers, which applies to the Chief Executive Officer, the Chief Financial Officer, the SVP Group Finance and the Group's senior financial officers. There have been no waivers to any of the Code's provisions nor have there been any substantive amendments to the Code during 2023 or up until 26 February 2024. A copy of the Code of Ethics for Senior Financial Officers can be found on our website.

In addition, every individual in the finance function certifies to the Chief Financial Officer that they have complied with the Finance Code of Conduct.

Rick Medlock
Chair of the Audit Committee

The Committee has satisfied itself that the Smith & Nephew plc 2023 Annual Report is fair, balanced and understandable. The Committee therefore supports the Board in making its formal statement on page 156.

Directors' Remuneration Report

Angie Risley
Chair of the Remuneration Committee

Membership

	Member from	Meetings attended
Angie Risley (Chair)	Sept 2017	9/9
Roberto Quarta[1]	April 2014	4/5
Rupert Soames[2]	April 2023	6/6
Jez Maiden[3]	Sept 2023	4/4
Bob White	July 2020	9/9

The Committee's role

The Committee's role is to ensure that our Remuneration Policy and practices are aligned to the business strategy and promote long-term sustainable success. We make sure that the Remuneration of our Executive Directors and leadership team is aligned to the Company's purpose and values and is clearly linked to the successful delivery of business performance and drives value creation. We engage with shareholders as appropriate to ensure that the Committee hears and understands their views which in turn assists the Committee to shape its proposals.

Focus for 2024

- Propose to shareholders a package of changes to our Remuneration Policy in respect of US Executive Directors' long-term incentive plans, with the objective of enabling the Company to effectively compete for, attract and retain the best people.
- Continue to monitor the remuneration and initiatives to support the wider workforce, making interventions where required.
- Focus on development of internal talent pipeline to ensure longer-term succession, promote stability and drive value creation.
- Approving the ESG metrics for the 2024 Performance Share Programme.
- Monitor the performance versus targets for the short and long-term awards under the Performance Share Programme and Annual Bonus Plan, rewarding pay for performance.

Dear Fellow Shareholder,

The core focus of the Remuneration Committee this year has been on attraction, retention and development of talent across the organisation and understanding the needs of the wider workforce more broadly, particularly in the context of the cost of living globally.

With our focus on ensuring longer-term stability to drive value creation for the organisation, the Committee has identified a pressing need to take proactive steps to ensure the organisation is able to compete for, attract and retain key talent in priority markets, most notably the US, in support of the delivery of our strategy and the 12-Point Plan.

The Board is cognisant of the fact that stability and continuity of our people is critical to deliver on our commitments. This will enable senior management to successfully develop the internal talent pipeline and succession plans in the longer-term.

The Company has seen several changes at Executive Director level during my six years as Chair of the Committee; Deepak Nath is the Company's fourth CEO during a five-year period and with every CEO change there has been an increase in downstream senior leadership attrition across the business. These CEO and senior management changes have led to loss of talent in our internal pipeline which has had a longer-term negative impact on the Company.

The Board believes that the Company needs to be able to offer employees who are normally resident in the US, including Executive Directors, remuneration packages which can compete with the Company's US Medtech peers of a similar size and provides them with an opportunity to be compensated in accordance with US market norms.

The global MedTech market is very heavily weighted to the US. Although our primary listing is in London, less than 4% of our revenues arise in the UK, and over 50% arise in the US. Currently, our CEO and key senior operational leaders, are

1 Roberto Quarta stepped down from the Board and as a member of the Committee on 15 September 2023.
2 Rupert Soames joined the Board and the Committee on 26 April 2023.
3 Jez Maiden joined the Board and as a member of the Committee on 14 September 2023.

based in the US. In terms of our global employees, 8% are based in the UK and around 40% in the US. Such a balance is common in the MedTech world but makes the Company an outlier within the FTSE and is the basis on which we believe the Company must be able to differentiate itself in terms of the remuneration packages it needs to offer.

As a result of detailed work undertaken by the Remuneration Committee during 2023 with support from our remuneration advisers and the Board, it became apparent that both in terms of quantum and structure, whilst our policies are appropriate in most countries in which the Company operates, they were not aligned with long-term incentive plans for MedTech executives normally resident in the US.

Under the current Remuneration Policy, the target value of Smith+Nephew's total direct compensation package for the role of CEO falls materially below the lower quartile of Smith+Nephew's Global MedTech peer group, which is based on comparably sized competitors in the industry with most based in the US. Further, the competitiveness gap with Global MedTech peers is not solely a matter of quantum. These peers predominantly apply a portfolio approach to LTI (long-term incentives) design, operating a combination of performance shares, restricted shares, and share options (the majority of which do not have performance conditions or an underpin). Based on our review, 18 of 21 Global MedTech peers use restricted shares, or options, or both, and these plans usually vest on a phased annual basis over three years, rather than vesting on a cliff edge basis at the end of three years, followed by a 2-year post-vesting holding period, as with Smith+Nephew's Performance Share Programme (PSP).

Annual Bonus deferral of any kind is also very rare among Global MedTech peers, and they do not typically operate post-vesting holding periods on LTI. In combination with the phased vesting schedule for LTI, senior executives at Global MedTech peers can typically expect to receive vested equity and cash far earlier than is the case at FTSE-listed companies like Smith+Nephew, all of which raises the perceived value of the package independently of quantum.

The changes proposed in our Policy on LTIs for US Executive Directors are intended to move some way towards addressing these gaps in competitiveness with Global MedTech peers, both in terms of quantum and design. We would emphasise that the proposals do not seek to match the prevalent Global MedTech practice and in terms of quantum would only raise the target value of CEO total direct compensation to a level around the lower quartile of this market.

Shareholder consultation on the 2024 Remuneration Policy

Upon becoming Chair, Rupert met with a significant number of our larger investors and highlighted his concerns on the ability of the Company to compete for talent in the US. The great majority of those investors supported engagement in a formal consultation.

With full support from the Board and Committee members on our approach, Rupert and I engaged or corresponded with 52 of our largest shareholders, comprising over 67% of the share capital of the Company, and key proxy advisors. We heard their views and comments on the proposed package of measures which helped us to shape the proposals that we are putting to the shareholder vote.

During the consultation we were pleased to receive support and positive feedback from the majority of those we engaged with directly. Investors were aligned with the Board desiring to achieve greater stability within senior management. Whilst there was an acknowledgment that our proposals do not fit squarely within the four corners of the current UK Corporate Governance framework, investor governance teams acknowledged the compelling rationale for the Company to differentiate itself from other companies within the FTSE given the size and scale of its business and operational leadership in the US, its prior history of management attrition due to reported issues on pay and the driving need to be able to compete for, attract and retain talent in the US to ensure longer-term stability for the organisation.

At the 2024 Annual General Meeting, we are therefore seeking shareholder approval for a new Remuneration Policy which reflects investor feedback.

We understand that some investors would ideally wish to see financial performance meeting investor expectations in advance of increasing LTI, but in the Board's view the changes must be implemented in the short-term to incentivise long-term stability.

The new package of proposed measures for US Executive Directors will move our practices and structures nearer to, but not equivalent to, US market norms. The management team also has the ambition to cascade a similar market-competitive model to other relevant organisational levels below the Executive Director level.

Overview of proposed changes for US Executive Directors

We have determined that there is a clear business need to make changes to our remuneration policy in respect of US Executive Directors for the reasons set out above. The proposed changes are set out below:

LTIP quantum and structure: In addition to a proposed increase to the maximum opportunity under the performance share programme (PSP), we plan to introduce a new restricted stock programme (RSP) for US Executive Directors to ensure our LTI structure more closely mirrors LTIP design found in the US market and MedTech peers. The proposed quantum and structure of the two plans are as follows:

- **Performance Share Programme (PSP):** We are proposing a change to the quantum of the PSP for US Executive Directors to align with continued Board and investor focus on driving performance globally across the organisation. Performance will continue to be assessed over a three-year period with an additional post-vesting two year holding period. Maximum opportunity will increase from 275% to 300%.
- **Restricted Share Programme (RSP):** We propose the introduction of a new RSP of 125% of base salary for US Executive Directors. Awards will vest in three equal tranches over a three-year period, contingent on a reasonable judgement underpin being met as determined by the Committee. Please see page 130 for further details on the reasonable judgement underpin.

Executive Directors who are not normally resident in the US will not participate in the RSP and will only participate in the PSP; they will not receive any additional quantum under the LTIP than that already offered under the current Policy in accordance with market norms in the countries where they live and work. It should be noted that the Company has, in the past, used RSPs for executives and senior leaders on a case-by-case basis, to support retention. We are proposing to add a reasonable judgement underpin which is not normal practice in the US, to allay concerns on fully guaranteed additional pay.

The introduction of restricted stock is critical to enable effective competition with MedTech peers, as RSPs are a standard component in US leadership remuneration packages.

In order to achieve a balance of measures which drive longer-term stability and value creation and support a longer-term holding period, we propose to increase the share ownership guidelines for US Executive Directors from 300% to 500% and retain bonus deferral at 30% after share ownership guidelines are met.

The Board considered the following alternatives in arriving at the proposal to introduce the RSP:

– Increase in base salary for US Executive Directors: Unlikely to be acceptable to investors and wider stakeholders. Based on the analysis completed, base compensation is not the primary issue for the Company; longer-term incentives are out of line with US packages.
– Reduce PSP on introduction of RSP: The Board feels strongly that there should be continued focus on driving performance and reduction of the PSP is not ideologically aligned with this goal. The PSP is global for all senior executives and therefore a reduction would not support organisational performance objectives. In addition, the reduction of PSP would not achieve the objective of increasing the overall quantum in order to become more competitive with US norms.
– Increase in PSP only: This would not align to US norms and packages offered by our major competitors. We are proposing to add a reasonable judgement underpin to the RSP to allay concerns on full guaranteed additional pay.
– Introduce an RSP at a lower quantum of 50% of salary: The Board seeks to ensure that our US talent are remunerated in line with the structures used in the local market. An RSP of 125% still only takes the CEO into the lower quartile when benchmarked against US peers. We understand that under UK market norms, this would not fall within commonly accepted practice, but failure to make these increases will not achieve the dual objective of becoming more competitive in the US market or attracting and retaining US talent to ensure longer term stability.
– Introduce the 2024 Policy changes for all Executive Directors: The strategic rationale for the 2024 Policy changes for US Executive Directors is to ensure that the Board has a compensation framework to remunerate US Executive Directors in the jurisdiction in which they live and work.

New Policy in the context of the wider workforce

Although this report deals primarily with the remuneration of our Executive Directors, as outlined in my introduction, the focus of the Committee has and will continue to be on reviewing compensation and initiatives across the wider workforce.

ShareSave Plans are operated in the UK and 31 other countries internationally. As Company financial performance improves, we anticipate seeing an increase in participation in our ShareSave Plans.

In January, I chaired a Board listening session with some of our employees from our UK teams to explain our Executive Director's Remuneration Policy and how

Element	Current Policy for US Executive Directors	Change/No Change to Policy for US Executive Directors	Updated Remuneration Proposal January 2024 for US Executive Directors
Base salary	CEO: $1,526,625	No change	CEO: $1,572,424
Annual Bonus	Maximum: 215% of base salary Target: 50% of maximum Threshold: 15% of maximum	No change	Maximum: 215% of base salary Target: 50% of maximum Threshold: 15% of maximum
Long-term incentives	Maximum PSP: 275% of base salary 3 years performance period + 2 year holding	Increase maximum opportunity under PSP to 300% of base salary. Introduce an opportunity under a new RSP of 125% of base salary with a 3-year phased vesting with Committee underpin based on reasonable judgement. Holding period doesn't apply to RSP.	Maximum PSP: 300% of base salary 3 years performance period + 2 year holding Maximum RSP: 125% of base salary. Annual vest in three equal tranches over a 3-year period, contingent on Committee reasonable judgement underpin.
Share Ownership Guidelines (SOG)	300% of base salary	Increase to 500%	500% of base salary
Post-cessation SOG	100% of SOG or actual holding (if lower) for 2 years	No change	100% of SOG or actual holding (if lower) for 2 years
Bonus deferral	50% paid in cash, 50% deferred for 3 years	Reduction for all Executive Directors, of bonus deferral from 50% to 30% when SOG is met.	50% paid in cash, 50% deferred for 3 years 70% paid in cash, 30% deferred for 3 years when SOG is met.
Malus and clawback	Malus and clawback provisions apply	No change	Malus and clawback provisions apply
Pension	Capped at 7.5% of salary	No change	Capped at 7.5% of salary

it aligns to the Company's purpose, values and delivery of the Company's long-term strategy. We also discussed the impact of the cost of living crisis and fall in disposable incomes.

In response to the continued challenges relating to the cost of living in a number of markets globally, the Company continued to monitor the situation and again, as in 2022, undertook an off-cycle salary adjustment for employees in markets where inflation had a material impact. This was determined by thorough review of external inflation rates across markets and was applied to employees below senior management level where the gap between their 2022 annual pay increase and the rate of inflation was above a certain level. We also offered our employees in Costa Rica an opportunity to convert their salaries back into Costa Rican Colóns from US Dollars to minimise the impact of devaluing currency.

Pay equity is key in our commitment to our people. We have a globally consistent approach to managing pay equity, with clear accountability and regular reporting to ensure we are delivering on our commitment. We review annually the gender pay ratio in the UK and we continue to make positive progress to address the adjusted pay gap and drive pay equity on our global agenda. The Committee monitors the pay philosophy for the wider workforce throughout the year to ensure our people are paid fairly and equitably for the work they do.

Smith+Nephew is committed to developing our talent globally and offers a variety of multi-level programmes and network events in support of continued growth and retention. Some of the key initiatives offered in 2023 include:

- A broad range of self-paced learning options for our employees globally via our online learning library, the Accelerated Leadership Collection. Following completion of a particular learning module, employees present thoughts and insights on the module to their teams in order to share best practice and learning;
- Continuing to deliver and expand our Diverse Talent Sponsorship Program. Previous cohorts provided positive feedback and we have noted a positive impact on career progression and talent retention for participants in the program. Following the first S+N sponsorship initiative in 2020/21, we have seen 71% of the 24 participant cohort achieve an internal promotion and there has been an 88% retention rate within the cohort. The second cohort in 2022/23 has seen 64% of the 11 participant cohort achieve lateral moves or promotions in line with their talent development plans and there has been a 92% retention rate within the second cohort to date;
- Coaching for wellbeing, mental health, leadership and professional development through our Healthcare provider across key jurisdictions;
- Facilitation of opportunities for employees and leaders to learn from each other via structured reflection sessions built into most of our programs;
- Launching the leader transition toolkit to accelerate the impact of successors moving into broader roles aligned to their development plans; and
- Career Conversation guides and micro-learnings modules are available to all employees and managers globally to build self-awareness and capability in engaging in career development conversations.

» See more on pages 46–49

Introducing ESG measures in PSP alongside ABP

As reported in 2022, the Committee recognises that ESG performance forms an important part of Smith+Nephew's short-term and long-term strategic priorities. The current approach for our Annual Bonus Plan is to allocate 5% of the total opportunity under the plan to ESG performance.
For 2024, we propose to allocate 5% out of the 15% weighting on the business objectives element to ESG, focusing on environmental measures aligned with carbon reduction targets and diversity measures within our People. For awards granted under the Performance Share Programme in 2024 we are introducing a 10% ESG allocation with primary focus on carbon reductions and diversity measures.

Balancing performance scorecards to support our business strategy

Together with developing the policy proposals above, and introducing ESG measures in PSP, the Committee has reviewed the mix of performance measures within the scorecards for the ABP and the PSP to ensure they continue to drive the implementation of business strategy. To maintain the balance in each incentive programme in the context of the adjustments to ESG performance measurement:

- Cash flow performance will be removed from the PSP scorecard and introduced in the ABP scorecard in the form of a trading cash flow conversion metric to ensure stronger focus.
- In both plans, the mix of measures will be slightly reweighted to accommodate these changes and the inclusion of ESG.

Review of 2023 performance

In 2023 the Group delivered strong revenue growth in line with its guidance issued in February 2023 and an improved trading profit margin[4]. Revenue was $5,549 million, up 6.4% on a reported basis and 7.2% on an underlying basis.[4] Operating profit was $425 million, and the trading profit[4] was $970 million with a trading profit margin[4] of 17.5%.

The strong revenue growth and improved trading profit margin in 2023 were built upon the early benefits from our actions to transform Smith+Nephew. The 12-Point Plan is on track, with progress beginning to translate into financial outcomes, and our innovation strategy is delivering a strong pipeline of new products that we expect will drive future performance.

Remuneration outcomes for 2023

Annual Bonus Plan

Performance against the financial targets under the Annual Bonus Plan was above maximum for revenue and between threshold and target for trading margin, resulting in an aggregated payout of 124.51% of target in respect of the financial objectives.

The Remuneration Committee reviewed the performance of the Executive Directors against their individual business objectives and determined the rating as follows:

Deepak achieved his objectives in terms of what he delivered and exceeded in how he performed and therefore received an above target payout in relation to this element of his bonus.

Anne-Françoise achieved her objectives both in terms of what she delivered and how she performed and therefore received an on-target payout in relation to this element of her bonus.

These ratings combined with performance against the financial objectives resulted in an overall bonus amounting to 130.8% of base salary for Deepak and 127.5% of base salary for Anne-Françoise.

We appreciate that during 2023, the share price decreased by 4%, but having considered the progress against the 12-Point Plan, and that there have been no material risk or reputational events, we determined that the bonus outcomes are a fair representation of the performance of the Company and the Executive Directors in 2023. There is no need to apply any discretion to these formulaic outcomes.

Performance Share Programme

Similarly, the Remuneration Committee reviewed performance over the past three years against the targets determined in 2021 for the Performance Share Programme and determined that these awards should vest at 21% (see pages 144–145 for further details). This reflects performance against the targets over the three-year performance period since 1 January 2021. Note: As Deepak joined in 2022 he did not receive a PSP 2021 award.

I would like to thank our shareholders, employees and other stakeholders for their engagement and support over the past year. Our shareholders have helped us to shape the proposed Remuneration Policy for 2024 through their engagement and constructive feedback and we are very grateful for their continued support and investment in the Company.

Angie Risley

Angie Risley
Chair of the Remuneration Committee

4 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.

Compliance statement

We have prepared this Directors' Remuneration report (the Report) in accordance with The Enterprise and Regulatory Reform Act 2012–2013 (clauses 81–84), sections 420 to 422 of the Companies Act 2006 and The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations), The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and The Companies (Miscellaneous Reporting) Regulations 2018. The Report also meets the relevant requirements of the Financial Conduct Authority (FCA) Listing Rules.

Pages 138–154 is the annual report on remuneration (the Implementation Report). The Implementation Report will be put to shareholders for approval as an advisory vote at the Annual General Meeting on 1 May 2024. The Implementation Report explains how the Remuneration Policy was implemented during 2023. The following sections have been audited by KPMG:

The Single Figure Tables on Remuneration including related notes (pages 139–140); details of awards made under the Performance Share Programme (pages 145–146); Summary of Scheme Interests during the year (page 145–146); Payments to former Directors (page 148); Directors interests in ordinary shares (page 149) and Senior Management Remuneration (page 154).

The Policy Report describes our Remuneration Policy as it relates to the Directors of the Company. All payments we make in relation to Directors of the Company will be in accordance with this Remuneration Policy. The Policy will be put to shareholders' vote at the Annual General Meeting on 1 May 2024.

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
Salaries are normally reviewed annually with any increase usually applying from 1 April. Salary levels and increases take into account: – 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.	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: – increase in the scope and/or responsibility of the individual's role; and – development of the individual within the role. A full explanation will be provided in the Implementation Report should higher increases be approved in exceptional cases. 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.	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.

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
Executive Directors receive a cash allowance in lieu of membership of a Company-run pension scheme. In jurisdictions where the local law requires employees to participate in a Company-run pension scheme, Executive Directors participate in the local pension scheme. Base salary is the only component of remuneration which is pensionable.	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.	None.

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
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. These benefits will include, as a minimum: healthcare cover, life assurance, long-term disability, annual medical examinations, company car or car allowance. 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. 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.	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: – 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. 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. The Committee regularly reviews the benefit policy and benefit levels.	None.

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
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.	Executive Directors may currently invest up to £500 per month in the UK ShareSave Plan, in-line with UK participants. 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.	None.

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
The Annual Bonus Plan is designed to reward performance over the year against financial and business objectives. 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. 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. Malus and clawback provisions apply, as detailed in the notes to this table. 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.	The maximum opportunity is 215% of base salary. 50% of maximum is payable for on-target performance. Up to 15% of maximum is payable for threshold performance.	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. 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. 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. 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.

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
Awards are granted pursuant to the terms of the PSP and RSP. 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. 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. RSP awards usually vest in equal annual tranches over the three-year vesting period. 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. 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. 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. Malus and clawback provisions apply as detailed in the notes to this table.	**PSP** 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. 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. For on-target levels of performance, 50% of the award vests. For threshold levels of performance, 25% of the award vests. **RSP** 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.	**PSP** 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. Measures used will typically include: – 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 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. Maximum pay-outs will only be made for significant outperformance. 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. 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. **RSP** 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.

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 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.

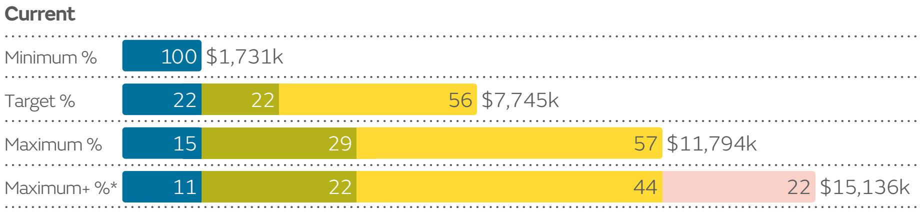
In these circumstances, the Committee reserves the discretion to treat the payment of annual bonuses for the financial year in which the takeover takes place in such manner as it considers appropriate (subject to the limit set out in the Policy table above).

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.

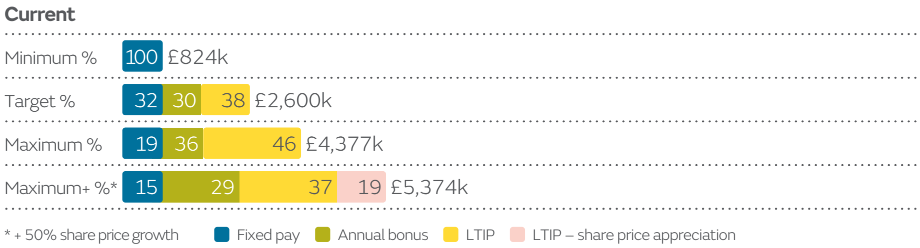
Illustrations of the application of the Remuneration Policy 2024

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

Chief Executive Officer



Chief Financial Officer



	Assumed performance	Assumptions used for proposed Policy
Fixed pay	All performance scenarios	– 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	– No pay out under the Annual Bonus Plan. – No vesting under the PSP.
	Target Performance	– 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	– 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	– 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.

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	Maximum levels of payment
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.	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	Maximum levels of payment
A fixed fee is paid, which is reviewed annually.	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	Maximum levels of payment
A fixed fee is paid, which is reviewed annually.	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.

Remuneration at a glance

Our at a glance summary sets out the total remuneration paid to our Executive Directors in 2023

We aim to align the total remuneration for our Executive Directors to our key performance measures through a combination of fixed pay, bonus and long-term incentives.

Remuneration principles

Remuneration principles – supporting long-term success and sustainable value

- We will materially differentiate reward according to performance.
- Performance targets will be relevant, stretching and aligned to our business strategy.
- Rewards will be compatible with the Group's risk policies and systems, with malus and clawback applied to all forms of variable pay.
- We will provide a balance between attracting, retaining and motivating talented people as well as supporting equal opportunity and diversity of talent.
- Remuneration outcomes will be clear and explainable, avoiding paying more than the Committee considers necessary.

Base salary

» See more on page 141

Pension and benefits

» See more on page 141

Annual bonus (AIP)

» See more on page 141

Long-term incentive plan (PSP)

» See more on pages 144–145

2023 in numbers

Performance

$970m
7.6%
Trading profit[1]
(2022: $901m)

$425m
Operating profit
(2022: $450m)

-25.7%
Relative TSR
(2022: -33.7%)

30.2c
EPS
(2022: 25.5c)

Remuneration across the Group

$1.7bn
Total pay bill
(2022: $1.6bn)

3.0%
US Base Salary Increase
(2022: 6.5%)

Chief Executive Officer remuneration

$4.6m
Single figure
(2022: $5.9m)

21.0%
2021 PSP
(2022: 2020 PSP 0%)

61.37%
Annual bonus percentage of max
(2022: 31.27%)

3.0%
Base Salary Increase
(2022: 3.5%)

1 These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS on pages 244–248.

Total Pay

Deepak Nath
Chief Executive Officer

$4,658,252

Anne-Françoise Nesmes
Chief Financial Officer

$2,059,946

See more on page 139

Pension and Benefits

Deepak Nath received a Company pension contribution of $24,750 in line with the tax authority limits and wider US workforce arrangements.

Anne-Françoise Nesmes receives a salary supplement of 12% of basic salary to apply towards her retirement savings, in lieu of membership of one of the Company's pension schemes. This is in line with the pension arrangement for the wider UK workforce.

Other benefits include life insurance, health cover, car and fuel allowance and financial consultancy advice.

See more on page 141

Annual Bonus Plan (ABP)

Total bonus payout (% of maximum):

Deepak Nath	Anne-Françoise Nesmes
61.37%	**59.80%**

See more on pages 141–144

Forfeited Incentives: Performance share award:

Total vesting

Deepak Nath

99.98%

See more on page 140

Long Term incentive Plan (2021 PSP)

Total vesting (% of maximum):

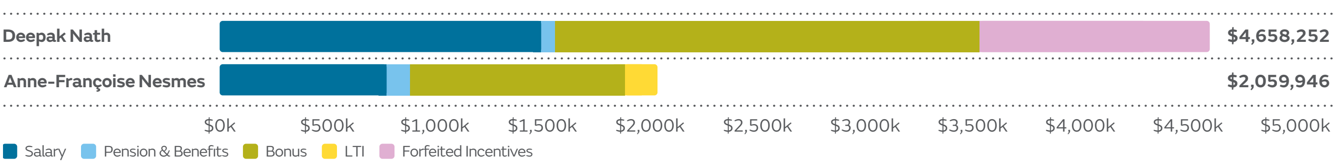
Anne-Françoise Nesmes

21%

	Weighting (%)	Vesting (%)
TSR performance	25%	0%
Global revenue	25%	21%
Cumulative free cash flow	25%	0%
Return on invested capital (ROIC)	25%	0%
Total		21%

See more on pages 144–145

Single figure of remuneration



	Deepak Nath	Anne-Françoise Nesmes
Salary	$1,512,726	$785,673
Pension & Benefits	$65,000	$109,735
Bonus	$1,997,124	$1,010,184
LTI	Nil	$154,354
Forfeited Incentives	$1,083,402	Nil

See more on page 139

Remuneration Implementation Report

The Remuneration Committee presents the Annual Report on Remuneration (the Implementation Report) which will be put to shareholders for an advisory vote at the Annual General Meeting to be held on 1 May 2024. The Terms of Reference of the Remuneration Committee describe our role and responsibilities more fully and can be found on our website: www.smith-nephew.com

Work of the Remuneration Committee in 2023

In 2023, we held nine meetings. The Chief Executive Officer and the Chief Human Resources Officer, key members of the HR and Finance functions, the Company Secretary and Deputy Company Secretary also attended all or part of some of the meetings, except when their own remuneration was being discussed. Attendance by the members of the Committee at each meeting is set out on page 121 of this Annual Report. We also met with the independent remuneration consultants, Deloitte LLP (Deloitte) and Willis Towers Watson plc (WTW), who both contributed as remuneration advisors to the Committee during the year. The work carried out by the Committee during the year is set out on pages 121–125.

Since the year end, we have reviewed the financial results for 2023 against the targets under the short-term and long-term incentive arrangements jointly with the Audit Committee.

We have also determined base salary increases for Executive Directors and Executive Officers with effect from April 2024 and have determined the payouts under the 2023 Annual Bonus Plan and the vesting under the Performance Share Programme 2021.

Independent Remuneration Committee advisors

During the year, the Committee received information and advice from Deloitte and WTW. Both are global firms and provide many services to the Company, including tax, data and consultancy services. WTW replaced Deloitte as advisors to the Remuneration Committee at the conclusion of the Annual General Meeting in April 2023 further to Deloitte being appointed external auditors of the Company.

During the year, WTW provided advice on market trends and remuneration in general, attended Committee meetings, assisted in the review of the Directors' Remuneration Policy and Implementation report, undertook calculations relating to the TSR performance conditions and advised on annual bonus plan measures.

The fees paid to WTW for advice to the Committee during 2023, charged on a time and expense basis, were £188,500 (US$234,287). WTW complies with the Code of Conduct in relation to Executive Remuneration Consulting in the UK and the Committee is satisfied that their advice is objective and independent.

Role of the Remuneration Committee

Main Responsibilities

- Determination of Remuneration Policy for the Chair, Executive Directors, Executive Officers and senior executives.
- Approval of individual remuneration packages for Executive Directors and Executive Officers, at least annually, and any major changes to individual packages throughout the year.
- Consideration of remuneration policies and practices across the Group in particular relating to CEO Pay Ratio and Gender Pay.
- Approval of appropriate performance measures for short-term and long-term incentive plans for Executive Directors, Executive Officers and senior executives.
- Determination of payouts under short-term and long-term incentive plans for Executive Directors, Executive Officers and senior executives.
- Engage with major shareholders and ensure their views are sought and considered when determining the Remuneration Policy.

Matters of a routine nature considered by the Committee

- Received updates on the external market context and data.
- Noted grants of awards under the Company's Share Plans.
- Monitored dilution limits and the number of shares available for use in respect of discretionary and all-employee share plans.
- Monitored adherence to shareholding guidelines for Executive Directors. Executive Officers and senior executives.
- Received regulatory/best practice updates from WTW and other consulting groups.
- Reviewed and approved the Committee's Terms of Reference.

Key activities of the Committee during the year

- Considered the terms of remuneration for the outgoing and incoming CFO.
- Reviewed the Remuneration Strategy for the Executive Directors, Executive Officers and senior executives and developed Remuneration Policy proposals incorporating feedback received during the consultation with shareholders.
- Reviewed out-turns for determining payouts to Executive Directors and Executive Officers under the 2022 Annual Bonus Plan and 2020 Performance Share Programme, and
- Approved quantum of cash payments and awards to Executive Directors and Executive Officers under the 2022 Annual Bonus Plan and 2020 Performance Share Programme.
- Approved the 2022 Directors' Remuneration Report.
- Reviewed and updated the incentive performance scorecard to apply across the Annual Bonus Plan and Performance Share Programme for 2023 to ensure ongoing alignment with strategic priorities.
- Considered principles for setting the targets for the Annual Bonus Plan 2023 and 2023 Performance Share Programme.
- Approved financial targets for the 2023 Annual Bonus Plan for Executive Directors, Executive Officers and senior executives.
- Approved financial measures and targets for 2023 Performance Share Programme for Executive Directors and Executive Officers.
- Reviewed the CEO's pension provision and aligned this more fully with arrangements available to wider US workforce, with effect from 2024.
- Reviewed and consulted with shareholders on changes proposed for the new Remuneration Policy for approval by shareholders at the Annual General Meeting in 2024.
- Approved the TSR Peer Groups for Performance Share Awards to be made in 2024.
- Considered the Gender Pay Report and CEO Pay Ratio figures.
- Approved the 2023 Remuneration Committee Business Plan.
- Tracked the performance against the targets set for the 2023 Annual Bonus Plan and the 2021, 2022 and 2023 Performance Share Programme.
- Appointed a new Remuneration Advisor.

Single total figure on remuneration (audited)

The amounts for 2023 have been converted into US$ for ease of comparability using the exchange rate of £ to US$1.2429 (2022: £ to US$1.2311).

	Deepak Nath Appointed 1 April 2022		Anne-Françoise Nesmes Appointed 27 July 2020	
	2023	2022	**2023**	2022
Fixed pay				
Base salary	**$1,512,726**	$1,083,558	**$785,673**	$747,224
Pension payments	**$24,750**	$22,875	**$94,281**	$89,667
Taxable benefits	**$40,250**	$18,874	**$15,454**	$15,248
Total Fixed Pay	**$1,577,726**	$1,125,243	**$895,408**	$852,139
Annual variable pay				
Annual Incentive Plan/ Annual Bonus Plan – cash element	**$998,562**	$371,888	**$505,092**	$251,194
Annual Incentive Plan/ Annual Bonus Plan – equity element	**$998,562**	$371,887	**$505,092**	$251,193
Long-term variable pay				
Performance Share Programme[1]	**–**	–	**$154,354**	–
Total Variable Pay	**$1,997,124**	$743,775	**$1,164,538**	$502,387
Forfeited Incentives[2]				
Cash Bonus	**–**	$371,414	**–**	–
Non-Performance Based Awards	**–**	$2,132,844	**–**	–
Performance Based Award	**$1,083,402**	$1,581,970	**–**	–
Total Forfeited Incentives	**$1,083,402**	$4,086,228	**–**	–
Total Pay	**$4,658,252**	$5,955,246	**$2,059,946**	$1,354,526

1 The 2021 PSP award granted in May 2021 will trigger at 21%. These shares are valued at 1077.0p. Further details date be found on pages 144–145.

2 Cash bonus and performance based award are part of annual variable pay and the non-performance based award is part of fixed pay. Total variable pay was $3,080,526 (2022: $2,697,159). Total fixed pay was $1,577,726 (2022: $3,258,087).

Base salary	The actual salary receivable for the year.
Pension payments	The value of the salary supplement in lieu of pension or contribution to any pension scheme made by the Company.
Taxable benefits	The gross value of all taxable benefits (or benefits that would be taxable in the UK) received in the year.
Annual Incentive Plan – cash element/Annual Bonus Plan	The value of the cash incentive payable for performance in respect of the relevant financial year.
Annual Incentive Plan – equity element/Annual Bonus Plan	The value of the equity element awarded in respect of performance in the relevant financial year as described on pages 141–144 of this report.
Performance Share Programme	The value of shares vesting that were subject to performance over the three-year period ending on 31 December in the relevant financial year.(includes dividend shares accrued during the performance period). For awards vesting in early 2024 this is based on the closing mid-market share price on 29 December 2023 which was 1077.0p.
Total	The sum of the above elements.

All data is presented in our reporting currency of US Dollars (USD). Amounts for Anne-Françoise Nesmes have been converted from Sterling (GBP) using 12 month average exchange rates. Given currency movements in 2023, this may give the impression of changes that are misleading. Data is presented in local currency in the subsequent sections in the interests of full transparency.

Forfeited Incentives

These relate to buy-out awards which vested during the year. These were granted to Deepak Nath in respect of outstanding incentives he forfeited on leaving his former company. Full details of the buy-out awards can be found on page 129 of the 2021 Annual Report and in the stock exchange announcement released to the market on 3 May 2022.

During the year ended 31 December 2023, the following such awards vested:

- Partial vesting of Restricted Stock Unit (“RSU”) award granted over a total of 12,061 shares: 3,015 shares vested on 8 November 2023.
- Partial vesting of a further RSU award granted over a total of 8,716 shares: 4,358 shares vested on 8 November 2023
- Partial vesting of RSU award over a total of 14,364 shares: 4,788 shares vested on 13 November 2023.
  Note: The total value of the RSUs granted to Deepak Nath was previously disclosed in the 2022 Single Figure Table ($2,132,844).
- Partial vesting of a Performance Share Award granted over a total of 84,868. Following confirmation of performance against the targets attached to the original award, 84,855 shares vested on 21 December 2023 with the remaining balance of 13 shares lapsing on the same date. The shares are valued at 1027.25p being the S+N mid-market share price as at the 2023 year-end date of his former company (30 September 2023).

Fixed pay

Base salary

As normal, the base salaries of the Executive Directors were reviewed in February 2024 and it was determined that the CEO salary be increased by 3%. The general increase to base pay in 2024 was in line with the wider workforce in the US (3%) and below the FTSE 100.

Deepak Nath's base salary increased by 3% from $1,526,625 to $1,572,424 effective from 1 April 2024.

Anne-Françoise Nesmes' base salary of £637,519 was not increased given her impending departure from the Company during Q1 2024.

Pension payments

Deepak Nath received a Company pension contribution of $24,750 in line with the limits set forth by the US tax authority and the pension arrangement for the wider US workforce. Due to an initial oversight, the CEO's pension contributions were set below our remuneration policy guideline. This has been corrected to ensure his pension is commensurate with the standard 7.5% of base salary, aligning with the contribution rates for the majority of our US-based workforce. The impact of this correction will initially be visible in the CEO's single figure for FY2024 in next year's Directors' Remuneration Report.

Anne-Françoise Nesmes receives a salary supplement of 12% of basic salary to apply towards her retirement savings, in lieu of membership of one of the Company's pension schemes. This is in line with the pension arrangement for the wider UK workforce.

Benefits

In 2023, Deepak Nath received life insurance cover of $1 million plus accidental death and dismemberment insurance of $1 million. Anne-Françoise Nesmes received life insurance cover of seven times basic salary for the period 1 January 2023 to 31 March 2023 which was changed, effect 1 April 2023, to four times basic salary in line with the changes made to the wider UK workforce.

Each Executive Director received benefits as detailed in the below table. The same arrangements will apply in 2024. The following table summarises the value of benefits in respect of 2023 and 2022.

	Deepak Nath		Anne-Françoise Nesmes	
	2023	2022	**2023**	2022
Health cover	**$12,276**	$8,871	**£1,034**	£986
Car and fuel allowance	**$12,700**	$8,467	**£11,400**	£11,400
Financial consultancy advice	**£12,289**	£1,248	**–**	–

Annual incentives

Annual Bonus Plan 2023

Following the approval of the Remuneration Policy at the 2023 Annual General Meeting, the maximum opportunity under the Annual Bonus Plan for Executive Directors is 215% of base salary, subject to satisfactory performance against the performance measures detailed below. If the shareholding ownership guideline has not been met, 50% of the award is paid in cash and 50% is deferred into shares which will vest after three years. If the shareholding ownership guideline has been met, 100% of the award is paid in cash.

The performance measures and weightings which applied to the Annual Bonus Plan 2023 were as follows:

	Weighting	Threshold as a percentage of salary	Target as a percentage of salary	Maximum as a percentage of salary
Revenue growth	40.00%	12.80%	43.00%	86.00%
Trading profit margin	40.00%	12.80%	43.00%	86.00%
Business Objectives	15.00%	4.80%	16.13%	32.25%
ESG Objectives	5.00%	1.60%	5.37%	10.75%
Total	100.00%	32.00%	107.50%	215.00%

The 2023 targets and out-turn for revenue and trading margin are shown below:

	Threshold	Target	Maximum	Actual[1]
Revenue	$5,357m	$5,495m	$5,539m	$5,574m
Trading Margin	17.4%	18.1%	18.5%	17.5%

1 Actual revenue and trading margin is compared with the target range at constant exchange rates to ensure a like-for-like comparison. See page 244.

Remuneration Implementation Report continued

Financial objectives

The revenue target for 2023 is set at 5.7% by reference to our expectations for growth for the year. Threshold was set at 3.0 % growth over 2022 out-turn and maximum was set at 6.5% over 2022 out-turn.

The trading margin target was set at 18.1% for the year. Threshold was set at 17.4% and maximum at 18.5% of trading profit margin, divided by threshold and maximum revenue respectively.

Performance resulted in an overall payout of 133.8% of target against the financial objectives.

Business and ESG objectives

In determining performance against the business and ESG objectives, the Executive Directors have been assessed on the same basis as applies to all employees across the Group using a four-point rating scale reflecting both what has been achieved and how it has been achieved. At the beginning of the year, specific objectives were determined relating to achievement of the corporate strategy. For 2023, these objectives were Growth, People and Business processes as in 2022. Performance against these business objectives was considered alongside how the Executive Directors performed in respect of our culture pillars of Care, Collaboration and Courage. This includes consideration of performance against sustainability, compliance, quality and specific ESG metrics of building a more diverse and inclusive workforce as well as delivering planet and project plan objectives. Their overall performance has been assessed according to the extent to which the Executive Directors have met the expectations of the Board. 20% of the Annual Bonus Plan which is attributable to business and ESG objectives will be paid out as follows:

Performance	% of base salary
Below expectations	Nil
Partially met expectations	6.4%
In line with expectations (100% of target)	21.5%
Above expectations	43%

When setting objectives for the upcoming year, the Board looks not only at the expected financial performance for the year, but also at the actions it expects the Executive Directors to carry out in the year to build a solid foundation for financial performance over the longer term. In reviewing performance against these objectives at the end of the year, the Board is mindful that there is not always a necessary correlation between financial performance and the achievement of business and ESG objectives. The table below sets out how the Chair and the Board have assessed how Deepak Nath and Anne-Françoise Nesmes have performed against the objectives of Growth, People and Business Processes.

Accordingly, the following amounts have been earned by Deepak Nath and Anne-Françoise for 2023 under the Annual Bonus Plan.

Deepak Nath	$1,997,124
Anne-Françoise Nesmes	£812,763

As well as considering the monetary outcome of the formulaic calculation of these awards, the Committee considered that this performance fairly represented the overall financial performance during the year.

Annual incentives continued

Annual Bonus Plan 2023

Deepak Nath	Anne-Françoise Nesmes
People and Process	
– Achieved above target to strengthen Executive Committee competency, effectiveness and accountability to drive consistent execution, successfully recruiting two high-quality external executives and promoting and expanding two internal executive roles as a result of an enhanced executive talent assessment, succession and development process. – Achieved above target to execute 12-Point Plan and cost-reduction programme, specifically fixing Orthopaedics, including supply and inventory, Improve Productivity and Accelerate Advanced Wound Management and Sports Medicine. Actively engaged shareholders with exceptional cadence of updates on the delivery of 12-Point Plan delivery and ability to meet guidance.	– Achieved against target to increase employee engagement and embed Finance Competency Model through creation and execution of strategic communication programme, development of Finance career path and integration of Finance Competency Model in performance management process. This has resulted in an increase in engagement as measured by annual survey as well as increases in internal hires for high-value roles, retention and gender diversity in management roles. – Achieved against target to support the 12-Point Plan through delivery of Order-to-Cash and Pricing initiatives, tracking of plan delivery and value creation, alignment of enterprise IT strategy to the plan, and clear communication to progress to shareholders. – Progressed target to drive business accountability through better reporting and insights through franchise P&L balance sheets, earlier communication of budget targets for improved planning, and improvement of control environment with emphasis on cyber risks.
ESG	
– Achieved against target to progress building a more inclusive and diverse workforce, exceeding targets for female leaders in people management and female to male leaders in people management. Increased ethnic minorities in people management in both the US and UK markets. – Exceeded against target to increase employee engagement as measured by our Gallup annual survey. – Achieved above target to deliver 2023 milestones to reduce scope 1 & 2 greenhouse gases by 70% by 2025, and reduction of waste to landfill including attainment of zero waste to landfill at newest manufacturing facility in Malaysia. Outlined clear scope 3 plan and milestones.	– Achieved against target to ensure ongoing compliance with disclosure requirements and started to create a profile of the investments required to meet stakeholder commitments.
Customer	
– Achieved against target to continue merger and acquisition activities that strengthen growth and complement core businesses through seamless integration of acquisition and delivery of integration milestones. – Achieved above target to build and strengthen S+N's innovation pipeline, including attainment of target for successful delivery of launches and on-time delivery of NPD programme milestones.	– Achieved against target to simplify the Finance Operating Model to deliver better customer support through completion of end-to-end restructuring of global business services and Group Finance Controller Teams, as well as alignment of wider Finance team to new vertical Business Unit commercial operating model.

Remuneration implementation Report continued

Therefore the total amount earned by Executive Directors in 2023 under the Annual Bonus Plan 2023 is:

	Amount earned in respect of financial objectives	Amount earned in respect of business objectives	Total amount earned	Total as percentage of target	Total as percentage of salary
Deepak Nath	$1,620,822	$376,301	$1,997,124	122.73%	132.02%
Anne-Françoise Nesmes	£676,855	£135,908	£812,763	119.61%	128.58%

The Board has reviewed the formulaic calculation of these figures. We acknowledged that during 2023, the share price decreased by 4%, that the Company had partially delivered against its 2023 financial targets and that there had been no material risk or reputational events. We therefore determined that these outcomes were a fair representation of performance and there was no need to apply discretion to these formulaic outcomes. 50% of the total amount earned will be paid in cash and the remaining 50% will be deferred into shares which will vest after three years.

2024 Annual Bonus

The maximum opportunity under the Annual Bonus Plan for Executive Directors will be 215% of base salary, subject to satisfactory performance against the performance measures detailed below. 50% of the award will be paid in cash and 50% will be deferred into shares which will vest after three years in accordance with the share ownership guidelines.

Following the Remuneration Committee's review of the incentive scorecard during 2023, the performance measures and weightings which apply to the Annual Bonus Plan 2024 are as follows:

	Weighting	Threshold as a percentage of salary	Target as a percentage of salary	Maximum as a percentage of salary
Revenue	35%	11.287%	37.625%	75.250%
Trading margin	35%	11.287%	37.625%	75.250%
Business objectives (including ESG)	15%	4.837%	16.125%	32.250%
Trading cash flow conversion	15%	4.837%	16.125%	32.250%
Total	100%	32.248%	107.500%	215.000%

For reasons of commercial sensitivity no 2024 ABP targets can be disclosed at this stage. They will be disclosed retrospectively in the 2024 Annual Report, when performance against those targets is determined.

Long-term incentives

Performance Share Programme (PSP)

Scheme Interests Vesting during the Year: PSP 2021

Since the end of the year, the Committee has reviewed the vesting of the conditional award made to the CFO in 2021 under the Global Share Plan 2020. Vesting of the conditional award made in 2021 was subject to performance against four equally weighted performance measures – TSR, global revenue growth, cumulative free cash flow and return on invested capital – measured over a three-year period commencing 1 January 2021.

TSR performance 25% of the award was based on the Company's TSR performance relative to two equally weighted peer groups against which the Company's TSR performance was measured as follows:

– A sector-based peer group based on those companies classified as the S&P 1200 Global Healthcare subset comprising medical devices, equipment and supplies companies (official industry classifications of 'Health Care Equipment and Supplies, Life Sciences Tools & Services and Health Care Technology'). The Company's TSR was -25.7% against an index threshold TSR for the peer group of -16.3%.

– FTSE 100 constituents excluding financial services and commodities companies. This is in response to shareholders who assess our performance not based on sector, but instead based on the index we operate in. The Company's TSR was -25.7% against an index threshold TSR for the peer group of 15.4%.

In aggregate, therefore, the Company's TSR performance results in a final vesting outcome of 0% out of the 25% target.

Long-term incentives continued

Performance Share Programme continued

Global revenue growth 25% of the award was based on global revenue growth. The threshold set in 2021 was $15,799 million with a target of $17,173 million and a maximum of $18,547m. Over the three-year period, the adjusted revenues in Global Revenue Growth were $16,732 million. These adjustments include translational foreign exchange and Board-approved M&A.

This part of the award therefore vested at 21% out of the 25% target.

Cumulative free cash flow performance 25% of the award was based on cumulative cash flow performance. The threshold set in 2021 was $1,370m with a target of $1,713 million and a maximum of $2,055 million. Over the three-year period, the adjusted cumulative free cash flow was $629 million which was below threshold. These adjustments include translational foreign exchange and Board-approved M&A and restructuring programmes.

This part of the award therefore vested at 0% out of the 25% target.

Return on invested capital (ROIC) 25% of the award was based on return on invested capital defined as follows:

$$\frac{\text{Operating profit}^{1}\text{ less adjusted taxes}^{2}}{(\text{Opening net operating assets + closing net operating assets})^{3} \div 2}$$

1 Operating Profit is as disclosed in the Group income statement in the Annual Report less amortisation of acquired intangible assets.
2 Adjusted taxes represents our taxation charge per the Group income statement adjusted for the impact of tax on items not included in Adjusted Operating Profit notably amortisation of acquired intangible assets, interest income and expense, other finance costs and share of results of associates.
3 Net Operating Assets comprises net assets from the Group balance sheet (Total assets less total liabilities) excluding the following items: accumulated amortisation of acquired intangible assets, investments, investments in associates, retirement benefit assets and liabilities, long-term borrowings, bank overdrafts, borrowings and loans, IFRS 16 lease liabilities and right-of-use assets, and cash at bank.

The threshold set in 2021 was 9.8% with a target of 11.8% and a maximum at 13.8%. The adjusted ROIC measurement was 6.7%. These adjustments include Board-approved M&A.

This part of the award therefore vested at 0% of the 25% target.

In summary, therefore, the Performance Share Programme award made in 2021 vested at 21% of target as follows:

	Threshold	Target	Maximum	Actual	Percentage Vesting
TSR	Equal to Index	–	8% Above Index	Below Index	0%
Global revenue growth	$15,799m	$17,173m	$18,547m	$16,732m	21%
Cumulative free cash flow	$1,370m	$1,713m	$2,055m	$508m	0%
Return on invested capital	9.8%	11.8%	13.8%	6.7%	0%

As well as considering the monetary outcome of the formulaic calculation of these awards, the Committee considered whether discretion should be applied to override these formulaic outcomes and concluded that the monetary outcomes were aligned with the financial performance of the Company during the performance period and the intention of the Remuneration Policy.

Scheme Interests Granted during the Year: PSP 2023
In accordance with the Remuneration Policy approved by shareholders at the 2023 Annual General Meeting, performance share awards were granted to the Executive Directors under the Global Share Plan 2020 to a maximum value of 275% of salary (137.5% for target performance) measured over the three financial years commencing 1 January 2023 against four equally weighted performance measures: Indexed TSR, Global Revenue Growth, ROIC and Cumulative Free Cash Flow. The performance conditions for these awards were determined in February 2023 and the awards were made in March 2023. The maximum payout under each element will only be for significant outperformance. On vesting, sufficient shares will be sold to cover taxation obligations and the Executive Directors will be required to hold the net shares for a further period of two years.

Remuneration Implementation Report continued

TSR performance 25% of the award is based on the Company's TSR performance measured against two equally weighted peer groups as defined for the awards made in 2020.

TSR performance is relative to the two separate indices as follows:

Relative TSR	Sector Based Peer Group	Award vesting as % of salary at date of grant FTSE 100 Peer Group
Below the index	Nil	Nil
Equalling the index (Threshold vesting at 50% of target)	8.6%	8.6%
8% above the index (Maximum vesting at 200% of target)	34.4%	34.4%

Awards vest on a straight-line basis between these points. The maximum has been set significantly above target reflecting the maximum opportunity for outperformance.

Global revenue growth 25% of the award is based on global revenue growth against the following targets:

Revenue growth over three-year period commencing 1 January 2023	Award vesting as % of salary
Below Threshold	Nil
Threshold (–8% of target)	17.2%
Target – set by reference to our expectations	34.4%
Maximum or above (+8% of target)	68.8%

It is not possible to disclose precise targets for sales growth as this will give commercially sensitive information to our competitors concerning our growth plans and is considered to be potentially price-sensitive information. This target however will be disclosed in the 2026 Annual Report, when the Committee will discuss performance against the target. The maximum has been set significantly above target reflecting the increased maximum opportunity for outperformance.

Return on invested capital (ROIC) 25% of the award is based on ROIC, as defined for the awards made in 2020, with the following targets:

Return on Invested Capital (three-year average)	Award vesting as % of salary
Below Threshold 8.5%	Nil
Threshold 8.5%	17.2%
Target 9.5% (+1.0% of threshold)	34.4%
Maximum or above 10.5% (+1.0% of target)	68.8%

Awards vest on a straight-line basis between these points

Cumulative free cash flow 25% of the award is based on cumulative cash flow performance defined for the awards made in 2020, with the following targets:

Cumulative free cash flow	Award vesting as % of salary
Below $1,233m	Nil
$1,233 (–20% of target)	17.2%
$1,541m	34.4%
$1,695m (target) or more (+10% of target)	68.8%

The maximum has been set significantly above target reflecting the maximum opportunity for out-performance.

Awards vest on a straight-line basis between these points.

Scheme Interests To be Granted Post Year End: PSP 2024

The Remuneration Committee reviewed the incentive scorecard during 2023, taking into account its prior commitment to introduce ESG metrics into the Performance Share Programme ("PSP") from 2024. In early 2024, the Committee considered the performance framework and determined the targets for the PSP awards due to be made in 2024. In line with the results of its review, it was agreed that performance would be measured under a slightly modified set of performance measures and weightings compared to those applied in 2023. The measures for 2024 are indexed TSR, Global Revenue Growth, ROIC, and ESG Objectives, as set out below. The Executive Directors will be granted an award under the PSP 2024 with a maximum opportunity for the CEO of 300% of base salary (subject to shareholder approval at the AGM) and a maximum opportunity for the CFO of 275% of base salary. The award for the CFO will be granted in March 2024 and the award for the CEO will be granted following shareholder approval in accordance with the rules of the Global Share Plan 2020.

TSR performance 30% of the award will be based on the Company's TSR performance. The Committee have made refinements to both peer groups in order to remove outliers. The targets remain the same as the awards made in 2023.

Revenue growth 30% of the award will be based on global revenue growth. It is not possible to disclose precise targets for sales growth as this will give commercially sensitive information to our competitors concerning our growth plans and is considered to be potentially price-sensitive information.

ROIC 30% of the award will be based on ROIC as defined for the awards made in 2023. Targets will be 8.5% at Threshold, 9.5% at Target and 10.5% at Maximum.

ESG objectives 10% of the award will be based on objectives relating to strategic priorities in this area.

Details of outstanding awards made under the Performance Share Programme

Details of conditional awards over shares granted to Executive Directors subject to performance conditions are shown below. These awards were granted under the Global Share Plan 2020. The performance conditions and performance periods applying to these awards are detailed below:

	Date granted	Outstanding number of ordinary shares under award at maximum	Date of vesting
Deepak Nath	9 March 2023	283,748	9 March 2026
Deepak Nath	20 May 2022	259,422	20 May 2025
Anne-Françoise Nesmes	9 March 2023	140,106	9 March 2026
Anne-Françoise Nesmes	20 May 2022	134,648	20 May 2025
Anne-Françoise Nesmes	21 May 2021	102,936	21 May 2024

1 The award granted on 21 May 2021 will vest at 21%.

Summary of scheme interests awarded during the financial year (audited)

	Deepak Nath		Anne-Françoise Nesmes	
Director	Number of shares	Face value	Number of shares	Face value
Performance Share Programme award at maximum (see pages 145–146)	283,748	£3,430,513.32	140,106	£1,693,881.54
Deferred Share Bonus Plan award (2022 bonus)	26,014	£314,509.26	16,877	£204,042.93

Please see Policy Table contained within the Annual Report 2022 on pages 119–128 on our website at www.smith-nephew.com for details of how the above plans operate. The number of shares is calculated using the closing share price on the day before grant, which for the Performance Share Programme award granted on 9 March 2023 was 1,209p. The Deferred Share Bonus Plan award granted on 9 March 2023 is calculated using the closing share price on the day before grant being 1209.0p.

Remuneration Implementation Report continued

Restricted Share Programme 2024

In line with the new Remuneration Policy being presented for shareholder approval, the Remuneration Committee intends to make an award in 2024 to the CEO under a new long-term incentive plan for which only US-based Executive Directors are eligible. It is expected that the CEO will be granted an award under the RSP, to the value of 125% of his base salary, subject to shareholder approval in accordance with the rules of the Restricted Share Programme. The award will vest in equal tranches on the first, second and third anniversaries of the grant date.

Single total figure on remuneration

Chair and Non-Executive Directors (audited)

	Basic annual fee[1]		Committee Chair/ Senior Independent Director fee		Intercontinental travel fee		Total	
Director	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Rupert Soames[2]	**£138,340**	–	**–**	–	**£3,500**	–	**£141,840**	–
Roberto Quarta[3]	**£335,085**	£428,645	**–**	–	**–**	£3,500	**£335,085**	£432,145
Jo Hallas[7]	**£69,500**	£64,250	**–**	–	**£3,500**	£3,500	**£73,000**	£67,750
Erik Engstrom	**£69,500**	£69,500	**–**	–		–	**£69,500**	£69,500
Robin Freestone[4]	**–**	£53,750	**–**	£15,000	**–**	–	**–**	£68,750
Jez Maiden[5]	**£20,583**	–	**–**	–	**–**	–	**£20,583**	–
John Ma	**$129,780**	$129,780	**–**	–	**$42,000**	$21,000	**$171,780**	$150,780
Katarzyna Mazer-Hofsaess[8]	**£69,500**	£69,500	**–**	–	**£3,500**	£3,500	**£73,000**	£73,000
Rick Medlock	**£69,500**	£69,500	**£20,000**	£20,000	**£3,500**	£3,500	**£93,000**	£93,000
Marc Owen[6]	**$129,780**	$129,780	**$35,000**	$35,000	**$42,000**	$21,000	**$206,780**	$185,780
Angie Risley	**£69,500**	£69,500	**£20,000**	£20,000	**£3,500**	£3,500	**£93,000**	£93,000
Bob White	**$129,780**	$129,780	**–**	–	**$35,000**	$7,000	**$164,780**	$136,780

1 The basic annual fee includes shares purchased for the Non-Executive Directors and previous Chair (Roberto Quarta) in lieu of part of the annual fee, details of which can be found on the table below. Rupert Soames fee does not include a "share" element. See below disclosure "Chair and Non-Executive Director fees".
2 Rupert Soames joined the Board on 26 April 2023, becoming the Chair on 15 September 2023.
3 Roberto Quarta stepped down from the Board on 15 September 2023.
4 Robin Freestone stepped down from the Board on 30 September 2022.
5 Jez Maiden joined the Company on 14 September 2023.
6 Marc Owen waives his right to receive $35,000 in relation to his role of Senior Independent Director (effective from 1 October 2022).
7 Jo Hallas joined the Board on 1 February 2022.
8 Katarzyna Mazur-Hofsaess joined the Board on 1 November 2020.

Chair and Non-Executive Director fees

In February 2024, the fees paid to the Chair and the Non-Executive directors were reviewed. It was determined that the Non-Executive Director annual fees and the fee for the Senior Independent Director and Committee Chair roles be increased with effect from 1 April 2024. There was no change in the fee for the Chair or to the intercontinental travel fees.

Annual fee paid to the Chair[1]	£450,000
Annual fee paid to Non-Executive Directors	£72,250 of which £6,757 paid in shares or $135,000 of which $10,173 paid in shares
Intercontinental travel fee (per meeting)	£3,500 or $7,000
Fee for Senior Independent Director and Committee Chair	£20,800 or $36,400

1 The Chair is required, each year, to purchase shares worth at least 25% of his post-tax annual fee. On 27 April 2023, he purchased 9,040 shares at a price of 12.94p per share.

Payments made to former Directors (audited)

Roland Diggelmann ceased to be Chief Executive Officer and a member of the Board on 31 March 2022. As detailed in the 2021 Remuneration Report, in accordance with his employment agreement and with the Remuneration Policy approved by shareholders on 9 April 2020, Roland Diggelmann continued to receive his base salary of CHF1,380,000, pension payments and benefits up to 28 February 2023. Accordingly, he received a total of CHF255,238 for the period 1 January 2023 to 28 February 2023.

Roland Diggelmann holds an award over 42,113 shares under the Deferred Share Bonus Plan ("DBP") which was granted on 9 March 2022. This represented 50% of his 2021 bonus which vests after three years in line with the Remuneration Policy. He received a further award over 6,678 shares under the DBP on 9 March 2023 to the value of 50% of his 2022 annual bonus. Roland also holds awards (in aggregate) over 191,048 shares at maximum under the Performance Share Programme, exclusive of dividend equivalents. These shares were pro-rated to his date of leaving and vest subject to achievement of the relevant performance conditions. His prorated 2021 PSP award will vest at 21% on 21 May 2024.

Service contracts

Existing Executive Directors are employed on rolling service contracts with notice periods of up to 12 months from the Company and six months from the Executive Director. In line with our updated 2024 Remuneration Policy, future appointments to Executive Director positions will apply rolling service contracts with notice periods of up to 12 months from the Company and 12 months from the Executive Director. Further information can be found on page 126 of the Policy Report contained within the 2022 Annual Report.

Directors' interests in ordinary shares (audited)

Beneficial interests of the Executive Directors in the ordinary shares of the Company are as follows:

	Deepak Nath			Anne-Françoise Nesmes		
	1 January 2023	**31 December 2023**	16 February 2024[1]	1 January 2023	**31 December 2023**	16 February 2024[1]
Ordinary shares	97,784	**159,850**	160,667	–	**–**	–
Share options	–	**–**	–	1,621	**1,621**	1,621
Deferred Share Bonus Plan award (2022 bonus)	–	**26,014**	26,014	24,169	**41,046**	41,046
Buy-out award agreement	205,208	**108,179**	108,179	–	**–**	–
Performance Share Programme awards[2]	259,422	**543,170**	543,170	280,310	**377,690**	377,690

1 The latest practicable date for this Annual Report.
2 These share awards are subject to further performance conditions before they may vest. The performance conditions attached to the award granted to the CFO on 21 May 2021 will vest at 21% on 20 May 2024 (see pages 144–145 for further details).

The beneficial interest of each Executive Director is less than 1% of the ordinary share capital of the Company.

Beneficial interests of the Directors in the ordinary shares of the Company are as follows:

Director	1 January 2023 (or date of appointment if later)	31 December 2023 (or date of retirement if earlier)	16 February 2024[1]	Shareholding as % of annual salary/fee[2,3,8]
Rupert Soames[5]	–	9,040	9,040	71.19
Roberto Quarta[6]	73,300	78,813	78,813	262.58
Erik Engstrom	16,774	17,097	17,097	274.78
Jo Hallas	5,332	5,655	5,655	86.53
John Ma[4]	924	1,500	1,500	12.25
Jez Maiden[7]	–	1,000	1,000	54.27
Katarzyna Mazur-Hofsaess	880	1,368	1,368	20.93
Rick Medlock	3,564	3,917	3,917	47.05
Deepak Nath[4]	97,784	159,850	160,667	164.03
Anne-Françoise Nesmes	–	–	–	38.92
Marc Owen[4]	16,478	16,858	16,858	114.38
Angie Risley	5,343	5,666	5,666	68.05
Bob White[4]	7,284	7,860	7,860	66.92

1 The latest practicable date for this Annual Report.
2 Calculated using the closing share price of 1,117.0p per ordinary share and $28.06 per ADS on 16 February 2024, and an exchange rate of £1:$1.2583.
3 Due to their length of service some Non-Executive Directors have not met their shareholding requirements, but this will continue to be monitored in accordance with the Remuneration Policy.
4 John Ma, Marc Owen and Bob White hold their shares in the form of ADRs. Deepak Nath also holds some of his shares in the form of ADRs.
5 Rupert Soames joined the Board on 26 April 2023 and assumed chairmanship on 15 September 2023.
6 Roberto Quarta stepped down from the Board as Chairman on 15 September 2023; his shareholding stated is therefore as at 15 September 2023.
7 Jez Maiden was appointed Non-Executive Director on 14 September 2023.
8 For the purposes of calculating an Executive Director's performance against their shareholding requirement, ordinary shares or ADRs held by the individual and their immediate family are included as are unvested awards under the DBP (on a net of tax basis) but not awards subject to an ongoing performance condition. The percentages in this column are consistent with this methodology.

The beneficial interest of each Non-Executive Director is less than 1% of the ordinary share capital of the Company.

Chief Executive Officer remuneration compared to employees generally

The percentage change in the remuneration of the Chief Executive Officer between 2021, 2022 and 2023 compared to that of employees generally was as follows:

		% change 2022/2023			% change 2021/2022			% change 2020/2021		
		Salary/fees	Taxable benefits	Annual incentive	Salary/fees	Taxable benefits	Annual incentive	Salary/fees	Taxable benefits	Annual incentive
Executive Directors										
CEO	Deepak Nath[1]	**39.61%**	**55.81%**	**168.5%**	0.00%	-55.54%	44.89%	0.00%	0.00%	–
CFO	Anne-Françoise Nesmes	**4.18%**	**3.60%**	**129.6%**	4.62%	3.97%	-29.50%	0.00%	0.00%	–
Chairman	Rupert Soames[2]	**100.00%**	**–**	**–**	–	–	–	–	–	–
Former Chairman	Roberto Quarta[3]	**-22.46%**	**–**	**–**	0.82%	–	–	0.37%	–	–
Non-Executive Directors										
	Erik Engstrom[4]	**0.00%**	**–**	**–**	0.00%	–	–	0.00%	–	–
	Angie Risley	**0.00%**	**–**	**–**	3.91%	–	–	0.00%	–	–
	Marc Owen[5]	**11.30%**	**–**	**–**	8.15%	–	–	0.00%	–	–
	Rick Medlock	**0.00%**	**–**	**–**	3.91%	–	–	51.58%	–	–
	Bob White[5]	**20.47%**	**–**	**–**	5.39%	–	–	44.55%	–	–
	Katarzyna Mazur-Hofsaess	**0.00%**	**–**	**–**	5.04%	–	–	561.90%	–	–
	Jo Hallas	**7.75%**	**–**	**–**	272.81%	–	–	–	–	–
	John Ma[5]	**13.93%**	**–**	**–**	32.88%	–	–	–	–	–
	Jez Maiden[5,6]	**0.00%**	**–**	**–**	–	–	–	–	–	–
Average of all employees		**5.18%**	**–**	**–**	5.95%	–	–	1.64%	–	–

1 Deepak Nath was appointed CEO on 1 April 2022.
2 Rupert Soames joined the Board as a Non-Executive Director and Chair Designate on 26 April 2023 and was appointed Chair of the Board on 15 September 2023.
3 Roberto Quarta stepped down as Chair of the Board on 15 September 2023.
4 Erik Engstrom stepped down from the Board as a Non-Executive Director on 31 December 2023.
5 The change in benefits is due to changes in travel spend during the year.
6 Jez Maiden joined the Board as a Non-Executive Director on 14 September 2023.

The average cost of wages and salaries for employees generally increased by 7.54% in 2023 (see Note 3.1 to the Group accounts). Figures for annual cash bonuses are included in the numbers.

When considering remuneration arrangements for our Executive Directors, the Committee takes into account pay across the Group in the following ways:

- Salary levels and increases for all employees including Executive Directors take account of the scope and responsibility of position, the skills, experience and performance of the individual and general economic conditions within the relevant geographical market. When considering increases to Executive Director base salaries, the Committee considers the average pay increases in the market where the Executive Director is based.
- All employees including the Executive Directors have performance objectives determined at the beginning of the year which cascade down from the Strategic Imperatives for the Group.
- The level of variable pay determined for all employees, whether in the form of shares or cash is dependent on performance against these imperatives, both financially and personally.
- Executive Directors participate in benefits plans and arrangements comparable to benefits paid to other senior executives in the relevant geography. Executive Directors participate in the same senior executive incentive plans (currently the Annual Bonus Plan and the Performance Share Programme) as other Executive Officers and senior executives. The level of award reflects the differing seniority of participants and the market where the Executive is located. Performance conditions for the Performance Share Programme are the same for Executive Directors and Executive Officers. Executives, however, have only three measures with no reference to ROIC. For the Annual Bonus Plan (ABP) Performance Measures apply to all Executives consistently, however, weighting between Financials and Non-Financials differs based on the position.

Chief Executive Officer pay ratio

The regulations provide three options which may be used to calculate the pay for the employees at the 25th percentile, median and 75th percentile. We have used option A (as set out in the Companies (Miscellaneous Reporting) Regulations 2018), following guidance issued by some proxy advisers and institutional shareholders. The ratio has been calculated by comparing against the full-time equivalent pay of all UK employees within the Group including both our entities Smith & Nephew UK Limited and T.J. Smith and Nephew, Limited.

Option A calculates pay for all employees on the same basis as the single figure for remuneration calculated for Executive Directors. The period for which the employee pay has been calculated under Option A is the calendar year 2023. Figures are calculated by reference to 31 December 2023 using actual pay data from 1 January 2023 to 31 December 2023. The single figure for remuneration for each employee includes earned salary, annual incentive, allowance, pension and benefits for 2023. Part-time employees have been excluded for the purpose of calculations.

Comparisons have been made with employees at median (P50), lower (P25) and upper (P75) quartiles. We have used the actual salaries paid to our employees in the UK. The values were listed lowest to highest and three percentiles were identified. We are confident this methodology gives us the most reflective pay at the median. The Committee is satisfied that the individuals identified in the employee comparison group appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees.

The table below sets out the ratio at the median, lower and upper quartiles:

Year	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2019	116:1	81:1	51:1
2020	42:1	29:1	19:1
2021	71:1	49:1	32:1
2022	160:1	107.1	70:1
2023	102:1	72:1	46:1

In 2023, the ratio was impacted by the vesting of the performance award under the 2022 buy-out award agreement made to Deepak Nath. Excluding this one-off arrangement, the median ratio would have been 55:1.

The table below provides the total pay figure used for each quartile employee, and the salary component within this.

Component	CEO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Salary	$1,512,726	$45,600	$51,244	$77,454
Total pay	$4,658,252	$45,600	$64,627	$101,369

Relative importance of spend on pay

When considering remuneration arrangements for our Executive Directors and employees as a whole, the Committee also takes into account the overall profitability of the Company and the amounts spent elsewhere, particularly in returning profits to shareholders in the form of dividends and share buy-backs.

The following table sets out the total amounts spent in 2023 and 2022 on remuneration, the attributable profit for each year and the dividends declared and paid in each year.

	For the year to 31 December 2023	For the year to 31 December 2022	% change
Attributable profit for the year	**$263m**	$223m	18%
Dividends paid during the year	**$327m**	$327m	0%
Share buy-back[1]	**$0m**	$158m	-100%
Total Group spend on remuneration[2]	**$1,683m**	$1,565m	7.5%

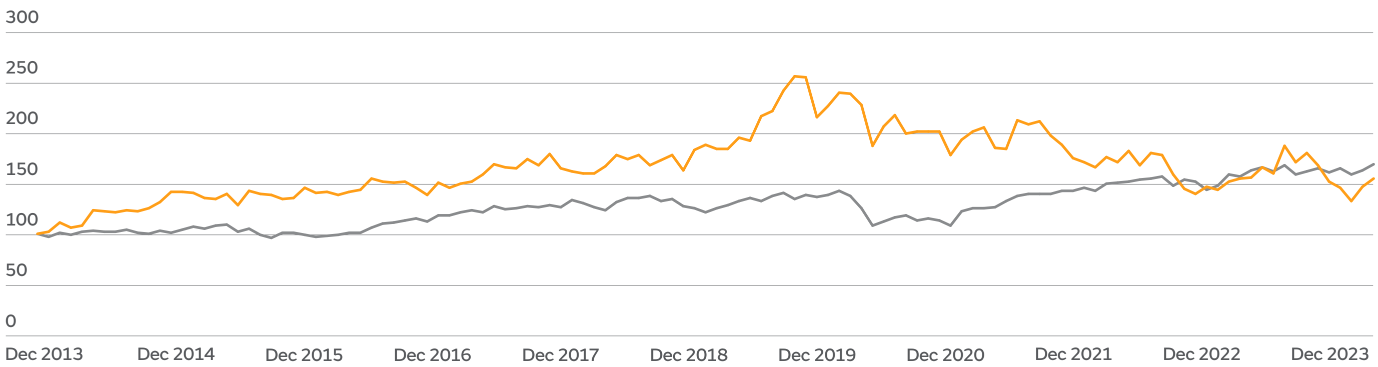
1 Shares are bought in the market in respect of shares issued as part of the executive and employee share plans. In December 2021 we announced an updated capital allocation policy to prioritise the use of cash. The 2022 share buyback programme commenced on 22 February 2022 and $150 million was completed by 31 August 2022. As macroeconomic conditions continued to be uncertain, including higher cost inflation, the Board decided it was prudent to delay further buy-backs until conditions improved. We remain committed to returning surplus cash to shareholders over time.

2 See note 3.1 staff costs and employee numbers.

Total Shareholder Return

A graph of the Company's TSR performance compared to that of the FTSE 100 index, of which the Company, is a constituent, is shown below in accordance with Schedule 8 to the Regulations.

Ten-year Total Shareholder Return
(measured in UK Sterling, based on monthly spot values)

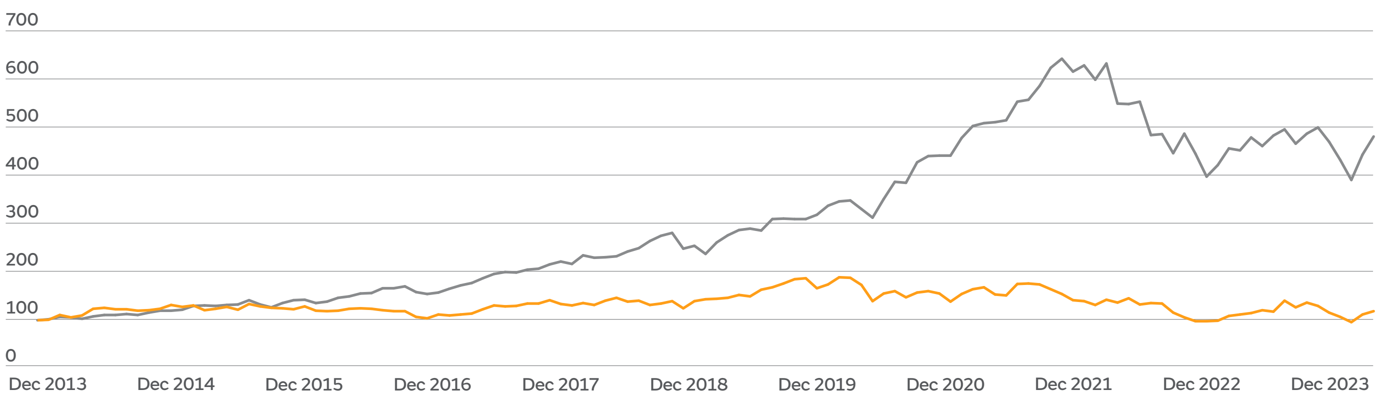


Source: S&P Capital IQ

Smith+Nephew FTSE 100

As we also compare the Company's performance to a tailored sector peer group of medical devices companies (see page 144), when considering TSR performance in the context of the Global Share Plan 2010 and Global Share Plan 2020, we feel that the following graph showing the TSR performance of this peer group is also of interest.

Ten-year Total Shareholder Return
(measured in US Dollars, based on monthly spot values)



Source: S&P Capital IQ
Medical Devices comparators that are still trading for awards made since 2012

Smith+Nephew S&P Medical Devices

Table of historic data

The following table details information about the pay of the Chief Executive Officer in the previous 10 years:

Year	Chief Executive Officer	Single figure of total remuneration $	Annual Cash Incentive payout against maximum %	Long-term incentive vesting rates against maximum opportunity Performance Share Programme shares %
2023	Deepak Nath	$4,658,252	61	–
2022	Deepak Nath[1]	$5,955,246	32	–
2022	Roland Diggelmann	$603,103	24	–
2021	Roland Diggelmann	$3,102,426	41	–
2020	Roland Diggelmann	$1,697,773	0[5]	–
2019	Roland Diggelmann[2]	$265,814	–	–
2019	Namal Nawana[3]	$4,489,374	71[6]	–
2018	Namal Nawana	$2,883,632	69	–
2018	Olivier Bohuon[4]	$2,383,582	63	46.5
2017	Olivier Bohuon	$5,116,689	61	54
2016	Olivier Bohuon	$3,332,850	30	8
2015	Olivier Bohuon	$5,342,377	75	33.5
2014	Olivier Bohuon	$6,785,121	43	57

1 Appointed Chief Executive Officer on 1 April 2022.
2 Appointed Chief Executive Officer on 1 November 2019 and stepped down on 31 March 2022.
3 Appointed Chief Executive Officer on 7 May 2018 and resigned on 31 October 2019.
4 Retired as Chief Executive Officer on 7 May 2018.
5 Due to the impact of Covid upon the Chief Executive Officer's financial targets, a cash award of 0% was achieved.
6 Calculated as 106.7% for Namal Nawana (disclosed on page 108 of the Company's Annual Report for the year ended 31 December 2019), divided by the maximum potential payout of 150%.

Gender pay ratio

In 2023, the Committee reviewed our UK gender pay ratio. It was noted that today our gender pay gap is greater than we would like it to be, but we are seeing improvements year-on-year. Both our mean pay gap and median pay gap have decreased from 16% in 2022 to 14% in 2023. We shall continue to review these figures.

Shareholding requirements

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 four times base salary and the Chief Financial Officer is expected to build a holding of three times base salary. Executive Directors have five years from their appointment within which to meet that holding requirement. Due to the tenure of the Executive Directors neither have met their shareholding requirements, but this will continue to be monitored in accordance with the Remuneration Policy.

Post-cessation shareholding requirements

In addition, Executive Directors are expected to hold vested shares for up to two years post-vesting of the Performance Share Programme and Deferred Share Bonus Plan. They are expected to hold up to their shareholding requirement only. These shares are held in the vested Share Plan Account provided by the Company's share plan administrator.

Statement of voting at Annual General Meeting

At the Annual General Meeting held on 26 April 2023, votes cast by proxy and at the meeting and votes withheld in respect of the votes on the Directors' Remuneration Report are noted below. In addition, votes cast by proxy and at the meeting and votes withheld in respect of the votes on the Directors' Remuneration Policy, which was last approved by shareholders on 26 April 2023, are noted below:

Resolution	Votes for	% for	Votes against	% against	Total votes validly cast	Votes withheld
Approval of the Directors' Remuneration Report (excluding policy)	641,046,658	94.20	39,445,391	5.80	680,492,049	435,096
Approval of the Directors' Remuneration Policy at the 2023 Annual General Meeting	643,583,465	94.55	37,067,165	5.45	680,650,630	276,215

Remuneration Implementation Report continued

Senior management remuneration

The Group's administrative, supervisory and management body (senior management) comprises, for US reporting purposes, Executive Directors, Non-Executive Directors and Executive Officers. Details of the current Executive Directors, Non-Executive Directors and Executive Officers are given on pages 90–95.

Compensation paid to senior management in respect of 2021, 2022 and 2023 was as follows:

	2023	2022	2021
Total compensation (excluding pension emoluments, but including cash payments under the performance-related incentive plans)	**$18,890,117**	$17,211,000	$15,795,000
Total compensation for loss of office	**$1,659,101**	–	–
Aggregate increase in accrued pension scheme benefits	**–**	–	–
Aggregate amounts provided for under supplementary pension schemes	**$1,332,505**	$1,626,000	$1,454,000

As at 16 February 2024, senior management owned 619,051 shares and 11,912 ADSs, constituting less than 0.074% of the share capital of the Company. For this purpose, the Group is defined as the Executive Directors, members of the Executive Committee, including the Company Secretary and their Persons Closely Associated. Details of share awards granted during the year and held as at 16 February 2024 by members of senior management are as follows:

	Share awards granted during the year	Total share awards held as at 16 February 2024
Equity Incentive Programme awards	0	28,648
Deferred Share Bonus Plan awards	113,017	159,442
Performance Share Programme awards at maximum	1,501,680	2,943,708
Performance Share Programme – Supplementary awards	0	0
Conditional Share Awards under the Global Share Plan 2020	0	77,399
Sign-on Awards under the Global Share Plan 2020	69,604	69,604
Buy-Out Award Agreement	0	108,179
Options under Employee ShareSave plans	0	3,756

The Smith+Nephew Employee Share Trust

Note 19.2 of these accounts states the movement in Treasury Shares and the Trust during 2023. No more shares are held within the Trust than are required for the next twelve months' of anticipated vestings. Any unvested shares held in the Trust are not voted upon at shareholder meetings. No more than 5% of the issued share capital at 31 December 2023 is held within the Trust. At 31 December 2023 shares were held in the Trust representing 0.28% of the issued share capital.

Dilution headroom

The Remuneration Committee ensures that at all times the number of new shares which may be issued under any share-based plans, including all-employee plans, does not exceed 10% of the Company's issued share capital over any rolling 10-year period (of which up to 5% may be issued to satisfy awards under the Company's discretionary plans). The Company monitors headroom closely when granting awards over shares taking into account the number of options or shares that might be expected to lapse or be forfeited before vesting or exercise. In the event that insufficient new shares are available, there are processes in place to purchase shares in the market to satisfy vesting awards and to net-settle option exercises.

Over the previous 10 years (2014 to 2023), the number of new shares issued under our share plans has been as follows:

All-employee share plans	6,461,742 (0.74% of issued share capital as at 16 February 2024)
Discretionary share plans	9,340,452 (1.07% of issued share capital as at 16 February 2024)

By order of the Board, on 26 February 2024

Angie Risley

Angie Risley
Chair of the Remuneration Committee