# Governance

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## 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.

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**Letter from the Chair**

**Dear Shareholder**

On behalf of the Board, I am pleased to present the governance section of our Annual Report, which sets outs the Board’s structure, roles, responsibilities, activities and stakeholder engagement during 2022.

**Supporting strategic and operational improvement**

Despite intense macroeconomic and geopolitical headwinds, the Board has remained focused on strategy and value creation. Following Deepak’s arrival in April 2022, urgent focus was required in order to set the Company on a trajectory to achieve its full potential and deliver value for shareholders.

The executive directors and management focused on core business strategy and value creation opportunities under the 12-point plan to fix orthopaedics, improve margin and accelerate growth in our Advanced Wound Manufacturing (AWM) and Sports businesses. In parallel, the Board maintained scrutiny over the implementation of the Strategy for Growth in line with the Board’s risk appetite to ensure high standards of corporate governance were maintained and that decisions were considered in the interests of the Company’s stakeholders and in the best interests of the Company as a whole.

From a governance perspective, the Board has continued to drive improvements in our enterprise risk management programme in order to positively impact the risk culture of the Company. The refreshed focus on our governance structure in order to provide further oversight on environmental, social and governance (ESG) matters has also been a focus for the Board this year.

**Board changes in 2022**

Deepak joined us at an inflection point for the business and within his first 100 days conducted a deep dive review
and assessment of the opportunities and challenges facing the Company and then presented his 12-point plan to the Board, supported by key KPIs and metrics to execute and deliver on the Company’s significant potential for accelerated growth.

Jo Hallas was appointed as a Non-Executive Director to the Board on 1 February 2022 and was subsequently appointed as a member of the Audit Committee with effect from 1 September 2022. Jo’s experience on sustainability matters has enhanced Board expertise in this area.

Robin Freestone, our Senior Independent Director took the decision to step down as a Non-Executive Director on 30 September having completed 7 years of service. We wish to thank him for his support to me as Chair, to the Board and the Company more broadly.

Marc Owen was appointed as Senior Independent Director with effect from Robin’s departure and led the search for my successor. We also took the opportunity to strengthen the Nomination & Governance Committee, appointing Angie Risley with effect from 1 September 2022.

**Board and leadership succession planning**

During my tenure we have strengthened the capabilities of the Board in terms of skills, composition and diversity and have appointed Board members with industry specific knowledge and broad geographical experience.

As succession planning is a key focus from both a leadership and governance perspective, we have developed a board composition and skills matrix which feeds into a formal rolling succession plan for directors. We have also worked with an independent third party to review our profile for the Company’s Chief Executive Officer and continue to review internal talent pipeline development as part of executive succession planning.

**Chair search**

The Nomination & Governance Committee and the Board were aligned on three core characteristics which would be required for a successful Chair: (i) a proven track record of delivering shareholder value; (ii) a strong background in governance, ideally within a UK FTSE environment; and (iii) the ability to support and develop the Chief Executive Officer, either through previous CEO experience or within a Chair role.

Marc engaged with various shareholders as part of the search process, who agreed with the characteristics determined by the Board and acknowledged that given the recent changes to Board and management, it was important to take the time to find the right fit for the new Chair.

After an extensive search, we announced on 17 February 2023 that subject to shareholder approval, Rupert Soames OBE will be appointed to the Board as a Non-Executive Director and Chair-designate at our AGM and will join the Nomination & Governance and Remuneration Committees upon appointment. In order to ensure a smooth transition to Rupert, I have agreed to remain as Chair until 15 September 2023 and will put myself forward for re-election at the AGM on this basis.

Rupert has extensive global leadership experience, a strong track record of delivering shareholder value and a deep understanding of the UK corporate governance environment. For more than eight years as Chief Executive Officer of Serco Group plc, Rupert led the transformation of the business and delivered significant improvements to profitability as he transitioned the Group’s strategy from turnaround to growth. Rupert was a Non-Executive Director of DS Smith, the FTSE 100 packaging company until September 2022 and was also Senior Independent Director of Electrocomponents plc (now RS Group). He was a member of the Remuneration, Nomination and Audit Committees at both companies.

On behalf of the Board, I am delighted to welcome Rupert as my successor as Chair. I am confident that he is the right person to support the management team, the organisation and the Board through the next stage of Smith+Nephew’s transformation.

**Stakeholders**

Pages 111–115 provide further insight into how the Board engage with and consider the views of our stakeholders in our decision-making process, with one key example being the decision to invest in a new greenfield AWM site in Melton near Hull. The Board evaluated the benefit and impact on employees, customers, suppliers, investors, governments and regulators, the local communities and other stakeholders as part of decision making.

Following easing of restrictions post Covid, various Board members visited our Hull and Memphis sites in May and September 2022 respectively, which provided opportunities for Board members (especially those who had joined during or since the pandemic) to understand more about the core business strategy, value creation opportunities and challenges and the impact of key initiatives and projects on our stakeholders.

Human capital issues including culture and workforce transformation also continue to be important agenda items for the Board. This year the Board amplified its listening session programme, holding five sessions with employees from diverse regional and workforce stakeholder groups. The session with Employee Interest Group (EIG) leadership in particular provided strong insights for the Board in terms of employee-driven initiatives on Inclusion, Diversity and Equity (IDE). Further details can be found on pages 110–112.

**Annual General Meeting**

Our 2023 AGM will be held at our Croxley offices on 26 April 2023 at 12pm. We strongly encourage shareholders to attend in person to listen to the proceedings, ask questions and vote. Further details of the AGM are included in the Notice of Meeting.

My thanks go to the Board for their commitment, contribution and dedication during 2022. I would also like to thank all of our shareholders for their continued patience during a challenging year for the Company.

It has been an honour to serve as your Chair and I will follow the Company with interest as management and the Board continue to partner together to execute on strategy and create and deliver further value for shareholders. 2023 looks set to be a year in which the resilience of Boards, CEOs and executives will continue to be tested and I believe that the current Board with the new Chair in place will be well positioned to provide support and oversight in a fast-changing environment.

Roberto Quarta  
Chair
**Board of Directors**

**Roberto Quarta**

*Chair*

Appointed as an Independent Non-Executive Director in December 2013 and appointed Chair at the 2014 Annual General Meeting

*Previous experience:*

He has held several board positions, including Non-Executive Director of Powergen plc, Equant N.V., BAE Systems plc and Foster Wheeler AG. His previous chairmanships include Italtel S.p.A., Rexel SA, IMI plc and SPIE SA. Roberto was a former member of the Investment Committee of Fondo Strategico Italiano S.p.A.

*Nationality:*

American/Italian

**Deepak Nath**

*Chief Executive Officer*

Appointed Chief Executive Officer in April 2022

*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

**Rupert Soames**

*Chair Designate*

To be appointed as Non-Executive Director on 26 April 2023 subject to shareholder approval. Member of the Nomination & Governance and Remuneration Committees upon appointment and will succeed Roberto Quarta as Chair in September 2023

*Previous experience:*

Rupert stepped down in December 2022 as Group Chief Executive from Serco Group plc, the specialist services business in Health, Defence, Transport and Immigration, employing c.53,000 people and operating in 16 countries. He joined Serco Group plc from Aggreko plc where he was Chief Executive Officer for 11 years and prior to that he was at software company Misys plc as Chief Executive of its Banking and Securities Division. He spent the first 16 years of his career at GEC plc. He studied Politics, Philosophy & Economics at Oxford University and was President of the Oxford Union. Rupert was a Non-Executive Director of DS Smith the FTSE 100 packaging company until September 2022 and was previously Senior Independent Director of Electrocomponents plc (now RS Group). He was a member of the Audit, Remuneration and Nomination Committees for both companies. Rupert is a Visiting Fellow at Oxford University, and a Visiting Professor of Aston University.

*Nationality:*

British

**Anne-Françoise Nesmes**

*Chief Financial Officer*

Appointed Chief Financial Officer in July 2020

*Previous experience:*

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 background and her ability to translate financial insights into results helps guide Smith+Nephew.

*Nationality:*

British/French

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**Board leadership and purpose**

**Committee key**

- Member of the Audit Committee
- Member of the Nomination & Governance Committee
- Member of the Remuneration Committee
- Member of the Compliance & Culture Committee

**Committee Chair**

- Chair Designate
- Chair of WPP plc
- Partner at Clayton Dubilier & Rice, LLC and Chair of CD&R Europe
- Independent Non-Executive Director of Gulf Capital

### Key skills and competencies

- Resilience and a high degree of personal drive
- Ability to inspire and motivate others
- Proven ability to build high performance teams
- Strong track record of delivering shareholder value
- Ability to translate financial insights into growth
- Experience of working with a diverse range of stakeholders
- Experience of working internationally
- Experience in the medical device sector

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**Current external appointments:**

- Chair of WPP plc
- Partner at Clayton Dubilier & Rice, LLC and Chair of CD&R Europe
- Independent Non-Executive Director of Gulf Capital
Marc Owen
Senior Independent Director
Appointed Independent Non-Executive Director in October 2017 and Senior Independent Director in September 2022

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.

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.

Nationality: British/American

Jo Hallas
Independent Non-Executive Director
Appointed Independent Non-Executive Director in February 2022

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: – Chief Executive Officer of Tyman plc.

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. Since 2019, Jo has served as Chief Executive Officer for Tyman plc where she has made sustainability a core foundation of the group’s strategy. Jo was also previously Chair of the Remuneration Committee for Norcros plc.

Nationality: British

Erik Engstrom
Independent Non-Executive Director
Appointed Independent Non-Executive Director in January 2015

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

John Ma
Independent Non-Executive Director
Appointed Independent Non-Executive Director in February 2021

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.

Nationality: American

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.
Board leadership and purpose continued

Board of Directors continued

Katarzyna Mazur-Hofsaess
Independent Non-Executive Director
Appointed Independent Non-Executive Director in November 2020

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 (MD, PhD), has an Executive MBA from the University of Minnesota 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:
– Director on 1 May 2020
– Appointed Independent Non-Executive Director on 1 May 2020

Previous experience:
Katarzyna commenced her corporate career in 1998 at Roche in Poland, prior to becoming General Manager for Poland of Allergy Therapeutics plc. In 2001, Katarzyna joined Abbott Laboratories initially to manage their diabetes care division in Poland and became country General Manager. Over the next nine years, her career at Abbott progressed becoming Divisional Vice President Abbott Diagnostics for Europe. In 2010, she became President of EMEA at Zimmer and then led the operations of Zimmer Biomet in EMEA. In 2018, Katarzyna became Chief Executive Officer for the €2.7 billion EMEA renal care business of Fresenius Medical Care, and in January 2022 took over responsibility for the Care Enablement organisation.

Nationality: German/Polish

Angie Risley
Independent Non-Executive Director
Appointed Independent Non-Executive Director in September 2017

Previous experience:
Between 2007–2013 Angie was the Group HR Director for Lloyds Banking Group, joining J Sainsbury plc as Group HR Director and a member of their Operating Board in January 2013. 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, and now Smith+Nephew. At Serco Group plc she was the Chair of the Remuneration Committee. Previously she has attended Remuneration Committees of Whitbread plc, Lloyds Bank.

Nationality: British

Rick Medlock
Independent Non-Executive Director
Appointed Independent Non-Executive Director in April 2020

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.

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

Bob White
Independent Non-Executive Director
Appointed Independent Non-Executive Director on 1 May 2020

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:
– Executive Vice President and President, Medical Surgical Portfolio at Medtronic plc.

Previous experience:
Bob has held a number of senior Vice President positions throughout his career, including at Chemdex Corporation, Accelys 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

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.
Executive Committee

The Executive Committee of Smith+Nephew is responsible for leading the Company and executing on its strategy.

Simon Fraser
President Advanced Wound Management and Global Commercial Operations
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.
Nationality: American
Location: Andover, US

Myra Eskes
President APAC Region & Global Service
Prior to joining Smith+Nephew, Myra was President and Chief Executive Officer of GE Healthcare Southeast Asia, Korea, Australia and New Zealand and led the GE Life Sciences business for the Eastern & African growth markets.
Nationality: Dutch
Location: Singapore

Simon Fraser
President Advanced Wound Management and Global Commercial Operations
Simon brings more than 30 years of leadership experience in Quality and Regulatory Affairs. Prior to Smith+Nephew, Simon held senior roles at Dentsply Sirona, Abbott Laboratories, Alere Inc and Johnson & Johnson. Simon will retire in April 2023.
Nationality: American/Canadian
Location: Fort Worth, US

Bran Cannon
President Orthopaedics, Sports Medicine & ENT and Americas
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.
Nationality: American
Location: Andover, US

Mizanu Kebede
Chief Quality & Regulatory Affairs Officer
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.
Nationality: American
Location: Georgia, US

Paul Connolly
President Global Operations
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.
Nationality: American/Irish
Location: Fort Worth, US

Phil Cowdy
Chief Corporate Development & Corporate Affairs Officer
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. He qualified as a chartered accountant with EY. Phil serves as the representative of Smith+Nephew on the Board of Bioventus Inc.
Nationality: British
Location: Watford, UK

Vasant Padmanabhan
President Research & Development
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.
Nationality: American
Location: Andover, US

Alison Parkes
Chief Compliance Officer
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.
Nationality: British
Location: Fort Worth, US

Elga Lohler
Chief HR Officer
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).
Nationality: American/South African
Location: Fort Worth, US

Helen Barraclough
Group General Counsel and Company Secretary
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 also serves as the Chief Risk Officer for Smith+Nephew.
Nationality: British
Location: Watford, UK

Brad Cannon
President Orthopaedics, Sports Medicine & ENT and Americas
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.
Nationality: American
Location: Andover, US

Executive Officers whose tenure ceased
Peter Coenen, President EMEA Region, served until 31 December 2022.

Smith+Nephew Annual Report 2022
## Roles and composition of the Board

### Chair

**Roberto Quarta**
- 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 understand 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 search 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

**Erik Engstrom, Jo Hallas, John Ma, Katarzyna Mazur-Hofsaess, 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.

### Non-Financial Reporting Regulations

In accordance with the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 information can be found on the following pages of this 2022 Annual Report relating to the environment (pages 48–68 of this report and the 2022 Sustainability Report), social (pages 48–53 of this report and the 2022 Sustainability Report), anti-corruption and anti-bribery matters (page 53), employees (pages 48–53) and human rights (page 53).
In advance of the Board and Committee meetings, the Chair met with the Non-Executive Directors in the absence of Executive Directors. In addition, the Chair held 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 21 February 2023.

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.

Bob White is President of the Medtronic Medical Surgical Portfolio at Medtronic plc, a situation which the Board has identified and duly authorised as potentially giving rise to a conflict of interest. Mr White is recused from any matters discussed at a meeting of the Board or of a Board Committee which the Board or relevant committee consider may pose a potential conflict.

**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 a Non-Executive Director of 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 fulfill 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.

**Purchase of ordinary shares**

In December 2021, we announced an updated capital allocation policy to prioritise the use of cash. The 2022 share buyback programme commenced on 23 February 2022 and $150 million was completed by 12 August 2022. As macroeconomic conditions continued to be uncertain, including higher input cost inflation, the Board decided it was prudent to delay further buybacks until conditions improved. We remain committed to returning surplus cash to shareholders over time.
Corporate governance framework

Our Board

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.

www.smith-nephew.com

Audit Committee

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.
Ensures effectiveness of internal and external audit functions.

Remuneration Committee

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

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

Compliance & Culture Committee

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

The Board delegates the day-to-day operational management and implementation of Group strategy to the Chief Executive Officer and Executive Committee (see page 89). 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 subcommittees including those listed below:

- Group Ethics & Compliance Committee
- ESG Operating Committee
- Mergers & Acquisitions Investment Committee
- Global Benefits Committee
- Health, Safety & Environment Committee
- Quarterly Business Review and Franchise/Function/Regional Leadership Team Meetings
- Global Crisis Management Team
- New Product Development Committee
- Inclusion, Diversity and Equity Council
- Security and Privacy Steering Committee
## Board and Committee attendance

<table>
<thead>
<tr>
<th>Total meetings</th>
<th>Appointed</th>
<th>Board</th>
<th>Audit</th>
<th>Remuneration</th>
<th>Nomination &amp; Governance</th>
<th>Compliance &amp; Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roberto Quarta</td>
<td>December 2013</td>
<td>7/7</td>
<td>–</td>
<td>7/8</td>
<td>5/6</td>
<td>–</td>
</tr>
<tr>
<td>Roland Diggelmann</td>
<td>March 2018</td>
<td>1/1</td>
<td>–</td>
<td>–</td>
<td>5/6</td>
<td>–</td>
</tr>
<tr>
<td>Deepak Nath</td>
<td>April 2022</td>
<td>6/6</td>
<td>–</td>
<td>6/6</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Erik Engstrom</td>
<td>January 2015</td>
<td>7/7</td>
<td>8/8</td>
<td>–</td>
<td>6/6</td>
<td>–</td>
</tr>
<tr>
<td>Robin Freestone</td>
<td>September 2015</td>
<td>5/5</td>
<td>6/6</td>
<td>7/7</td>
<td>5/5</td>
<td>–</td>
</tr>
<tr>
<td>John Ma</td>
<td>February 2021</td>
<td>6/7</td>
<td>–</td>
<td>–</td>
<td>4/4</td>
<td>–</td>
</tr>
<tr>
<td>Katarzyna Mazur-Hofsass</td>
<td>November 2020</td>
<td>7/7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4/4</td>
</tr>
<tr>
<td>Rick Medlock</td>
<td>April 2020</td>
<td>7/7</td>
<td>8/8</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Anne-Françoise Nesmes</td>
<td>July 2020</td>
<td>7/7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Marc Owen</td>
<td>October 2017</td>
<td>7/7</td>
<td>8/8</td>
<td>–</td>
<td>6/6</td>
<td>4/4</td>
</tr>
<tr>
<td>Angie Risley</td>
<td>September 2017</td>
<td>7/7</td>
<td>–</td>
<td>8/8</td>
<td>2/2</td>
<td>4/4</td>
</tr>
<tr>
<td>Bob White</td>
<td>May 2020</td>
<td>7/7</td>
<td>8/8</td>
<td>–</td>
<td>4/4</td>
<td>–</td>
</tr>
<tr>
<td>Jo Hallas</td>
<td>February 2022</td>
<td>7/7</td>
<td>3/3</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

1. Due to unforeseen travel disruption, Roberto Quarta was prevented from attending the July 2022 Remuneration and Nominations & Governance Committee meetings.
2. Roland Diggelmann stepped down as Chief Executive Officer and Executive Director with effect from 31 March 2022.
3. Deepak Nath has been appointed as the Company’s new Chief Executive Officer (CEO) with effect from 01 April 2022.
4. Robin Freestone stepped down as Senior Independent Director and as a Non-Executive Director with effect from 30 September 2022.
5. Due to prior commitments, John Ma was not in attendance at the 27 April Board meeting however, he gave his comments to the Chair before the meeting.
6. Marc Owen has been appointed as Senior Independent Director with effect from 30 September 2022.
7. Angie Risley joined the Nominations & Governance Committee on 1 September 2022.
8. Jo Hallas joined the Audit Committee on 1 September 2022.
The following pages provide an overview of the key topics reviewed, monitored, considered and debated by the Board in the year to 31 December 2022.

### Group Purpose and Culture

- 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 Sustainability strategy, climate related disclosures and key performance metrics.
- Review of initiatives to support employee wellbeing including further improvement of the employee assistance programme.
- Review of initiatives to strengthen and embed Inclusion, Diversity and Equity throughout the Group, including receiving reports on engagement with employee interest groups at Board listening sessions.
- Review of initiatives to increase manager competencies and capabilities at the Compliance & Culture Committee meetings.

### Strategy and transformation

- Setting priorities for capital investment across the Group.
- Reviewing and monitoring progress against the 12-point plan and related metrics in support of the Group strategy.
- Approving annual budget, financial plan, three-year strategic plan.
- Approving major borrowings and finance and banking arrangements.
- Issuance of debut €500 million EUR Corporate Bond.
- Repayment of €757 million of EUR bank term loans and $125 million of private placement debt.
- Approving changes to the composition of the Board, its Committees and the Executive Committee.
- Approving Group policies relating to sustainability, health and safety, Code of Conduct and Code of Share Dealing and other matters.
Performance

- Reviewing performance against strategy, budgets and financial and business plans.
- Approving half-year, full-year and trading updates.
- Strategic deep dives on global and regional franchise 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 and response to external and internal challenges in line with 12-point plan key metrics and deliverables.
- Determining the dividend policy and dividend recommendations.
- Overseeing succession planning at Board and senior management level.
- 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.
- Review of performance and return on investment of acquisitions and integration planning.
- Review of global innovation pipeline and product portfolio with a focus on differentiation and delivery for our customers, patients and stakeholders.
- Continuing review and monitoring of impact of external factors such as inflation, supply constraints and localised lockdowns on ability to deliver on strategic objectives.

Stakeholders

- Overseeing and maintaining relationships with stakeholders including employees, customers, suppliers, investors, regulators and governments. Further details of Board interactions with stakeholders can be found on pages 111–115.
- Review of gender pay gap data and reporting.
- Reviewing investor perspectives with external analysts in September and December 2022.
- Reviewing Gallup results.
- Reviewing Management Talent Pipeline and Succession Planning.
- Engaging with shareholders throughout the year on key issues such as strategy and operational performance, governance and succession planning with a focus on chair succession and ESG and related governance matters.
- Reviewing the fees of the Non-Executive Directors.

Risk

- Overseeing the Group’s risk management programme and related processes. See pages 69–77 for further details.
- Evaluation of risk with regard to initiatives within the 12-point plan.
- Review of the risk register and annual review of the Board appetite for risk.
- Review and approval of Principal Risks of the Group.
- Ongoing consideration of key risks within all Board discussions including impact of inflation, ESG considerations and reporting requirements, investment in IT and workforce engagement.
- Discussion at Board and Committee meetings on key topics including the potential impact of cybersecurity attacks and breaches in the current geopolitical context, regulatory changes, supply chain disruption, global talent outlook and post pandemic constraints and trends.
The Board effectiveness review in 2022 was conducted internally by the Senior Independent Director Marc Owen supported by the Company Secretary. Mr Owen reviewed the results of the internal Board Evaluation conducted by Robin Freestone in 2020 and the external review conducted by Dr Tracy Long in 2021. Mr Owen spoke with Non-Executive Directors, the Chair and CEO in one-to-one discussions in November 2022 prior to summarising his findings which he presented to the Board for discussion in December 2022.

Mr Owen noted that 2022 has seen a period of significant change for the Company. Against a backdrop of external and internal operational challenges and share price performance, the Company has been through a CEO transition, SID transition and will undertake an upcoming Chair transition. He noted that this creates a Board environment where there is a shared urgency to see measurable improvements in performance whilst recognising that leadership needs time to effect lasting positive change.

The evaluation demonstrated the view that overall the Board operates effectively and that post pandemic the opportunity to meet in person and spend time informally with other Board members has been widely welcomed. It was felt that the Company, under new leadership, has a renewed energy and all Board members are anxious to support the actions being taken to improve performance. Feedback on Board mechanics was positive, with the number and duration of meetings being highly rated, the induction process positively regarded, and Board succession planning working well.

During the 2021 review, enhanced collaboration between Executive and Non-Executive Directors was highlighted as being an area for further development. As part of the 2022 Evaluation discussion, the Board continued to challenge themselves in terms of discussing the best way to constructively support and build trust with management and how best to focus on longer-term strategies to create shareholder value for the Company.

As a result of the internal evaluation, the Board has agreed the following actions for the next 12 months:

<table>
<thead>
<tr>
<th>Actions identified</th>
<th>Actions Proposed/Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions identified</strong></td>
<td><strong>Actions Proposed/Taken</strong></td>
</tr>
<tr>
<td>Management talent development – assess long-term approach to internal talent development and the Board’s role in supporting this process.</td>
<td>In 2022, the Board undertook an external evaluation and review of the CEO profile and internal talent succession in order to understand the strategic and operational needs and requirements of the Company and the desire to build an internal talent pipeline.</td>
</tr>
<tr>
<td>External perspectives to inform Board discussions, with more information on industry trends and competitors.</td>
<td>As part of the 2023 Yearly Planner, sessions and speakers with external perspectives are planned covering the medical devices regulatory environment, ESG and customer views on the Company.</td>
</tr>
<tr>
<td>Focus on longer-term strategic value and management support.</td>
<td>Emphasis at each Board meeting on constructive support and building trust and focusing on longer-term strategy.</td>
</tr>
</tbody>
</table>

The areas for attention identified in the 2021 review externally facilitated by Dr Tracy Long, have been addressed as follows:

<table>
<thead>
<tr>
<th>Actions identified</th>
<th>Action taken</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions identified</strong></td>
<td><strong>Action taken</strong></td>
</tr>
<tr>
<td>Focus on enhancing communication between the Board and management team between meetings, to develop a shared purpose.</td>
<td>Informal Monthly Board Meetings were established as regular touchpoints for the Board to communicate and hear from the Chief Executive Officer and the Chief Financial Officer directly.</td>
</tr>
<tr>
<td>Commence the search for a new Chair to replace Roberto Quarta, who will complete nine years’ service at the end of 2022.</td>
<td>The Senior Independent Director led an extensive search, Rupert Soames OBE to be appointed as Non-Executive Director and Chair Designate with effect from 26 April 2023, subject to shareholder approval.</td>
</tr>
<tr>
<td>Ensure that Executive succession planning is discussed more frequently by the Board.</td>
<td>The Board skills and composition matrix was discussed at Nomination &amp; Governance Committee in July 2022 and circulated to the full Board for review. The matrix outlines tenure, skills and succession planning relating to a number of core metrics, which include the key areas on which the Board is required to report.</td>
</tr>
</tbody>
</table>

The reviews in 2023 and 2025 will be facilitated internally and led by the Senior Independent Director, supported by the Company Secretary. The 2024 review will be facilitated externally.
Board development

Timeline 2022

May
- Site visit to Hull for Jo Hallas and Rick Medlock to meet with AWM Marketing Franchise leads, new Operations leadership, the Melton site project team and groups of key employees.

September
- Board listening session with teams at manufacturing sites in Memphis, US.
- Site visit to manufacturing facilities in Memphis and the Power of One tour which provided an exhibition of Robotics and Real Intelligence strategy, innovation pipeline and differentiated sales and marketing strategies.

December
- Interactive session with external expert on macro factors likely to impact global markets and within the healthcare industry in 2023 and beyond.
- Strategy review session with all key franchise leads and senior management to deep dive into key metrics for the 12-point plan and longer term plans for each global and regional franchise.

Board development programme
Our Board development programme is directed to the specific needs and interests of our Directors. We focus the development sessions on facilitating a greater awareness and understanding of our business and stakeholders rather than formal training in what it is to be a Director. In 2022, we were able to resume in person visits and sessions within our Smith+Nephew facilities. Jo Hallas and Rick Medlock visited the Hull site in May which focused on our AWM business. Board members heard from the AWM global marketing team, the new Operations management team at the site and heard more about the Melton site project and other key initiatives. Board members were also able to tour the manufacturing facility and engage in discussions with the R&D team and other key employees during the visit. In September, prior to the full Board meeting, various Smith+Nephew sites in Memphis hosted the Board including the Brooks Road manufacturing facility and Appling Road. The Board also attended the Power of One exhibition where Board members were shown current products and our innovation pipeline, enhancing understanding of the differentiated offering through procedural selling within Orthopaedics and Sports Medicine.

We have also continued to provide our Directors with both virtual and physical opportunities to understand the business better as follows:
- At our Board meeting in September, our Chief R&D Officer, Vasant Padmanabhan and his R&D team presented on the global product innovation strategy across each of our franchises and our differentiated product pipeline demonstrating the future of innovation.
- Members of our Compliance & Culture Committee have held a number of Board/employee listening sessions both physically and virtually, where they have talked with employees and heard from them their views on what it means to work for Smith+Nephew. These sessions are discussed in more detail on pages 110 and 112.

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

Induction for new Directors
During 2022, we implemented induction programmes for our CEO Deepak Nath who joined on 1 April 2022 and for Jo Hallas who had recently joined as a Non-Executive Director.

These programmes were tailored to their individual skills and experiences, and their roles on the Board. These induction programmes included:
- One-to-one meetings with senior executives to understand the roles played by 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 which were 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.
Nomination & Governance Committee report

Roberto Quarta
Chair of the Nomination & Governance Committee

Membership

<table>
<thead>
<tr>
<th>Member from</th>
<th>Meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roberto Quarta (Chair)</td>
<td>5/6</td>
</tr>
<tr>
<td>Erik Engstrom</td>
<td>6/6</td>
</tr>
<tr>
<td>Robin Freestone</td>
<td>5/5</td>
</tr>
<tr>
<td>Marc Owen</td>
<td>6/6</td>
</tr>
<tr>
<td>Angie Risley</td>
<td>2/2</td>
</tr>
</tbody>
</table>

Our focus for 2023 will include:

- Search for Non-Executive Director to replace Erik Engstrom following completion of his 9 year tenure, in addition to the proposed replacement for Robin Freestone.
- Continuous review of Board composition to ensure alignment with the Company’s strategic objectives and culture pillars.
- Continued oversight of succession planning below Board level.

Responsibilities of the Nomination & Governance Committee

Board composition
- Reviewing the size and composition of the Board.
- Overseeing Board succession plans.
- Recommending the appointment of Directors.
- Monitoring Board diversity.

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.
- Monitoring external corporate governance activities and keeping the Board updated.
- Overseeing the Board Development Programme and the induction process for new Directors.

In 2022, the Committee held six meetings together with a number of informal updates for Committee and Board members, which reflects the increased focus on Board succession planning including the Chair succession and search process. In addition to members of the Committee, the Company Secretary and Chief Executive Officer also attended these meetings as appropriate.

The following matters and actions were undertaken by the Committee in 2022:

- Recommended the appointment to the Board of the Chief Executive Officer, Deepak Nath, effective 1 April 2022. The Board has been impressed and encouraged with the speed at which Deepak has engaged with and developed a deeper understanding of the business and the urgency with which the 12-point plan has been developed, implemented and communicated both internally and externally aligned with our Strategy for Growth.
- Engaged with shareholders in relation to the chair search process.
- Continued to review the composition of the Board and its committees to ensure alignment with the Company’s strategic objectives and culture pillars and with the developing external regulatory environment.

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.

1 Due to unforeseen travel disruption, Roberto Quarta was prevented from attending the July 2022 Committee meeting.
2 Robin Freestone stepped down as a member of the Committee on 30 September 2022.
3 Angie Risley joined the Committee with effect from 1 September 2022.
Reviews and approved the updated Board Skills Composition Matrix (please see table on page 100) which sets out the tenure, skills, competencies and diversity of the Board to enable effective succession planning for Non-Executive and Executive Directors.

Following Robin Freestone’s decision to step down as Senior Independent Director and member of the Nomination & Governance and Audit Committees, it was recommended that Marc Owen be appointed as Senior Independent Director in light of his skills, competencies and knowledge of the Company, the industry in which it operates and his commitment to best practice in terms of corporate governance.

Strengthened the Nomination & Governance Committee with the appointment of Angie Risley and the Audit Committee with the appointment of Jo Hallas in September 2022 to add diversity of perspective.

Circulated and discussed a refreshed CEO profile with a view to succession planning in respect of both internal and external candidates, taking into account the challenges and opportunities facing the Company, the skills and expertise likely to be required by the Board in the future and the benefits of diversity in its widest sense.

Monitored the changes to the organisational structure and approved changes to key leadership roles. Individual Directors have acted as a sounding board for the executive team when considering succession plans in key areas.

Discussed succession plans with management for executives below Board level. These plans included consideration of diversity in the executive pipeline. Page 89 gives details of the members of the Executive Committee, 40% of whom are female, one of whom is of African heritage and one of Asian ethnicity. The Committee will continue to monitor diversity in the executive pipeline.

Conducted a mid-year review of conflicts of interest in order to review and ensure the continued independence of the Non-Executive Directors.

Reviewed the governance of the Board and its Committees, approving the Terms of Reference of the Board Committees and the Matters Reserved to the Board.

Led by the Senior Independent Director, ensured oversight of the internal Board Evaluation process and recommended follow-up actions to the Board following the Evaluation review in December 2022.

**Chair and Non-Executive Director search**

Following Robin Freestone’s departure, Marc Owen drove the continued search for our new Chair. Russell Reynolds’ was appointed as search agent to progress the Chair search at pace, ensuring that we were presented with a diverse set of candidates for consideration.

The Committee recommended and the Board aligned on three core characteristics required for the new Chair: (i) a proven track record of demonstrating creation and delivery of shareholder value; (ii) a strong background in governance, ideally within a UK FTSE environment; and (iii) the ability to support and develop the Chief Executive Officer, either through previous CEO experience or through development of a CEO as part of a Board role.

The Committee also considered the criteria of healthcare industry experience and corporate finance experience but the search was focused on finding a Chair who demonstrates performance ethic and track record, UK governance experience and CEO development. In advance of finalising the shortlist of candidates for the new Chair, Marc Owen engaged with shareholders on the proposed criteria which resonated well with the consultation group based on feedback received.

After an extensive search, it was announced on 17 February 2023 that subject to shareholder approval, Rupert Soames will be appointed to the Board as a Non-Executive Director and Chair-designate at our AGM and will join the Nomination & Governance and Remuneration Committees upon appointment. In order to ensure a smooth transition to Rupert, Roberto Quarta has agreed to remain as Chair until 15 September 2023 and will put himself forward for re-election at the AGM on this basis.

**Diversity**

The Committee believes that a balanced, diverse Board is stronger and better equipped to consider the risks, opportunities and challenges facing the Company, understanding the views of all stakeholders, including our shareholders, in order to reach decisions which take into account a wider range of perspectives. The aim is for the Board to have a wide range of backgrounds, skills and experiences and value a diversity of outlook, approach and style in Board members. The Committee believes the Board’s composition gives us the necessary balance of diversity, skills, experience, independence and knowledge to ensure continued efficiency in running the business and delivery of sustainable growth.

In order to ensure that the Board remains diverse and that members have the skillsets to support and deliver shareholder value as the business evolved, the Committee analyses the skills and experiences required on an ongoing basis against the skills and experiences of the Board using the matrix on page 100. The Committee review this matrix regularly to ensure that it is refreshed to meet the changing needs and strategic and operational imperatives of the Company.

Diversity is not simply a matter of gender, ethnicity, social or other measurable characteristics. Diversity of outlook and approach is harder to measure than gender or ethnicity but is equally important. A Board needs a range of skills from technical competence on governance and regulatory matters to understanding the business in which we operate and the needs of our stakeholders. It needs some members with a long corporate memory and others who bring new insights from other fields. To perform effectively, the Board needs to be both supportive and challenging. When selecting new directors for the Board, the Committee looks for members with suitable professional backgrounds, who provide new perspectives. The Committee will continue to appoint Directors on merit, valuing the unique contribution that they will bring to the Board, regardless of gender, ethnicity or any other diversity measure.


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1 Russell Reynolds was also selected by the Company in 2022 to act as agent for two other senior management search processes.
Board and Leadership Succession Planning

In order to support the Company to meet its strategic objectives, the Committee has aimed to strengthen the capabilities of the Board in terms of skills, composition and diversity and have appointed Board members with industry specific knowledge and broad geographical experience. The Committee has also sought to enhance the induction programmes for new Board members who had joined during the pandemic through site visits, listening sessions and focused Board sessions relating to strategic and macroeconomic matters.

Succession planning is a key focus for the Board from both a leadership and governance perspective. 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, operational experience and ESG and enhancing diversity in the boardroom.

The Committee has also worked with an independent third party to review the profile of the Chief Executive Officer role and has developed a profile focused on the skills required to lead the business moving into the future. The Committee also focused on development for leaders to ensure that the potential internal pipeline of candidates is strengthened.

Russell Reynolds, a third party search agent, has been appointed to find a candidate with the requisite financial skills and experience to provide support to the Board and particularly to Rick Medlock on the Audit Committee following Robin Freestone’s departure. The Board will provide an update on this search process once a recommendation has been considered and approved.

During 2022, the Board has benefitted from the diversity of experience, background and global and regional expertise of its members. As a new Chair takes the reins, the Board will continue to evaluate the requirements of a Company which is dual listed on the London and New York Stock Exchanges with its focus on key priority markets.

The balance on the Board of strong industry knowledge and experience with a solid appreciation of the UK environment will enable the Board to continue to support and challenge effectively in the years to come.
Audit, Risk and Control

Audit Committee report

Rick Medlock
Chair of the Audit Committee

Our focus for 2023 will include:
- Monitoring ESG and TCFD reporting.
- Continued oversight of risk management process.
- Monitoring of Cybersecurity controls.
- Supporting the transition of the external auditors.
- Ensuring that we review and consider all UK governance changes following the establishment of Audit Reporting and Governance Authority (ARGA).

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 Accounts 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.
- Monitor 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 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 whistleblowing process.
- Oversee other matters, including cybersecurity, IT governance, ESG, tax and treasury.

The Committee met eight 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.

During 2022, outside of the routine matters undertaken by the Committee (as set out in its Terms of Reference), the Committee has focused on the following matters:
- 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.
- Implemented the recommendations from the external review of the Internal Audit function that was carried out in 2021.
- Carried out a deep dive on information security and cyber resilience.

The Committee also accelerated the audit tender process, which resulted in Deloitte being recommended to the Board as the Company’s new auditors, effective from 1 January 2024. Information on the tender process can be found on page 104 of my report.

The Committee has satisfied itself that the Smith & Nephew plc 2022 annual report and accounts is fair, balanced and understandable. The Committee therefore supports the Board in making its formal statement on page 147.
Audit, Risk and Control continued
Audit Committee report continued

Significant matters related to the financial statements

We considered the following key areas of judgement in relation to the 2022 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 franchise (which accounts for approximately 60% of the Group’s total inventory and approximately 80% 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 2022 (2021: 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 2022 KPMG challenged management’s approach to inventory provisioning considering recovery of demand in 2022.

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 $239 million as of 31 December 2022. 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 $56 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 $264 million included within ‘provisions’ in Note 17.1 in 2022 (2021: $320 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 had a particular focus on goodwill impairment testing for the Orthopaedics CGU as the level of headroom has decreased and is sensitive to a reasonably possible change in assumptions. We challenged the downside sensitivity analyses undertaken. We concluded that the carrying value of these assets is 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 2022 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 30 March 2024 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.

We noted The Financial Reporting Council (FRC) included the Group’s financial statements for the year ended 31 December 2021 in their selection for the thematic review of companies’ disclosures relating to deferred tax assets. The FRC completed a limited scope review of the Group’s 2021 Annual Report and, based on their review, the FRC has not raised any questions to date with the Group.

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.

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
Since the year end, we have also reviewed the results for the full year 2022, Annual Report and Accounts for 2022, 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 14–15, 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 2022 year-end process, in line with previous years. We sought the views of 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 regularly receives feedback from KPMG, including at each meeting where management present their summary of critical accounting estimates as at each quarter end.

Overall therefore, we concluded that KPMG had carried out their audit for 2022 effectively.

The Audit Committee continues to review the effectiveness of the external auditor, KPMG.

Appointment of external auditor at Annual General Meeting
Resolutions will be put to the Annual General Meeting to be held on 26 April 2023 proposing the re-appointment of KPMG 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.
Audit Tender
KPMG has been our auditors since 2015 and during the year we recommended to the Board that the audit tender process be accelerated with a view to appointing new auditors from 1 January 2024. As well as KPMG, two other firms were invited to submit tenders. The audit tender process was led by me as Chair of the Audit Committee and a robust process was carried out.

We had a common set of criteria for evaluating the proposals including:
- Audit approach and quality.
- The lead partner and their audit team.
- Sector experience.
- Approach to resolving issues or matters of judgement.
- Transition plans.
- Use of technology.

The proposals presented by the firms were subject to detailed evaluation and discussion which enabled us to recommend to the Board the appointment of Deloitte as the preferred new auditor. The Board endorsed this recommendation. Deloitte will begin transitioning in 2023 and become auditors from 1 January 2024, subject to shareholders’ approval at the Annual General Meeting in 2024.

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, 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 2022, which were approved by the Chair of the Audit Committee.

<table>
<thead>
<tr>
<th>2022 $ million</th>
<th>2021 $ million</th>
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<tbody>
<tr>
<td>Audit-related services</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Audit related fees in 2022 primarily consist of routine services provided in respect of the EUR bond issue and was 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 2022 is 0.04. The ratio of non-audit fees to audit fees for the year ended 31 December 2021 was 0.01.

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:

<table>
<thead>
<tr>
<th>2022 $ million</th>
<th>2021 $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>9.4</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>9.8</td>
</tr>
</tbody>
</table>

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 risk-based audits and reviews across the Group. These included: financial controls effectiveness reviews across the EMEA, APAC, US and LATAM regions; IT and various programme assurance reviews ranging from end user computer security to IT controls effectiveness; and an ERP pre-implementation review in Malaysia. Group-level reviews included enterprise risk management effectiveness, data privacy controls, ESG governance, capital expenditure controls, shared services operations and fraud risk management effectiveness. Key issues noted during reviews included the need for all documentation relating to controls operation to be stored in the central repository. Management has 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, 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 2022, 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 2022 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 2022. 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 2022 and up to the date of approval of this Annual Report was effective. Work will continue in 2023 and beyond to continue to enhance the process.

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 18–21 and the Principal Risks on pages 71–77.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 18–21. 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 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 has been considered 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 is 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 are:

- 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) were updated in 2022 emphasising the timing of control operation and splitting controls between Key and Non-Key controls within the Risk and Control Matrix. 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. The technology solution to facilitate the real-time monitoring of the operation and testing of controls is now fully operational and has driven improvements in the control environment.

- 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 including the scope and results of management’s testing and progress regarding any remediation, as well as the aggregated results of MAPs self-assessments using dashboards which are updated on a daily basis.
- 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 2022 and up to the date of approval of this Annual Report. No concerns were raised with us in 2022 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 its 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 2022 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 2022. Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded on 21 February 2023 that the disclosure controls and procedures were effective as at 31 December 2022.

- Management is 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 2022 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 2022, 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 2022 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 2022.

**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 2022 or up until 21 February 2023. 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.
Audit, Risk and Control continued

Compliance & Culture Committee report
Marc Owen
Chair of the Compliance & Culture Committee

In 2022, the Committee held four meetings. Each meeting was attended by all members of the Committee. The Group General Counsel and Company Secretary, the Chief Compliance Officer, the Chief Quality & Regulatory Affairs Officer, Chief HR Officer and President of Global Operations (responsible for reporting on sustainability) also attended all or part of the meetings by invitation.

Membership

<table>
<thead>
<tr>
<th>Member</th>
<th>Meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marc Owen (Chair)</td>
<td>March 2018 4/4</td>
</tr>
<tr>
<td>John Ma</td>
<td>December 2021 4/4</td>
</tr>
<tr>
<td>Katarzyna</td>
<td>April 2021 4/4</td>
</tr>
<tr>
<td>Mazur-Hofsaess</td>
<td>April 2021 4/4</td>
</tr>
<tr>
<td>Angie Risley</td>
<td>April 2020 4/4</td>
</tr>
<tr>
<td>Bob White</td>
<td>July 2020 4/4</td>
</tr>
</tbody>
</table>

**Our focus for 2023 will include:**

- Continued oversight of the Company’s sustainability programme, including targets and monitoring its roll-out to the Group.
- Assist with determining appropriate ESG metrics for the Performance Share Programme.
- Monitoring the progress of the Company’s commitment to its net zero roadmap by 2045.
- Ensure stakeholder considerations continue to be embedded into all Board decisions.
- Continue to monitor regulatory developments which may impact the Strategy for Growth and 12-point plan.
- Further Board/employee listening sessions to enable the Board to further monitor and assess the corporate culture globally taking into account post pandemic considerations and impact of localised lockdowns.
- Monitor the actions taken by management following 2022’s Board/employee listening sessions.
- Review further employee feedback gathered through the annual survey and other mechanisms to ensure the Board is aware of employees’ views and any resulting actions required by management. Recent survey results are discussed on page 48–49.
- Developing the programme for the Committee and Board to meet and receive direct feedback from our other stakeholders with a focus on ESG considerations 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 Group General Counsel and Company Secretary and Chief Compliance Officer.
- Reviewing data privacy elements of the Global compliance programme and related regulatory developments which impact our business.

**Sustainability**

- Overseeing the sustainability strategy and reviewing targets and metrics, particularly with regard to the Scope 3 roadmap and new and enhanced reporting regulations on ESG matters.
- Receiving and assessing regular functional reports from the ESG Operating Committee and Global President Operations.

**Culture**

- Oversight of our relationship with stakeholders, including the employee voice and sustainability.
- Receiving and assessing regular reports and presentations from the Chief Human Resources Officer relating to key employee issues such as purpose and culture, talent, engagement and Inclusion, Diversity and Equity ("IDE").

**Quality and regulatory Affairs (QARA)**

- Overseeing the processes by which regulatory and quality risks relating to the Company and its operations are identified and managed.
- Receiving and assessing regular functional reports and presentations from the Chief Quality & Regulatory Affairs Officer.
Ethics and compliance
As stated in the Code of Conduct, the sustainability of our business depends on doing business the right way and ensuring the third parties that we work with share our perspective.

This year the Committee maintained oversight of our ethics and compliance programme activities within our business and continued to review external factors which could impact the business. The Chief Compliance Officer provided regular reports demonstrating the effectiveness of the Global Compliance programme as well as continuous improvement efforts to ensure our ethics and compliance programme activities are evolving in alignment with our strategy for growth and 12-point plan objectives.

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, and also receive an annual review of investigations and enforcement trends in the industry.

The Committee also received an update on the progress of a continuous improvement plan for the Compliance Validation Assignment (CVA) programme and noted significant improvements including reduced report times, enhancements to the risk assessment process for third parties, and increased collaboration and best-practice sharing with other assurance providers. The Committee received a report from a self-assessment of the Compliance programme, which we understand will be conducted on an annual basis.

These reports demonstrated that the organisation has established, mature processes and controls over ethics reporting and investigations.

The Committee received regular updates on findings from compliance verification activities and the adaptation of processes to accommodate restrictions and altered risk profiles post pandemic.

During 2022, the Committee also received an update on our privacy programme, with a specific focus on evolution of the programme in light of changing regulatory environments in many of the markets in which we operate.

Sustainability
In 2022, sustainability and ESG matters more generally have continued to receive focus and scrutiny from the Board and its Committees with strong focus on the Company’s sustainability strategy and agenda. The Committee reviewed the Company’s sustainability programme to ensure alignment with stakeholder expectations and monitored management’s actions taken against our targets.

Throughout the year, the Committee received updates from the Global President Operations on our performance against Scope 1 and 2 emissions and received an update on the proposed development of the Scope 3 roadmap demonstrating our progress towards our net zero commitment by 2045. We also received updates on our network optimisation projects and the ways in which ESG considerations have been considered within our facilities in Malaysia, Costa Rica and the proposed new Advanced Wound Management facility at Melton near Hull. In February 2022 we reviewed and approved the 2021 Sustainability Report and in April we reviewed and approved the Conflict Minerals declaration and Modern Slavery statements, in each case prior to Board approval.

The Company has engaged with ISS and other institutional investment teams to understand how the Company benchmarks against others in the industry and to seek further ways to demonstrate our performance to investors.

Customers are increasingly requiring Smith+Nephew to align with and demonstrate shared sustainability goals. The Committee reviewed the reporting requirements around climate change, reporting against the TCFD and SASB frameworks, and approved our revised carbon reduction target. Since the year end, the Committee has approved the 2022 Sustainability Report.

Quality and regulatory affairs
Product safety and effectiveness is at the foundation of our business. Regulatory authorities across the world enforce a complex series of laws and regulations that govern the design, development, approval, manufacture, labelling, marketing and sale of healthcare products. During 2022, the Committee received and reviewed summary reports of the Company’s performance against internal and external KPIs and metrics, which display oversight regarding the quality and regulatory activities of our business.

At each meeting, the Committee received a briefing on key 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. The Committee also reviewed results of internal quality audits and key performance metrics associated with critical quality and regulatory compliance processes. The Committee reviewed reports regarding preparation for emerging regulations applicable to our business and also received updates on the important efforts to ensure compliance with the EU Medical Device Regulation.

During the year, the Committee reviewed progress in areas of focus such as design for manufacturability at our Malaysia site and overall quality and manufacturing improvements at key sites across the business. The Committee also discussed our continued efforts on Quality System simplification leading to continued efficiency across our network.
Culture

During 2022, the Company’s core purpose of Life Unlimited and the supporting culture pillars of Care, Courage and Collaboration continued to be embedded. Our strategic objectives and culture pillars provide alignment across our business and stronger understanding by employees of their role in supporting our collective success.

The Committee was provided with regular updates on culture from the Chief HR Officer throughout 2022. The specific actions for the year relating to culture included the plan for engaging and developing our future leaders, the continuation of Board/employee listening sessions; the launch of the People Leader Hub containing resources to support key management/employee practices, skills and behaviours; a continued focus on inclusion, diversity and equity through employee inclusion groups (EIGs) and internal and external initiatives; and monitoring success through the annual Gallup engagement survey.

The Committee received an update on how the Company had defined the specific expectations and behaviours needed to deliver on its strategy and support the Company’s culture. Our Commitments were approved by the Board and define the specific ways in which the Company expects employees to demonstrate our culture. In 2022, the nine Commitments and three behaviours defining each of our culture pillars were launched to all employees through a leader-led cascade. From the nine culture Commitments, the initial focus for 2023 is on three that are most critical to delivering our strategy and 12-point plan: Deliver for Customers (Care); Take Accountability (Courage) and Find Solutions (Collaboration).

During 2022, the Committee received an update on the ten EIGs covering gender, race and ethnicity, veterans, mental health and physical wellbeing, generations, the differently abled and LGBTQ+.

Katarzyna Mazur-Hofsaess met with leadership from two of the EIGs in December 2022 and was impressed by the passion, drive and grassroots support for the EIGs within the organisation.

The 2022 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 discussed above.

Employees

The Board proactively support and further reinforce 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.

Marc Owen hosted Board listening sessions for over 80 of our employees in the Americas at our Memphis manufacturing sites in January 2022 where topics discussed included Talent, IDE strategy, linking strategy and Purpose within the Company, and sustainability initiatives and the Company’s impact on society and local communities.

Employees provided further background on the Company’s approach to attracting, retaining and developing talent and the implementation of IDE strategy. The employee team mission to add value and be part of the solution was a message which came through clearly from those sessions and employees outlined the various recognition programmes in place. New employee induction and training were highlighted as a key priority which will form part of the Committee’s continued monitoring and follow up with management in 2023.

“In our session with EIG leaders in particular, I was struck by the strength of internal support for grassroots employee initiated IDE groups, programmes and events. My dialogue with EIG programme leaders has been a true inspiration – I was impressed by their commitment to Smith+Nephew and conviction that the EIGs make a positive impact on the culture of the Company.”

Katarzyna Mazur-Hofsaess
Board Visits

The site visit programmes to Memphis and Hull focused on strategic and operational capabilities and initiatives and sought to highlight areas of interest aligned with key priorities for the Board, including core business strategy, value creation opportunities, culture and workforce, operational transformation and ESG and stakeholder considerations in key projects.

In Memphis, Board members started the visit with a tour of the Brooks Road manufacturing site to review the strategic and operational developments and improvements in progress as part of the 12-point plan and operational transformation.

The morning began with an employee-led wellness session including exercises and movement to start the day. The Board then toured the manufacturing site, experiencing 3D printing capabilities and manufacturing facilities at the Brooks Road site. Board members visited the Power of One Robotics and Real Intelligence platform tour hosted by cross functional teams from Recon, Robotics and Trauma in our “Ox Truck” which tours the US. The Board also attended three “innovation rooms” which showcased the pipeline for future procedural innovation and product development which were hosted by Marketing, R&D and other functional leads. Bob White attended the Appling Road facility and reported back to the Board on the improvements in supply chain and operational efficiency supporting increased completion of sets and inventory turn.

"It was important for Board members to visit, and for some to return, to our Memphis hub in 2022 given the Strategy for Growth focus on fixing Orthopaedics and improving trading margin through productivity and supply chain resilience. It was also gratifying to engage with our Memphis workforce across manufacturing, marketing, R&D and functional teams to hear the passion, enthusiasm and pride in innovation and the business more generally."

Roberto Quarta

Board members Rick Medlock and Jo Hallas visited the Hull site and attended a session on our AWM Global Strategy led by our Marketing, Supply Chain and Operations teams based in the UK. This was followed by a tour of the Hull site where Board members were able to see our manufacturing operations in action, including our ALLEVYN® production and assembly capabilities. The AWM R&D team presented on our product pipeline and innovation which was followed by a product demonstration of a range of AWM products.

Our Board members engaged with our Hull Site Leadership during lunch and had an informal employee engagement session with various groups of employees including those undertaking apprenticeships with S+N and top talent.

Board members also attended in depth sessions which provided a view of future opportunities for value creation, including a presentation on our new site in Melton and our AWM strategic response to supply chain resilience. Both of these 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 presentations from the teams were thoughtful and focused on Board priorities. Having joined the Board earlier this year, the Hull factory tour and the product demonstrations were essential for understanding more about the business. The opportunity to meet local leadership and employees at the site was invaluable in providing additional insight on the company’s culture and employee engagement."

Jo Hallas

"Having joined the Board at the start of the pandemic, the Hull site visit was incredibly worthwhile to learn more about our UK AWM manufacturing capabilities and see our products in action. We were impressed by the knowledge, energy and enthusiasm of the teams for our business."

Rick Medlock
Engaging with stakeholders

The Board understands the importance of ensuring that the views and interests of all stakeholders are considered in the delivery and oversight of the Company’s strategy and culture.

Although members of the Board engage directly with stakeholders as part of site visits or employee engagement meetings, engagement with stakeholders mostly takes place at an operational level and the Board forms its views through reports and information presented to it by management. Management are asked to outline and present the potential impacts on stakeholders to the Board where appropriate.

### Employees

Our employees are crucial to the success of the business and many of the key decisions made by the Board have an impact on them. It is important for us to understand the employee perspective and take their views into account in our decision making.

The Board proactively support and further reinforce the purpose of Life Unlimited and culture pillars of Care, Collaboration and Courage 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.

Marc Owen hosted three Board listening sessions for over 80 of our employees in the Americas at our Memphis manufacturing sites on 18 January (Brooks Road) and 19 January (Holmes Road) where topics discussed included Talent, Inclusion, Diversity and Equity (IDE) strategy, linking strategy and purpose within the Company, and sustainability initiatives and the Company’s impact on society and local communities. Employees provided further background on the Company’s approach to attracting, retaining and developing talent and the implementation of IDE strategy and the ways in which the company is advancing inclusion, diversity and equity, wellbeing and a purpose-driven culture of belonging.

The Board heard about the various recognition programmes, employee engagement and the steps taken by site leadership and people managers to connect teams to the purpose of Life Unlimited. Visibility of leaders was a topic that had previously been raised and employees provided feedback that this was now being addressed at the sites in response to comments received on previous sessions. Areas of opportunity identified were to optimise and utilise engagement team and EIGs to support employees, improve communication from management on links to strategy and purpose, development opportunities and improvement on change management.

<table>
<thead>
<tr>
<th>Areas of interest</th>
<th>How we engage</th>
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<tbody>
<tr>
<td>Engagement with purpose of Life Unlimited and our culture pillars of Care, Collaboration and Courage.</td>
<td>Updates on leadership and talent development, succession planning and inclusion, diversity and equity are provided at Compliance &amp; Culture Committee meetings.</td>
</tr>
<tr>
<td>Talent, retention and development.</td>
<td>The Board meets with employees on-site visits, or virtually.</td>
</tr>
<tr>
<td>Employee wellbeing and cost of living.</td>
<td>Board/employee listening sessions.</td>
</tr>
<tr>
<td>Leadership and succession planning.</td>
<td>The Board discusses results and next steps of annual Gallup survey.</td>
</tr>
<tr>
<td>Diversity, Inclusion and Equity.</td>
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<tr>
<td>Innovation.</td>
<td></td>
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<tr>
<td>Society and the environment.</td>
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<tr>
<td>Strategy.</td>
<td></td>
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<tr>
<td>Customers.</td>
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</table>

### 2022 Highlights

- The Board focused on the impact of localised Covid lockdowns on employees’ safety and wellbeing (eg in Shanghai), with the Culture and Compliance Committee receiving reports on the implementation of action plans to support employees.
- On 14 June 2022, Angie Risley and Katarzyna Mazur-Hofsaess held a listening session with EMEA Commercial team members which centred on a number of key topics: (i) Leadership inspiration and trust; (ii) Employee engagement where employees shared examples of how people managers are working to engage and provide development opportunities, with employees sharing positive career development stories and experiences; and (iii) Strengths and areas for improvement. Issues were also raised to the Board regarding operational and supply chain challenges. Positive comments were provided supporting the KPI driven cultural step-change within the Company following the arrival of Deepak Nath as CEO in April 2022.
- The September Board meeting incorporated a visit to our offices in Memphis, where the Board met with various employee groups. See page 111 for further details.
- On 1 December 2022, Katarzyna Mazur-Hofsaess hosted a listening session with leaders of three of the EIGs (Empower, Unity and the S+N Global female employee network, GAIN).
- The Board were updated on the activities of our Employee Interest Groups, particularly relating to diversity, mental health and volunteering programmes.
- On 22 December 2022, Angie Risley chaired a listening session with UK employees to discuss highlights of 2022, areas for focus in 2023 and an overview of executive remuneration with an opportunity for questions and comments.

### 2023 Actions

- Further Board/employee listening sessions planned for site visits.
- Monitoring of management actions with regard to talent pipeline, leadership and succession.
- Further review of culture, inclusion and diversity initiatives with a focus on monitoring the development of EIGs within the organisation.
Our investors are the owners of our business and it is important to understand investor perspective and approach on strategy, performance and governance.

In 2022, the Board has engaged with a number of investors, groups and teams covering a wide range of topics of interest including strategy and operations, supply, governance, succession planning and ESG matters. Following the appointment of Deepak Nath as CEO in April 2022 and the subsequent development and implementation of the 12-point plan aligned with the Strategy for Growth, investors wanted to understand from the Board their impressions on how the new CEO was settling into role. The Board engaged with a number of investors to provide further context on Board oversight and governance around the onboarding of the new CEO and scrutiny relating to the plans for the Company and the 12-point plan.

Another key topic of interest in 2022 was Board succession planning. Upon coming into role in September 2022, Marc Owen our Senior Independent Director engaged with investors on the chair search process and outlined the 3 key criteria the Board were looking for in a new Chair being a proven track record of shareholder value, strong UK corporate governance experience and experience of developing senior executives either whilst in a CEO or Chair role. Investors indicated that they appreciated the dialogue and these characteristics seemed to resonate with the Company’s investors, shaping the search and final selection and appointment of Rupert Soames as Chair Designate.

The Board continues to see strong interest from our shareholders in ESG and sustainability matters and has engaged with a number of specialist investor teams who focus on ESG and sustainability. These investor interactions help the Board to frame the approach to ESG strategy and the issues which have importance to investors, enabling the Board and management to further evaluate how we report on the impact of sustainability on our business to ensure we are providing investors with clear communication in this area.

<table>
<thead>
<tr>
<th>Areas of interest</th>
<th>How we engage</th>
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</thead>
<tbody>
<tr>
<td>Succession planning.</td>
<td>The Chair and Non-Executive Directors are available to meet with investors physically or virtually on request.</td>
</tr>
<tr>
<td>Strategy.</td>
<td>The Board receives reports on meetings taking place between investors and Board members and also reviews significant changes to the share register at each Board meeting.</td>
</tr>
<tr>
<td>Performance.</td>
<td>Board members receive regular copies of analyst reports.</td>
</tr>
<tr>
<td>Dividend.</td>
<td>The Chief Executive Officer and Chief Financial Officer meet with investors.</td>
</tr>
<tr>
<td>Leadership.</td>
<td>The Board engage with and obtain feedback and advice from their brokers on key issues of importance to the Company.</td>
</tr>
<tr>
<td>Remuneration.</td>
<td>The Board also receive presentations and regular reports from the investor relations team on external market perceptions of the Company.</td>
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</table>

2022 Highlights
– Executive Directors held 121 meetings with investors representing 46% of the Company’s Share Capital.
– The Chair and Senior Independent Director met with shareholders regularly throughout the year. Their discussions focused on business and share performance and also the chair succession search.
– Investors were also interested in key topics such as ESG, culture and purpose of the Company, CEO and Board succession planning and Board governance more broadly.
– Our Chair of the Remuneration Committee engaged with investors regarding the approach to our 2023 Remuneration Policy and discussed issues such as addressing the cost of living crisis and ESG metrics related to incentive plans and compensation.
– The Company continued to pay dividends and undertake share buybacks to shareholders in line with our strategy and capital allocation policy (see pages 19 and 20 for further details).
– MSCI upgraded the Company’s ESG rating from BBB to A in 2022.

2023 Actions
– The Board will continue to be available to meet with shareholders. Please contact the Company Secretary, if you have matters you wish to raise with the Non-Executive team.
– The Annual General Meeting will be held in person in our auditorium at our headquarters in Watford enabling shareholders to attend, vote and ask questions in person to our Chair, CEO, CFO and the Chairs of each of our Board Committees.
Engaging with stakeholders continued

Customers and suppliers

Our Strategy for Growth, 12-point plan and our Commitments are focused on creating value by delivering for customers.

The better we understand the needs of our customers, the better we are able to serve them and this helps to grow our business. Working in partnership with our suppliers ensures we have the right resources to support this growth.

Our customers are increasingly focused on ensuring that ESG and sustainability are taken into account in our decision making aligned with their own policies and procedures.

2022 Highlights
- The Board has been kept updated of the supply chain issues affecting the Company and the Orthopaedics franchise in particular and have been actively engaged with management to resolve these issues in alignment with 12-point plan initiatives.
- The Compliance & Culture Committee received regular reports on the challenges and impact of the transition to EU MDR throughout 2022.
- In response to customer need, a revision knee application was launched on our robotics platform in 2022.
- Management has reported to the Board on the importance of sustainability matters to our customers and in turn how we engage with our suppliers to ensure they share our view on sustainability matters.
- The Board recognises that supply chain resilience is critical for the success of the Group and in evaluating the recent decision to move to Melton took into account the following: employees; shareholders, sustainability requirements; customers; suppliers; regulators; and governments.
- Post-pandemic there are a number of additional requirements which make it challenging for Board members to accompany our sales representatives in the field. The Board will seek to find alternative ways to understand more on the customer perspective moving forward.

2023 Actions
- The 2023 Board plan provides further opportunities for the Board to hear from external speakers.
- Given the additional challenges post-pandemic in accompanying sales representatives in the field, we will look at alternative ways to understand more on the customer perspective.

Areas of interest
- Acting in partnership together, supporting their needs and responding to their requirements.
- Acting ethically and fairly.
- Ensuring product quality, compliant with regulations.
- Prompt and fair payment.

How we engage
- Updates on product quality, regulatory matters and complaints.
- Updates on ethical and compliance matters and complaints.
- The Board receives regular updates on supplier and customer relationships.
Governments and regulators

We are subject to the laws and regulations of many governments and regulators across the world and understanding their requirements is important for us to ensure not only product safety and compliance with relevant legislation, but also in order to implement our Strategy for Growth and our initiatives under our 12-point plan.

Areas of interest
- Product safety
- Compliance with local legal and regulatory requirements
- Competition issues
- Social and economic concerns
- Investment and innovation in local communities
- Understanding how the Company’s business impacts local communities and global business

How we engage
- Management is responsible for ensuring compliance with applicable laws and regulations. Direct engagement between the Board and our regulators is therefore not always appropriate.
- Updates on product quality, regulatory matters and complaints at every meeting of the Compliance & Culture Committee.
- Updates on ethical and compliance matters, and complaints at every meeting of the Compliance & Culture Committee.
- The Chief Executive Officer meets with UK government and regulators.

2022 Highlights
- The Compliance & Culture Committee received regular reports from Mizanu Kebede, our Chief Quality & Regulatory Affairs Officer, on the results of FDA inspections at our manufacturing facilities.
- The Compliance & Culture Committee also received reports on the enhancements being made to the data privacy programme to take into account the fast paced regulatory changes relating to data privacy legislation and the roadmap relating to these changes.
- As part of the proposal for the new Melton site, the Board received a report on the terms of engagement with the UK central and local government with regard to the proposed site and the communications plan to ensure stakeholder views had been considered.

2023 Actions
- The Board and the Compliance & Culture Committee will continue to maintain oversight of all matters pertaining to the Company’s relationship with governments and regulators across the world.

Further information about our relationship with other stakeholders, including the local communities in which we operate and our impact on the environments and the impact of climate change on our business, can be found in the Sustainability Report and on pages 56–68. The Compliance & Culture Committee regularly received updates on our sustainability programme and our progress towards the achievement of our 2030 sustainability goals.

The Directors’ Report, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority’s Listing Rules comprising pages IFC–115 and 240–IBC was approved by the Board on 21 February 2023.

Helen Barraclough
Company Secretary

The Strategic Report comprising pages IFC–81 was approved by the Board on 21 February 2023.

Deepak Nath
Chief Executive
Dear Shareholder

2022 has been a challenging year for our employees given the macroeconomic environment. One of the key focus areas of the Remuneration Committee (the “Committee”) this year has therefore been on remuneration and wellness issues across the Group. Additionally, given our current Remuneration Policy (the “Policy”), which was originally approved by shareholders at the 2020 Annual General Meeting, will shortly expire, we have reviewed and will present our new Policy to shareholders for approval at our 2023 Annual General Meeting.

We also welcomed Deepak Nath to the Company as our new CEO in April 2022. Since joining the Company, Deepak has made assessments of the opportunities and challenges facing the Company and has launched his 12-point plan to deliver and accelerate the Company’s potential for growth. You can read more about the 12-point plan on pages 8–10.

Broader employee experience

Although this report deals primarily with the remuneration of our Directors, much of the Committee’s focus during the past year has been on remuneration issues across the wider workforce during what has been a particularly challenging year for so many of our people. In December, I chaired a Board listening session with some of our employees from our UK teams to explain our remuneration policy, in particular how it aligns to the Company’s purpose, values and delivery of the Company’s long-term strategy. We also discussed the fall in disposable incomes.

In response to the current cost of living crisis, the Company felt it was important to undertake an off-cycle salary review for employees. The 2.5% increase was determined by undertaking a thorough review of external data of inflation rates in the markets in which we operate and was applied to employees below senior management level in the markets where the gap between their 2022 annual pay increase and the rate of inflation was above a certain level.

We review annually the gender pay ratio and we continue to make positive progress. The Board and the Committee continue to monitor the pay arrangements for the wider workforce throughout the year to ensure our people are paid fairly and equitably for the work they do.

More broadly, under Deepak’s leadership, our culture of Care, Courage and Collaboration continues to be strengthened and embedded by focusing on three key areas in 2022:

– Introduction of our Commitments – aligned to each culture pillar along with our People Leader Hub to clearly define the specific behaviours and expectations to deliver against our strategy.

– Global wellness – increase employee engagement and productivity through wellbeing programs, enhanced employee assistance programmes and tools to support managers in increasing their teams’ overall wellbeing. Examples of events/programmes held include Nutrition Awareness month and Mental Health Awareness month.

– Expansion to 10 Employee Inclusion Groups with 3,000+ members globally and the training of over 2,000 managers to drive inclusion in our interviewing and hiring practices.

You can read more about these initiatives together with our new Commitments on pages 48–53.
ESG and our Incentive Plans

The Committee recognises that ESG performance forms an important part of Smith+Nephew’s short-term and long-term strategic priorities.

As disclosed last year, we took the decision to allocate a minimum of 5% of the performance measures in the 2022 Annual Bonus Plan to ESG and this remains in place for our 2023 Plan.

For long-term incentives, a suitable ESG metric is still under development and the intention is that an ESG objective will be introduced for the awards granted under the Performance Share Programme in 2024.

Review of 2022 Performance

In 2022 the Group delivered revenue growth in line with its guidance issued in May 2022, but trading profit margin was below guidance. Revenue was $5,215 million, up 0.1% on a reported basis and 4.7% on an underlying basis. Operating profit was $450 million, and the trading profit was $901 million with a trading profit margin of 17.3% reflecting higher input inflation.

Good progress was made across 2022 and we ended the year in a much stronger position than we started. We continued to outperform in Sports Medicine & ENT and Advanced Wound Management, which account for around 60% of Group sales, and even though we are early in our work to fix Orthopaedics, growth improved here too. All three franchises contributed to the 6.8% underlying revenue growth in the fourth quarter. However, we will continue to face macroeconomic headwinds in 2023. Information on operational improvements made during the year can be found on pages 8–11.

Remuneration Outcomes for 2022

Annual Bonus Plan

Performance against the financial targets under the Annual Bonus Plan was therefore above target for Revenue but below threshold for trading margin, resulting in an aggregated payout of 53% of target in respect of the financial objectives.

The Remuneration Committee reviewed the performance of the Executive Directors against their individual business objectives. We concluded both Deepak and Anne-Françoise achieved against their individual business objectives in terms of what they did and exceeded in terms of how they performed and they consequently received an on target payout in relation to this element of their bonus. Our assessment in relation to Roland Diggelmann, our former CEO, was that he had partially achieved his objectives during the first quarter of 2022.

These ratings combined with performance against the financial objectives resulted in an overall bonus amounting to 63% of target for Deepak and Anne-Françoise.

Payouts to both Deepak and Roland were appropriately pro-rated to reflect their period of employment during 2022.

We also considered whether these outcomes fairly represented the performance of the Company and the Executive Directors in 2022. We acknowledged that during 2022, the share price had slightly fallen, that the Company had delivered a mixed performance albeit ending the year in a much stronger position than we started and that there had been no reputational risk issues. We therefore determined that these outcomes were a fair representation of performance and there was no need to apply discretion to these formulaic outcomes.

Performance Share Programme

Similarly, the Remuneration Committee reviewed performance over the past three years against the targets determined in 2020 for the Performance Share Programme and determined that these awards should vest at 0%. This reflects performance against the targets over the three-year performance period since 1 January 2020. Deepak Nath was not employed by the Company at the time the awards were granted under the 2020 Performance Share Programme and therefore did not receive an award.

<table>
<thead>
<tr>
<th>Measures in our variable pay plans</th>
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</thead>
<tbody>
<tr>
<td><strong>Performance measures in Annual Bonus Plan for 2023</strong></td>
</tr>
<tr>
<td><strong>Revenue (40%)</strong></td>
</tr>
<tr>
<td><strong>Trading margin (40%)</strong></td>
</tr>
<tr>
<td><strong>Business objectives (15%)</strong></td>
</tr>
<tr>
<td><strong>ESG objectives (5%)</strong></td>
</tr>
<tr>
<td><strong>Performance measures in our Performance Share Programme for 2023</strong></td>
</tr>
<tr>
<td><strong>Revenue growth (25%)</strong></td>
</tr>
<tr>
<td><strong>Return on invested capital (25%)</strong></td>
</tr>
<tr>
<td><strong>Cumulative free cash flow (25%)</strong></td>
</tr>
<tr>
<td><strong>TSR performance against an Index (25%)</strong></td>
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</tbody>
</table>
Remuneration continued
Directors’ Remuneration report continued

Proposed Remuneration Policy

We are required at the 2023 Annual General Meeting to seek the standard triennial shareholder approval for a new Remuneration Policy (the “new Policy”). Ahead of this vote, the Committee has been carefully considering whether existing remuneration arrangements, as set out in our current Policy, are consistent with delivery of the 12-point plan. The Committee has concluded that no immediate, substantive changes should be made to the Policy. However, we intend to keep this issue under careful review during 2023.

The Committee additionally took the opportunity to review the current Policy against the UK Corporate Governance Code (the “Code”), shareholder guidance and general market practice. Following that review, a few minor changes are proposed to the new Policy, details of which are summarised below. Any use of the discretions available to the Committee in this new Policy would be fully explained and justified in the relevant Remuneration Report and, where appropriate, discussed in advance with major shareholders.

– **Pension:** The Executive Director pension arrangements have been updated and are compliant with the Code.

– **Incentive plans:** Consistent with emerging market practice, the new Policy contains scope for the Committee to set and measure bonus targets other than on an annual basis. Use of this option will be reserved for unusual circumstances, for example where there is exceptional economic volatility (as in the recent Covid affected period) and a consequent limited visibility to set robust 12-month targets. In line with the Investment Association guidance, the new Policy also provides for appropriate discretion so that the Committee may ensure incentive outturns properly reflect the performance of the executives and their contribution to overall corporate performance, the experience of shareholders in terms of value creation, the experience of wider stakeholders and the general market environment. Limitations on the use of this discretion are fully outlined in the Annual Bonus Plan and Performance Share Programme sections of the Policy.

– **Shareholding guidelines:** Whilst the default position in the new Policy remains for a post-employment shareholding guideline to apply for two years after an Executive Director ceases employment, there is discretion for the Committee to, exceptionally, adjust or waive the guideline in circumstances where the Board believes its application would be inappropriate (e.g., in the event of death).

– **Recruitment arrangements:** Consistent with market practice, the new Policy contains flexibility for the reimbursement of legal or other professional fees approved by the Committee incurred by an individual in relation to their appointment. The Committee will also have the flexibility 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 (within the existing parameters for these plans in this new Policy) during the first twelve months following appointment.

– **Pay for Loss of Office:** Consistent with market practice, the new Policy contains flexibility to make payments to a departing Director in discharge of an existing legal obligation or by way of settlement of any claim arising in connection with cessation of employment. Minor amendments also permit the Committee to determine the form and basis of calculation of a departing Director’s annual bonus in a manner appropriate to the particular circumstances (albeit any such bonus will continue to be time pro-rated and subject to performance).

– **Non-Executive Director (NED) fees:** Where a NED takes on additional responsibilities that involve additional time commitment, consistent with market practice, the new Policy will contain the flexibility to pay an associated supplementary fee. The new Policy also clarifies the flexibility to approve additional benefits (e.g., liability insurance) and to reimburse business expenses to the Chair and NEDs in connection with the performance of their duties. In addition, the new Policy also provides flexibility for fees to be delivered either in a mixture of cash and shares or wholly in cash with an accompanying commitment from the Chair or NED to separately purchase the required number of shares.

I would like to thank our shareholders for their support and engagement during the year.

Angie Risley
Chair of the Remuneration Committee

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 129–145 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 26 April 2023. The Implementation Report explains how the Remuneration Policy was implemented during 2022. The following sections have been audited by KPMG:

The Single Figure Tables on Remuneration including related notes (pages 130–139); details of awards made under the Performance Share Programme (pages 135–138); Summary of Scheme Interests during the year (page 138); Payments to former Directors (page 135); Payments made to other past Directors (page 139); Directors interests in ordinary shares (page 140) and Senior Management Remuneration (page 156).

This 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 26 April 2023.
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 125 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 substantive changes to the 2020 Remuneration Policy. The handful of minor changes proposed in the new Policy are summarised on page 118.

In designing the directors’ remuneration policy set out on pages 120–128 (the “Policy”), the Smith & Nephew plc Remuneration Committee (the “Committee”) followed a robust process which included discussions on the content of the Policy at several Committee meetings and engagement with our shareholders.

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 2023

**Base salary**
- 2022 salaries: CEO $1,475,000; CFO £615,960.
- 2023 salaries: CEO $1,526,625; CFO £637,519 (3.5% increase). For context, the average 2023 increases for our US and UK workforce (inclusive of a 2.5% off-cycle increase) are 6.5% and 6% respectively.

**Pension**
- CEO: 7.5% of capped salary (aligned with US employees).
- CFO: 12% of salary (aligned with UK employees).

**Annual Bonus**
- 2023 opportunity for CEO and CFO: 215% of salary (unchanged from 2022).
- 50% paid in cash, 50% deferred in shares for three years.
- Performance measures: 40% revenue growth, 40% trading profit margin, 20% business objectives including ESG metrics (unchanged from 2022).

**Performance Share Programme**
- 2023 award for CEO and CFO: 275% of salary (unchanged from 2022).
- Three-year performance period plus two-year holding period.
- Performance measures: 25% relative TSR, 25% ROIC, 25% revenue growth, 25% free cash flow (unchanged from 2022).

**Shareholding guideline**
- Whilst in employment, build up and maintain shareholding worth at least 300%/200% of salary for CEO/CFO.
- After ceasing employment, remain compliant with their ‘in employment’ guideline for two years after stepping down as Director.
**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.

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
<th>Framework in which performance is assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 within a peer group of similarly sized listed companies.</td>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
<th>Framework in which performance is assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>None.</td>
</tr>
</tbody>
</table>
### 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.

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
<th>Framework in which performance is assessed</th>
</tr>
</thead>
</table>
| 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. | 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. | None. |
| 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. | 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. | |

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.
Remuneration continued
Directors’ remuneration policy continued

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.

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
<th>Framework in which performance is assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 located.</td>
<td>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 &amp; Customs. Similar limits will apply in different locations.</td>
<td>None.</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
<th>Framework in which performance is assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>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, 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 Committee has full discretion to authorise the payment of dividend equivalent payments on DBP awards to the extent they vest.</td>
<td>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.</td>
<td>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, 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.</td>
</tr>
</tbody>
</table>
## Long-term incentives

### Performance Share Programme (PSP)

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.

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
<th>Framework in which performance is assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards are granted pursuant to the terms of the PSP.</td>
<td>The maximum annual opportunity is 275% of base salary.</td>
<td>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:</td>
</tr>
<tr>
<td>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.</td>
<td>For on-target levels of performance, 50% of the award vests.</td>
<td>– Financial measures – to reflect the financial performance of our business and a direct and focused measure of Company success.</td>
</tr>
<tr>
<td>Awards usually vest after three years, subject to the achievement of stretching performance targets linked to the Company’s strategy.</td>
<td>For threshold levels of performance, 25% of the award vests.</td>
<td>– Shareholder return measures – a measure of the ultimate delivery of shareholder returns, providing direct alignment.</td>
</tr>
<tr>
<td>The performance period is usually 3 years.</td>
<td></td>
<td>– Strategic measures – aligned with the Company’s long-term strategy.</td>
</tr>
<tr>
<td>The Committee has full discretion to adjust outcomes under the PSP 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.</td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td>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.</td>
</tr>
<tr>
<td>Malus and clawback provisions apply as detailed in the notes to this table.</td>
<td></td>
<td>Malus and clawback provisions apply as detailed in the notes to this table.</td>
</tr>
</tbody>
</table>
Remuneration continued

Directors’ remuneration policy continued

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 or PSP awards in accordance with the plan rules.

Malus and clawback
At any time prior to the vesting of a PSP 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 in 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 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.

In addition to (and without limiting) the foregoing, the Company is intending to adopt an additional clawback policy pursuant to listing standards that have been released by the New York Stock Exchange, pursuant to the final rule adopted by the United States Securities and Exchange Commission enacting the clawback standards applying to U.S. listed companies under the Dodd-Frank Act. In accordance with this policy, the Committee or the Board is also intending to adopt policies requiring repayment of any amounts of incentive compensation from its “executive officers”, which may include the Executive Directors, that was calculated erroneously based on financial statements that were required to be restated due to material noncompliance with financial reporting requirements, to the extent required under the new clawback policy.

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.

Recent off-cycle base salary increase adjustments made by the Company in 2022 to its employees in certain geographies to respond to inflation and cost of living challenges were limited to employees within the company three tiers below senior management level and were not awarded to Executive Directors.

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 have 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

These provisions will apply under the Global Share Plan 2023 and the Annual Bonus Plan 2023.

Smith+Nephew Annual Report 2022
Illustrations of the application of the Remuneration Policy 2023

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

**Chief Executive Officer**

<table>
<thead>
<tr>
<th>Performance</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>100</td>
<td>31</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>$1,666k</td>
<td>$5,406k</td>
<td>$9,147k</td>
</tr>
</tbody>
</table>

**Chief Financial Officer**

<table>
<thead>
<tr>
<th>Performance</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>100</td>
<td>32</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>£726k</td>
<td>£2,288k</td>
<td>£3,850k</td>
</tr>
</tbody>
</table>

* + 50% share price growth

<table>
<thead>
<tr>
<th>Assumed performance</th>
<th>Assumptions used for proposed Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed pay scenarios</td>
<td>– Consists of total fixed pay, including base salary and pension allowance (as at 1 April 2023) and benefits (as received during 2022).</td>
</tr>
<tr>
<td></td>
<td>– Pro-rated for Deepak Nath.</td>
</tr>
<tr>
<td>Variable pay</td>
<td>– No pay out under the Annual Bonus Plan.</td>
</tr>
<tr>
<td></td>
<td>– No vesting under the PSP.</td>
</tr>
<tr>
<td></td>
<td>– 50% of maximum pay out under the Annual Bonus Plan (i.e. 107.5% of salary).</td>
</tr>
<tr>
<td></td>
<td>– 50% vesting under the PSP (i.e. 137.5% of salary).</td>
</tr>
<tr>
<td></td>
<td>– 100% of the maximum pay out under the Annual Bonus Plan (i.e. 215% of salary).</td>
</tr>
<tr>
<td></td>
<td>– 100% vesting under the PSP (i.e. 275% of salary).</td>
</tr>
<tr>
<td>Maximum performance + 50% share price growth</td>
<td>– 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.</td>
</tr>
</tbody>
</table>

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.

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 twelve 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 twelve months from the Company and six 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 awards will typically, unless the Committee determines otherwise, be pro-rated for the proportion of the relevant performance period that has elapsed at the time Executive Director leaves, and be tested for performance at the end of the performance period, unless the Committee determines to test performance otherwise. The two-year post-vesting holding period 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 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 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. The Chief Executive Officer is therefore 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. Executive Directors are required to retain at least 50% of the shares (after tax) vesting under Company incentive plans until this shareholding requirement has been 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 and PSP 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 2023 AGM.

The Committee Chair corresponded with our top twenty shareholders regarding our proposed 2023 Remuneration Policy and also offered meetings to discuss our remuneration arrangements. This included a number of shareholders who, although holding a smaller number of shares, had indicated earlier in the year that they would be interested in engaging with the Company on remuneration matters.

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 118).
Remuneration continued
Directors’ remuneration policy continued

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

<table>
<thead>
<tr>
<th>Basic annual fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>To attract and retain Directors by setting fees at rates comparable to what would be paid in an equivalent position elsewhere.</td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees will be reviewed on an annual basis. In future, 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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>To compensate Non-Executive Directors for additional responsibilities such as Committee Chair or Senior Independent Director reflecting additional time involved in such roles.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A fixed fee is paid, which is reviewed annually.</td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intercontinental travel</th>
</tr>
</thead>
<tbody>
<tr>
<td>To compensate Non-Executive Directors for the time spent travelling to attend meetings in another continent.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How the component operates</th>
<th>Maximum levels of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A fixed fee is paid, which is reviewed annually.</td>
<td>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.</td>
</tr>
</tbody>
</table>

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 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 26 April 2023. 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 2022

In 2022, we held eight meetings and determined two further matters by written resolution. 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 116 of this Annual Report. We also met with the independent remuneration consultants, Deloitte LLP (Deloitte), the remuneration advisors to the Committee. The work carried out by the Committee during the year is set out on pages 116–118.

Since the year end, we have reviewed the financial results for 2022 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 2023 and have determined the payouts under the 2022 Annual Bonus Plan and the vesting under the Performance Share Programme 2020.

Independent Remuneration Committee advisors

During the year, the Committee received information and advice from Deloitte. Deloitte is a global firm, which provides many services to the Company, including tax and consultancy services. Deloitte was appointed by the Committee following a full tender process in 2018 to provide remuneration advice to the Committee, independent from management.

During the year, Deloitte provided advice on market trends and remuneration issues in general, attended Committee meetings, assisted in the review of the Directors’ Remuneration Policy, undertook calculations relating to the TSR performance conditions and advised on annual bonus reviews.

The fees paid to Deloitte for advice to the Committee during 2022, charged on a time and expense basis, were £103,725 ($127,696). Deloitte 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.

Deloitte are to be appointed external auditors of the Group effective from 1 January 2024. As a result Deloitte are to be replaced as advisors to the Remuneration Committee at the conclusion of the Annual General Meeting in April 2023. A tender process is currently underway.
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 pay-outs 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.

Key activities of the Committee during the year
- Considered the terms of remuneration for the outgoing and incoming CEO.
- Reviewed the Remuneration Strategy for the Executive Directors, Executive Officers and senior executives.
- Reviewed out-turns for determining payouts to Executive Directors and Executive Officers under the 2019 Performance Share Programme, and 2021 Annual Bonus Plan.
- Approved quantum of cash payments and awards to Executive Directors and Executive Officers under the 2021 Annual Bonus Plan and 2019 Performance Share Programme.
- Approved the 2021 Directors’ Remuneration Report.
- Considered principles for setting the targets for the Annual Bonus Plan 2022 and 2022 Performance Share Programme.
- Approved financial targets for the 2022 Annual Bonus Plan for Executive Directors, Executive Officers and senior executives.
- Approved financial measures and targets for 2022 Performance Share Programme for Executive Directors and Executive Officers.
- Reviewed and consulted with shareholders on changes proposed for the new Remuneration Policy for approval by shareholders at the Annual General Meeting in 2023.
- Approved the TSR Peer Group for Performance Share Awards to be made in 2022.
- Noted Gender Pay Report and CEO Pay Ratio figures.
- Reviewed Chair fees.
- Approved 2022 Remuneration Committee Business Plan.
- Reviewed the performance against the targets under the 2022 Annual Bonus Plan, and 2020, 2021 & 2022 Performance Share Programme.
- Commenced the search for a new Remuneration Advisor.

Matters of a routine nature considered by the Committee
- Reviewed current plans and performance versus targets.
- 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 shareholder guidelines for Executive Directors, Executive Officers and senior executives.
- Received regulatory/best practice updates from Deloitte and other consulting groups.
- Reviewed and approved the Committee’s Terms of Reference.

Single total figure on remuneration (audited)
The amounts for 2022 have been converted into US$ for ease of comparability using the exchange rates of £ to US$1.2311 (2021: £ to US$1.3753) and CHF to US$1.0469 (2021: CHF to US$1.0939).

<table>
<thead>
<tr>
<th>Role</th>
<th>Deepak Nath</th>
<th>Anne-Françoise Nesmes</th>
<th>Roland Diggelemann</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Appointed 1 April 2022</td>
<td>Appointed 27 July 2020</td>
<td>Appointed 1 November 2019</td>
</tr>
<tr>
<td></td>
<td>2022</td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td><strong>Fixed pay</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Base salary</strong></td>
<td>$1,083,558</td>
<td>$747,224</td>
<td>$797,674</td>
</tr>
<tr>
<td><strong>Pension payments</strong></td>
<td>$22,875</td>
<td>$89,667</td>
<td>$95,721</td>
</tr>
<tr>
<td><strong>Taxable benefits</strong></td>
<td>$18,874</td>
<td>$15,248</td>
<td>$17,005</td>
</tr>
<tr>
<td><strong>Total Fixed Pay</strong></td>
<td>$1,125,243</td>
<td>$852,139</td>
<td>$910,400</td>
</tr>
<tr>
<td><strong>Annual variable pay</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Annual Incentive Plan/ Annual Bonus Plan – cash element</strong></td>
<td>$371,888</td>
<td>$251,194</td>
<td>$398,053</td>
</tr>
<tr>
<td><strong>Annual Incentive Plan/ Annual Bonus Plan – equity element</strong></td>
<td>$371,887</td>
<td>$251,193</td>
<td>$398,053</td>
</tr>
<tr>
<td><strong>Long-term variable pay</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Performance Share Programme</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Variable Pay</strong></td>
<td>$743,775</td>
<td>$502,387</td>
<td>$796,106</td>
</tr>
<tr>
<td><strong>Forfeited Incentives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Bonus</td>
<td>$371,414</td>
<td>$1,354,526</td>
<td>$1,706,506</td>
</tr>
<tr>
<td>Non-Performance Based Awards</td>
<td>$2,132,844</td>
<td>$1,354,526</td>
<td>$1,706,506</td>
</tr>
<tr>
<td>Performance Based Award</td>
<td>$1,581,970</td>
<td>$1,354,526</td>
<td>$1,706,506</td>
</tr>
<tr>
<td><strong>Total Forfeited Incentives</strong></td>
<td>$4,086,228</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Pay</strong></td>
<td>$5,955,246</td>
<td>$1,354,526</td>
<td>$1,706,506</td>
</tr>
</tbody>
</table>

1 Stepped down from the Board on 31 March 2022.
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 is $2,697,159. Total fixed pay is $3,258,119.
<table>
<thead>
<tr>
<th><strong>Base salary</strong></th>
<th>The actual salary receivable for the year.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pension payments</strong></td>
<td>The value of the salary supplement in lieu of pension or contribution to any pension scheme made by the Company.</td>
</tr>
<tr>
<td><strong>Taxable benefits</strong></td>
<td>The gross value of all taxable benefits (or benefits that would be taxable in the UK) received in the year.</td>
</tr>
<tr>
<td><strong>Annual Incentive Plan – cash element/Annual Bonus Plan</strong></td>
<td>The value of the cash incentive payable for performance in respect of the relevant financial year.</td>
</tr>
<tr>
<td><strong>Annual Incentive Plan – equity element/Annual Bonus Plan</strong></td>
<td>The value of the equity element awarded in respect of performance in the relevant financial year as described on pages 132–135 of this report.</td>
</tr>
<tr>
<td><strong>Performance Share Programme</strong></td>
<td>The value of shares vesting that were subject to performance over the three-year period ending on 31 December in the relevant financial year. For awards vesting in early 2023 this is based on an estimated share price of 1,056.07p per share, which was the average price of a share over the last quarter of 2022.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>The sum of the above elements.</td>
</tr>
</tbody>
</table>

All data is presented in our reporting currency of US Dollars (USD). Amounts for Roland Diggelmann have been converted from Swiss Francs (CHF) and for Anne-Françoise Nesmes from Sterling (GBP) using average exchange rates. Given currency movements in 2022, 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 received by Deepak Nath in respect of outstanding incentives he forfeited on leaving his former company (details of which were outlined on page 129 of the 2021 Annual Report). They comprise:

- A cash bonus of $371,414 paid in November 2022 in respect of a forfeited 2022 cash bonus. This relates to legacy arrangements implemented by his previous employer and was based on an estimate of the bonus he forfeited upon leaving Siemens Healthineers ("SH"). The calculated value of the bonus was determined following confirmation from SH of performance against the targets attached to the forfeited bonus.

- Awards of 132,048 Restricted Stock Units (RSU) in respect of forfeited restricted share awards of an equivalent face value. RSU awards over a total of 96,907 shares vested on 16 and 23 May 2022. RSU awards over a total of 12,161 shares vested on 8 and 14 November 2022. The shares are valued at 1,312p being the share price at the date of grant (29 April 2022). More details are on page 138.

- 117,245 performance shares that vested in December 2022 in respect of a forfeited performance share award of an equivalent face value originally granted in 2018. The number of shares that vested was determined following confirmation of performance against the targets attached to the original award. The shares are valued at 1096p being the share price at the date of vesting on 8 December 2022. More details of this award are on page 138 alongside details of the additional 182,228 performance shares awarded to Deepak that will vest, and will be included in the single figure table, in 2023 and 2024.
Remuneration continued

Remuneration implementation report continued

Fixed pay

Base salary

As normal, the base salaries of the Executive Directors were reviewed in February 2023 and it was determined that their salaries be increased by 3.5%. The general increase to base pay in 2023 (inclusive of a 2.5% off-cycle increase), 6.5% for US and 6% for UK employees.

Deepak Nath was appointed as Chief Executive Officer on 1 April 2022 with a base salary of $1,475,000. This has increased by 3.5% to $1,526,625 effective from 1 April 2023.

Anne-Françoise Nesmes’ base salary also increased by 3.5% to £637,519 (2022: £615,960) effective from 1 April 2023.

Pension payments

Deepak Nath received a Company pension contribution of $22,875 in line with the limits set forth by the US tax authority and the pension arrangement for the wider US workforce.

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.

Roland Diggelmann participated in the Swiss Profund pension plan. He was employed under a Swiss contract, which is where he was domiciled. Between 1 January and 31 March 2022 (the period in which he was CEO and a member of the Board), total Company pension contributions for Roland amounted to CHF41,400, which is equivalent to 12% of his base salary for that period.

Benefits

In 2022, 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 2022 to 31 March 2022 which was changed to four times basic salary in line with the changes made to the wider UK workforce. Roland Diggelmann received death in service cover of seven times basic salary.

Each Executive Director received health cover for themselves and their families, a car and fuel allowance and financial consultancy advice. The same arrangements will apply in 2023. The following table summarises the value of benefits in respect of 2022 and 2021.

<table>
<thead>
<tr>
<th></th>
<th>Deepak Nath (Appointed 1 April 2022)</th>
<th>Anne-Françoise Nesmes</th>
<th>Roland Diggelmann (Stepped down from the Board on 31 March 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health cover</td>
<td>$8,871</td>
<td>£986</td>
<td>CHF1,723</td>
</tr>
<tr>
<td>Car and fuel allowance</td>
<td>$8,467</td>
<td>£11,400</td>
<td>CHF8,100</td>
</tr>
<tr>
<td>Financial consultancy advice</td>
<td>£1,248</td>
<td>£11,400</td>
<td>CHF32,400</td>
</tr>
</tbody>
</table>

Annual incentives

Annual Bonus Plan 2022

Following the approval of the Remuneration Policy at the 2020 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. 50% of the award is paid in cash and 50% is deferred into shares which will vest after three years.

The performance measures and weightings which applied to the Annual Bonus Plan 2022 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Weighting</th>
<th>Threshold as a percentage of salary</th>
<th>Target as a percentage of salary</th>
<th>Maximum as a percentage of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>40%</td>
<td>12.8%</td>
<td>43%</td>
<td>86%</td>
</tr>
<tr>
<td>Trading margin</td>
<td>40%</td>
<td>12.8%</td>
<td>43%</td>
<td>86%</td>
</tr>
<tr>
<td>Business (including ESG) Objectives</td>
<td>20%</td>
<td>6.4%</td>
<td>21.5%</td>
<td>43%</td>
</tr>
</tbody>
</table>

1 25% of this element of the bonus was based on ESG objectives.
The 2022 targets and outturn for revenue and trading margin are shown below:

<table>
<thead>
<tr>
<th></th>
<th>Threshold</th>
<th>Target</th>
<th>Maximum</th>
<th>Actual1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$5,140m</td>
<td>$5,372m</td>
<td>$5,493m</td>
<td>$5,380m</td>
</tr>
<tr>
<td>Trading Margin</td>
<td>18.0%</td>
<td>18.4%</td>
<td>18.9%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

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 236.

**Financial objectives**

The revenue target for 2022 is set by reference to our expectations for growth for the year. Threshold was set at 4.3 percentage points below target and maximum was set at 2.3 percentage points above target.

The trading margin target was set by reference to budgeted trading profit margin for the year. Threshold and maximum were set at 93.6% and 105% of budgeted trading profit margin, divided by threshold and maximum revenue respectively.

Performance resulted in an overall payout of 53% of target against the financial objectives.

Accordingly, the following amounts have been earned by Deepak Nath, Anne-Françoise Nesmes and Roland Diggelmann for 2022 under the Annual Bonus Plan in respect of their financial objectives.

- Deepak Nath: $505,931
- Anne-Françoise Nesmes: £277,591
- Roland Diggelmann: CHF157,782

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.

**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 2022, these objectives were Growth, People and Business Processes as in 2021. 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 and quality metrics. Their overall performance has been assessed according to the extent to which the Executive Directors have met the expectations of the Board. The 20% of the Annual Bonus Plan which is attributable to business and ESG objectives will be paid out as follows:

<table>
<thead>
<tr>
<th>Performance</th>
<th>% of base salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below expectations</td>
<td>Nil</td>
</tr>
<tr>
<td>Partially met expectations</td>
<td>6.4%</td>
</tr>
<tr>
<td>In-line with expectations (100% of target)</td>
<td>21.5%</td>
</tr>
<tr>
<td>Above expectations</td>
<td>43%</td>
</tr>
</tbody>
</table>

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.
Remuneration continued
Remuneration implementation report continued

Annual incentives continued

**Annual Bonus Plan 2022**

<table>
<thead>
<tr>
<th>Deepak Nath</th>
<th>Anne-Françoise Nesmes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td></td>
</tr>
<tr>
<td>– Exceeded against target to continue to embed the culture pillars and purpose to drive engagement and continuity as evidenced by improved Gallup engagement.</td>
<td>– Achieved against target to implement people Finance priorities per roadmap with launch of the Finance Competency Framework.</td>
</tr>
<tr>
<td>– Achieved against target to strengthen Executive Committee effectiveness aligned to new strategy with clear objectives to measure performance.</td>
<td>– Achieved against target to put in place IT and GBS succession plans, strengthening GBS leadership with a clear organisational design.</td>
</tr>
<tr>
<td>– Partially achieved against target to have talent in place to deliver success and make progress to build a more diverse and inclusive workforce. Missed target of voluntary attrition and incumbent roles filled from our talent pipeline of high value roles. Exceeded target of women in senior leadership with additional focus required on increasing women in middle-management roles.</td>
<td>– Achieved against target to drive IDE, holding immersion sessions on Culture Commitments to foster adoption.</td>
</tr>
<tr>
<td>– Achieved against target to continue development and succession planning for leadership team roles with internal successors identified.</td>
<td></td>
</tr>
<tr>
<td><strong>Organisation and Process</strong></td>
<td></td>
</tr>
<tr>
<td>– Achieved against target to strengthen, accelerate and transform Smith+Nephew for structurally higher growth and greater patient impact. Defined a clear 12-point plan to transform the organisation with established KPIs, governance and milestones.</td>
<td>– Achieved against target to partner with Executive Committee to drive trading margin improvement, supporting 12-point plan milestones with financial actions and milestones.</td>
</tr>
<tr>
<td>– Achieved against our target to reduce Scope 1 &amp; 2 greenhouse gases by 70% by the end of 2025 with a carbon roadmap developed.</td>
<td>– Achieved against target to define IT/Enterprise Resource Planning strategy for medium to long term, including assessment of SAP, enterprise strategy and roadmap.</td>
</tr>
<tr>
<td>– Achieved against the delivery of our waste to landfill target for Malaysia and Memphis sites.</td>
<td>– Achieved against target to provide stronger data and insights to support decision making including market analysis.</td>
</tr>
<tr>
<td>– Partially achieved against the target of a clear Scope 3 plan and milestones outline, with the roadmap for Scope 3 under development.</td>
<td>– Lead the efforts to produce TCFD reporting resulting in integrated ESG reporting and a clear plan for Scope 3 disclosures. Leveraged framework tools to identify risks and opportunities and developed scenario analysis for climate related financial risks and opportunities.</td>
</tr>
<tr>
<td>– Achieved against target to uphold the highest standards of Quality and Compliance.</td>
<td>– Achieved against target to improve Finance and IT control environment, ensuring cyber security plans and IT Sox controls are implemented.</td>
</tr>
<tr>
<td><strong>Customer</strong></td>
<td></td>
</tr>
<tr>
<td>– Achieved against the target of 80% delivery of successful launches for our top 10 NPD programs.</td>
<td>– Drove rollout of the sales, inventory and operations planning (SIOP) process and on track to deliver order-to-cash process.</td>
</tr>
<tr>
<td>– Achieved against the target to launch at scale through the prioritization of development programmes.</td>
<td>– Achieved against target to ensure comprehensive disclosure and reporting that meets the needs of stakeholders.</td>
</tr>
<tr>
<td>– Achieved against target of seamless integration of value-creating acquisitions and performance against plan. Achieved against target to actively engage with key stakeholders to build support for our new strategy and highlight progress.</td>
<td></td>
</tr>
</tbody>
</table>

This resulted in a calculated bonus achievement of 100% of target in respect of Deepak Nath’s business and ESG objectives. This resulted in a calculated bonus achievement of 100% of target in respect of Anne-Françoise Nesmes’ business and ESG objectives.

Roland departed on 31 March 2022. The rating of Partially achieved reflects the performance against business and ESG objectives for the period for which he was employed.
Therefore the total amount earned by Executive Directors in 2022 under the Annual Bonus Plan 2022 is:

<table>
<thead>
<tr>
<th>Name</th>
<th>Amount earned in respect of financial objectives</th>
<th>Amount earned in respect of business objectives</th>
<th>Total amount earned</th>
<th>Total as percentage of target</th>
<th>Total as percentage of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roland Diggelmann1</td>
<td>CHF157,782</td>
<td>CHF22,080</td>
<td>CHF179,862</td>
<td>48.5%</td>
<td>52%</td>
</tr>
<tr>
<td>Deepak Nath2</td>
<td>$505,931</td>
<td>$237,844</td>
<td>$743,775</td>
<td>63%</td>
<td>67%</td>
</tr>
<tr>
<td>Anne-Françoise Nesmes</td>
<td>£277,591</td>
<td>£130,499</td>
<td>£408,090</td>
<td>63%</td>
<td>67%</td>
</tr>
</tbody>
</table>

1 Bonus paid is for employment during the period 1 January 2022 to 31 March 2022.
2 Bonus paid is for employment during the period 1 April 2022 to 31 December 2022.

The Board has reviewed the formulaic calculation of these figures. We acknowledged that during 2022, the share price had slightly fallen, that the Company had delivered a mixed performance ending the year in a much stronger position and that there had been no reputational risk issues during the year. We therefore determined this fairly represents the performance of the Company and of the Executive Directors during 2022.

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.

**2023 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.

The performance measures and weightings which apply to the Annual Bonus Plan 2023 are as follows:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Threshold as a percentage of salary</th>
<th>Target as a percentage of salary</th>
<th>Maximum as a percentage of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>40%</td>
<td>12.8%</td>
<td>43%</td>
<td>86%</td>
</tr>
<tr>
<td>Trading margin</td>
<td>40%</td>
<td>12.8%</td>
<td>43%</td>
<td>86%</td>
</tr>
<tr>
<td>Business objectives</td>
<td>15%</td>
<td>4.8%</td>
<td>16.125%</td>
<td>32.25%</td>
</tr>
<tr>
<td>ESG objectives</td>
<td>5%</td>
<td>1.6%</td>
<td>5.375%</td>
<td>10.75%</td>
</tr>
</tbody>
</table>

For reasons of commercial sensitivity, we are unable to disclose the precise targets for revenue and trading margin for 2023 now, which are both set by reference to our expectations for growth for the year. They will be disclosed retrospectively in the 2023 Annual Report, when performance against those targets are determined.

**Long-term incentives**

**Performance Share Programme 2020**

Since the end of the year, the Committee has reviewed the vesting of conditional awards made to former Executive Directors in 2020 under the Global Share Plan 2020. Vesting of the conditional awards made in 2020 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 2020.

**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 –33.7% against an index TSR for the peer group of 14.2%.
- 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 –33.7% against an index TSR for the peer group of –8.1%.

In aggregate therefore, the Company’s TSR performance results in a final vesting outcome of 0% out of the 25% target.
Global revenue growth 25% of the award was based on global revenue growth. The threshold set in 2020 was $16,628 million with a target of $16,968 million. Over the three-year period, the adjusted revenues in Global Revenue Growth were $14,918 million. These adjustments include translational foreign exchange and Board-approved M&A.

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

Cumulative free cash flow performance 25% of the award was based on cumulative cash flow performance. The target set in 2020 was $2,285 million with maximum at $2,742 million. Over the three-year period, the adjusted cumulative free cash flow was $958 million which was below threshold. These adjustments include items such as Board-approved M&A, restructuring programmes and translational foreign exchange.

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:

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

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 target set in 2020 was an average over three years of 12.0% with maximum at 13.5%. The adjusted average ROIC measurement for the three years was 8.2%. 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 2020 vested at 0% of target as follows:

<table>
<thead>
<tr>
<th></th>
<th>Threshold</th>
<th>Target</th>
<th>Maximum</th>
<th>Actual</th>
<th>Percentage Vested</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR</td>
<td>Equal to Index</td>
<td>$16,628m</td>
<td>$16,968m</td>
<td>$17,646m</td>
<td>$14,918m</td>
</tr>
<tr>
<td>Global revenue growth</td>
<td>$2,057m</td>
<td>$2,285m</td>
<td>$2,742m</td>
<td>$958m</td>
<td>0%</td>
</tr>
<tr>
<td>Return on invested capital</td>
<td>10.5%</td>
<td>12.0%</td>
<td>13.5%</td>
<td>8.2%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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.

Performance Share Programme 2022

In accordance with the Remuneration Policy approved by shareholders at the Annual General Meeting held on 9 April 2020, 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 2022 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 April 2022 and the awards were made in May 2022. 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.
**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:

<table>
<thead>
<tr>
<th>Relative TSR</th>
<th>Sector Based Peer Group</th>
<th>FTSE 100 Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below the index</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Equalling the index (Threshold vesting at 50% of target)</td>
<td>8.6%</td>
<td>8.6%</td>
</tr>
<tr>
<td>8% above the index (Maximum vesting at 200% of target)</td>
<td>34.4%</td>
<td>34.4%</td>
</tr>
</tbody>
</table>

Awards will 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:

<table>
<thead>
<tr>
<th>Revenue growth over three-year period commencing 1 January 2022</th>
<th>Award vesting as % of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Threshold</td>
<td>Nil</td>
</tr>
<tr>
<td>Threshold (~5% of target)</td>
<td>17.2%</td>
</tr>
<tr>
<td>Target – set by reference to our expectations</td>
<td>34.4%</td>
</tr>
<tr>
<td>Maximum or above (+5% of target)</td>
<td>68.8%</td>
</tr>
</tbody>
</table>

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 2024 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:

<table>
<thead>
<tr>
<th>Return on Invested Capital (three-year average)</th>
<th>Award vesting as % of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Threshold 8%</td>
<td>Nil</td>
</tr>
<tr>
<td>Threshold 8% (~1% of target)</td>
<td>17.2%</td>
</tr>
<tr>
<td>Target 9%</td>
<td>34.4%</td>
</tr>
<tr>
<td>Maximum or above 10.5% (+1.5% of target)</td>
<td>68.8%</td>
</tr>
</tbody>
</table>

Awards will 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:

<table>
<thead>
<tr>
<th>Cumulative free cash flow</th>
<th>Award vesting as % of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $1,535m</td>
<td>Nil</td>
</tr>
<tr>
<td>$1,535m (~20% of target)</td>
<td>17.2%</td>
</tr>
<tr>
<td>$1,913m</td>
<td>34.4%</td>
</tr>
<tr>
<td>$2,104m or more (~10% of target)</td>
<td>68.8%</td>
</tr>
</tbody>
</table>

The maximum has been set significantly above target reflecting the maximum opportunity for outperformance.
**Remuneration** continued

**Remuneration implementation report** continued

**Performance Share Programme 2023**

In early 2023, the Remuneration Committee considered the performance framework and determined the targets for the Performance Share Programme (“PSP”) awards due to be made in 2023. It was agreed that performance would be measured under the same four equally weighted performance measures which applied in 2022 – indexed TSR, Global Revenue Growth, ROIC, and Cumulative Free Cash Flow, as set out below. The Executive Directors will each be granted an award under the PSP on 9 March 2023 to the value of 275% of their base salary.

**TSR performance** 25% of the award will be based on the Company’s TSR performance, measured against the same peer groups and with the same targets as the awards made in 2022.

**Revenue growth** 25% 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** 25% of the award will be based on ROIC as defined for the awards made in 2022. Targets will be 8.5% at Threshold, 9.5% at Target and 10.5% at Maximum.

**Cumulative free cash flow** 25% of the award will be based on cumulative cash flow as defined for the awards made in 2022. It is not possible to disclose precise targets for this measure as this is considered to be commercially sensitive information.

**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:

<table>
<thead>
<tr>
<th>Date granted</th>
<th>Outstanding number of ordinary shares under award at maximum</th>
<th>Date of vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deepak Nath</td>
<td>20 May 2022</td>
<td>259,422</td>
</tr>
<tr>
<td>Anne-Françoise Nesmes</td>
<td>20 May 2022</td>
<td>134,468</td>
</tr>
<tr>
<td>Anne-Françoise Nesmes</td>
<td>21 May 2021</td>
<td>102,936</td>
</tr>
<tr>
<td>Anne-Françoise Nesmes</td>
<td>21 Dec 2020</td>
<td>42,726</td>
</tr>
<tr>
<td>Roland Diggelmann</td>
<td>21 May 2021</td>
<td>55,282</td>
</tr>
<tr>
<td>Roland Diggelmann</td>
<td>21 May 2020</td>
<td>135,766</td>
</tr>
</tbody>
</table>

1 Roland Diggelmann stepped down from the Board as Chief Executive Officer with effect from 31 March 2022. The awards shown have been pro-rated based on the length of service during the performance period.

2 The awards granted on 21 May 2020 and 21 December 2020 did not achieve the performance conditions and lapsed in full on 21 February 2023.

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

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of shares</th>
<th>Face value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deepak Nath</td>
<td>259,422</td>
<td>£3,263,528.76</td>
</tr>
<tr>
<td>Anne-Françoise Nesmes</td>
<td>134,648</td>
<td>£1,693,871.84</td>
</tr>
<tr>
<td>Roland Diggelmann</td>
<td>0</td>
<td>£0</td>
</tr>
<tr>
<td>Performance Share Programme award at maximum (see pages 135–137)</td>
<td>259,422</td>
<td>£3,263,528.76</td>
</tr>
<tr>
<td>Deferred Share Bonus Plan award (2021 bonus)</td>
<td>0</td>
<td>£0</td>
</tr>
<tr>
<td>Buy-out award agreement</td>
<td>441,737</td>
<td>£5,795,589.44</td>
</tr>
</tbody>
</table>

1 As outlined on page 129 of the 2021 Annual Report, Deepak Nath’s buy-out awards are in respect of outstanding equity incentives he forfeited on leaving his former company. All awards have been provided on a like-for-like basis in terms of the value provided and their performance and/or vesting periods. The awards (granted on 29 April 2022) comprised the following: 132,048 RSUs vesting between May 2022 and November 2025, 127,461/84,868/97,360 performance shares vesting in November 2022/2023/2024 subject to the original performance conditions applicable to the forfeited performance share awards granted to Deepak by Siemens Healthineers AG (“SH”) in November 2018/2019/2020.

2 As noted above, a performance award over 127,461 shares was granted to Deepak Nath with vesting subject to the performance conditions applicable to the performance share award over SH shares originally granted to Deepak by SH in November 2018. Following completion of the performance measurement period, SH provided confirmation that 91.985% of the original award would have vested. Accordingly, 117,245 shares from the buy-out award vest with the balance, 10,216 shares, lapsing.

3 Roland Diggelmann stepped down from the Board as Chief Executive Officer with effect from 31 March 2022.

Please see Policy Table contained within the Annual Report 2020 on pages 128–137 on our website at www.smith-nephew.com for details of how the above plans operate. Following approval of the 2020 Remuneration Policy, no Annual Equity Incentive Programme awards were granted during 2022. 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 20 May 2022 was 1,258.0p. The Deferred Share Bonus Plan award granted on 9 March 2022 is calculated using the closing share price on the day before grant being 1,197.5p. The buy-out award agreement granted on 29 April 2022 to Deepak Nath is calculated using the closing share price on the day before grant being 1,312.0p.
Single total figure on remuneration
Chair and Non-Executive Directors (audited)

<table>
<thead>
<tr>
<th>Director</th>
<th>Basic annual fee</th>
<th>Committee Chair/ Senior Independent Director fee</th>
<th>Intercontinental travel fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roberto Quarta</td>
<td>£428,645</td>
<td>£3,500</td>
<td>£432,145</td>
<td>£428,645</td>
</tr>
<tr>
<td>Jo Hallas2</td>
<td>£64,250</td>
<td>–</td>
<td>£67,750</td>
<td>£18,173</td>
</tr>
<tr>
<td>Erik Engstrom</td>
<td>£69,500</td>
<td>–</td>
<td>–</td>
<td>£69,500</td>
</tr>
<tr>
<td>Robin Freestone3</td>
<td>£53,750</td>
<td>£15,000</td>
<td>£68,750</td>
<td>£89,500</td>
</tr>
<tr>
<td>John Ma</td>
<td>$129,780</td>
<td>–</td>
<td>$150,780</td>
<td>£113,472</td>
</tr>
<tr>
<td>Katarzyna Mazur-Hofsaess</td>
<td>£69,500</td>
<td>–</td>
<td>£73,000</td>
<td>£69,500</td>
</tr>
<tr>
<td>Rick Medlock</td>
<td>£69,500</td>
<td>£20,000</td>
<td>£93,000</td>
<td>£89,500</td>
</tr>
<tr>
<td>Marc Owen4</td>
<td>$129,780</td>
<td>$35,000</td>
<td>$185,780</td>
<td>$171,780</td>
</tr>
<tr>
<td>Angie Risley</td>
<td>£69,500</td>
<td>£20,000</td>
<td>£93,000</td>
<td>£89,500</td>
</tr>
<tr>
<td>Bob White</td>
<td>$129,780</td>
<td>–</td>
<td>$136,780</td>
<td>$129,780</td>
</tr>
</tbody>
</table>

1 The basic annual fee includes shares purchased for the Chair and Non-Executive Directors in lieu of part of the annual fee, details of which can be found on the table below.
2 Jo Hallas was appointed as a Non-Executive Director with effect from 1 February 2022.
3 Robin Freestone retired as a Non-Executive Director with effect from 30 September 2022.
4 Marc Owen waived his right to receive a $35,000 increase in fees pursuant to his appointment as Senior Independent Director on 1 October 2022.

Chair and Non-Executive Director fees
In February 2023 the fees paid to the Chair and the other Non-Executive directors were reviewed and it was determined that with effect from 1 April 2023 the fees paid will remain unchanged:

- Annual fee paid to the Chair: £428,645 of which £107,161 paid in shares
- Annual fee paid to Non-Executive Directors: £69,500 of which £6,500 paid in shares or $129,780 of which $9,780 paid in shares
- Intercontinental travel fee (per meeting): £3,500 or $7,000
- Fee for Senior Independent Director and Committee Chair: £20,000 or £35,000

As part of the appointment of the new Chair, the Committee undertook the first detailed review of the associated fee since 2014 when the current Chair was first appointed. The review took into account a range of factors including relevant market data and the anticipated time commitment involved with the role. The resulting fee agreed by the Committee is £450,000 effective from 15 September 2023 and the new Chair will be required, each year, to purchase shares worth at least 25% of his post-tax annual fee.

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 last year’s 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.

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 will receive a further award 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.

Legal fees incurred in connection with Roland Diggelmann’s stepping down from the Board of up to CHF 5,000 for Swiss legal advice and of up to £5,000 for English law advice are payable by the Company.

Service contracts
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. Further information can be found on page 125 of the Policy Report contained within the Annual Report 2020.
## Directors’ interests in ordinary shares (audited)

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

<table>
<thead>
<tr>
<th>Director</th>
<th>1 January 2022</th>
<th>31 December 2022</th>
<th>31 December 2022 (or date of retirement if earlier)</th>
<th>10 February 2023</th>
<th>Shareholding as % of annual salary/fee 2,3,9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roberto Quarta</td>
<td>67,468</td>
<td>73,300</td>
<td>73,300</td>
<td>196.51</td>
<td></td>
</tr>
<tr>
<td>Roland Diggelmann</td>
<td>18,207</td>
<td>18,207</td>
<td>18,207</td>
<td>37.68</td>
<td></td>
</tr>
<tr>
<td>Erik Engstrom</td>
<td>16,442</td>
<td>16,774</td>
<td>16,774</td>
<td>276.95</td>
<td></td>
</tr>
<tr>
<td>Robin Freestone</td>
<td>16,420</td>
<td>16,752</td>
<td>N/A</td>
<td>14.53</td>
<td></td>
</tr>
<tr>
<td>Jo Hallas</td>
<td>–</td>
<td>5,332</td>
<td>5,332</td>
<td>95.23</td>
<td></td>
</tr>
<tr>
<td>John Ma</td>
<td>296</td>
<td>924</td>
<td>924</td>
<td>9.94</td>
<td></td>
</tr>
<tr>
<td>Katarzyna Mazur-Hofsaess</td>
<td>366</td>
<td>880</td>
<td>880</td>
<td>14.53</td>
<td></td>
</tr>
<tr>
<td>Rick Medlock</td>
<td>3,264</td>
<td>3,564</td>
<td>3,564</td>
<td>58.84</td>
<td></td>
</tr>
<tr>
<td>Deepak Nath</td>
<td>–</td>
<td>97,784</td>
<td>97,784</td>
<td>92.14</td>
<td></td>
</tr>
<tr>
<td>Anne-Françoise Nesmes</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>23.86</td>
<td></td>
</tr>
<tr>
<td>Marc Owen</td>
<td>8,072</td>
<td>16,478</td>
<td>16,478</td>
<td>177.25</td>
<td></td>
</tr>
<tr>
<td>Angie Risley</td>
<td>5,011</td>
<td>5,343</td>
<td>5,343</td>
<td>88.22</td>
<td></td>
</tr>
<tr>
<td>Bob White</td>
<td>6,656</td>
<td>7,284</td>
<td>7,284</td>
<td>78.35</td>
<td></td>
</tr>
</tbody>
</table>

1. The latest practicable date for this Annual Report.
2. Calculated using the closing share price of 1.147.5p per ordinary share and $27.92 per ADS on 10 February 2023, and an exchange rate of £1:1.21125.
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. Roberto Quarta, John Ma, Marc Owen and Bob White hold some of their shares in the form of ADS.
5. Roland Diggelmann stepped down from the Board as Chief Executive Officer with effect from 31 March 2022.
6. Robin Freestone retired from the Board as a Non-Executive Director with effect from 30 September 2022.
7. Jo Hallas was appointed Non-Executive Director with effect from 1 February 2022.
8. Deepak Nath was appointed Chief Executive Officer with effect from 1 April 2022.
9. 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 and 2022 compared to that of employees generally was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Salary/fees</th>
<th>% change 2021/2022</th>
<th>% change 2020/2021</th>
<th>% change 2019/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary/fees</td>
<td>Taxable benefits</td>
<td>Annual incentive</td>
<td>Salary/fees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO1* Deepak Nath</td>
<td>0%</td>
<td>-55.54%</td>
<td>44.89%</td>
<td>0%</td>
</tr>
<tr>
<td>Roland Diggelmann</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFO</td>
<td>4.62%</td>
<td>3.97%</td>
<td>-29.50%</td>
<td>0%</td>
</tr>
<tr>
<td>Anne Françoise Nesmes</td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Graham Baker</td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Non Executive Directors2</td>
<td>0%</td>
<td>0%</td>
<td>N/A</td>
<td>0%</td>
</tr>
<tr>
<td>Average of all employees</td>
<td>5.95%</td>
<td>N/A</td>
<td>N/A</td>
<td>1.64%</td>
</tr>
</tbody>
</table>

1 Represents the difference between Roland Diggelmann and Deepak Nath.
2 There was no change to the fees paid to Non-Executive Directors during 2022.

The average cost of wages and salaries for employees generally decreased by 1.19% in 2022 (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.
Remuneration continued

Remuneration implementation report continued

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 2022. Figures are calculated by reference to 31 December 2022 using actual pay data from 1 January 2022 to 31 December 2022. The single figure for remuneration for each employee includes earned salary, annual incentive, allowance, pension and benefits for 2022. Part-time employees have been excluded for the purpose of calculations. The Chief Executive Office single figure is an amalgamation of the data for the two individuals who held the post during the year.

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>P25 (lower quartile)</th>
<th>P50 (median)</th>
<th>P75 (upper quartile)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>116:1</td>
<td>81:1</td>
<td>51:1</td>
</tr>
<tr>
<td>2020</td>
<td>42:1</td>
<td>29:1</td>
<td>19:1</td>
</tr>
<tr>
<td>2021</td>
<td>71:1</td>
<td>49:1</td>
<td>32:1</td>
</tr>
<tr>
<td>2022</td>
<td>160:1</td>
<td>107:1</td>
<td>70:1</td>
</tr>
</tbody>
</table>

In 2022, the ratio increased due to the impact of the buy-out award agreement made to Deepak Nath. Excluding this one-off arrangement, the median ratio would have been 47:1.

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

<table>
<thead>
<tr>
<th>Component</th>
<th>CEO1</th>
<th>P25 (lower quartile)</th>
<th>P50 (median)</th>
<th>P75 (upper quartile)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$1,816,153</td>
<td>$38,619</td>
<td>$59,669</td>
<td>$52,021</td>
</tr>
<tr>
<td>Total pay</td>
<td>$6,103,705</td>
<td>$40,977</td>
<td>$61,046</td>
<td>$93,464</td>
</tr>
</tbody>
</table>

1 Roland Diggelmann is paid in Swiss Francs and this figure was converted into US Dollars for comparative reasons using CHF to US$1.046901.

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 2022 and 2021 on remuneration, the attributable profit for each year and the dividends declared and paid in each year.

<table>
<thead>
<tr>
<th>Component</th>
<th>For the year to 31 December 2022</th>
<th>For the year to 31 December 2021</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable profit for the year</td>
<td>$223m</td>
<td>$524m</td>
<td>-57%</td>
</tr>
<tr>
<td>Dividends paid during the year</td>
<td>$327m</td>
<td>$329m</td>
<td>0%</td>
</tr>
<tr>
<td>Share buy-back1</td>
<td>$158m</td>
<td>$0m</td>
<td>+100%</td>
</tr>
<tr>
<td>Total Group spend on remuneration</td>
<td>$1,565m</td>
<td>$1,562m</td>
<td>0%</td>
</tr>
</tbody>
</table>

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 buy-back 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 buybacks until conditions improved. We remain committed to returning surplus cash to shareholders over time.
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)

As we also compare the Company’s performance to a tailored sector peer group of medical devices companies (see page 135), 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)
Table of historic data

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Chief Executive Officer</th>
<th>Single figure of total remuneration $</th>
<th>Annual Cash Incentive payout against maximum %</th>
<th>Performance Share Programme shares %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>Deepak Nath¹</td>
<td>$5,955,246</td>
<td>32</td>
<td>–</td>
</tr>
<tr>
<td>2022</td>
<td>Roland Diggelmann</td>
<td>$603,103</td>
<td>24</td>
<td>–</td>
</tr>
<tr>
<td>2021</td>
<td>Roland Diggelmann</td>
<td>$3,102,426</td>
<td>41</td>
<td>–</td>
</tr>
<tr>
<td>2020</td>
<td>Roland Diggelmann</td>
<td>$1,697,773</td>
<td>0⁶</td>
<td>–</td>
</tr>
<tr>
<td>2019</td>
<td>Roland Diggelmann²</td>
<td>$265,814</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2019</td>
<td>Namal Nawana³</td>
<td>$4,489,374</td>
<td>71⁵</td>
<td>–</td>
</tr>
<tr>
<td>2018</td>
<td>Namal Nawana</td>
<td>$2,883,632</td>
<td>69</td>
<td>–</td>
</tr>
<tr>
<td>2018</td>
<td>Olivier Bohuon⁴</td>
<td>$2,383,582</td>
<td>63</td>
<td>46.5</td>
</tr>
<tr>
<td>2017</td>
<td>Olivier Bohuon</td>
<td>$5,116,689</td>
<td>61</td>
<td>54</td>
</tr>
<tr>
<td>2016</td>
<td>Olivier Bohuon</td>
<td>$3,332,850</td>
<td>30</td>
<td>8</td>
</tr>
<tr>
<td>2015</td>
<td>Olivier Bohuon</td>
<td>$5,342,377</td>
<td>75</td>
<td>33.5</td>
</tr>
<tr>
<td>2014</td>
<td>Olivier Bohuon</td>
<td>$6,785,121</td>
<td>43</td>
<td>57</td>
</tr>
<tr>
<td>2013</td>
<td>Olivier Bohuon</td>
<td>$4,692,858</td>
<td>84</td>
<td>0</td>
</tr>
</tbody>
</table>

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 2022, 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. Our mean pay gap for the UK has decreased from 20% in 2021 to 16% in 2022, and the median gap has decreased from 17% in 2021 to 16% in 2022. We shall continue to review these figures.

Shareholding requirements

The Chief Executive Officer is required to hold three times his salary in the form of shares and the Chief Financial Officer is required to hold two times her 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 13 April 2022, 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 9 April 2020 are noted below:

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Votes for</th>
<th>% for</th>
<th>Votes against</th>
<th>% against</th>
<th>Total votes validly cast</th>
<th>Votes withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of the Directors’ Remuneration report (excluding policy)</td>
<td>647,076,103</td>
<td>96.71</td>
<td>22,010,946</td>
<td>3.29</td>
<td>669,087,049</td>
<td>1,731,661</td>
</tr>
<tr>
<td>Approval of the Directors’ Remuneration Policy at the 2020 Annual General Meeting</td>
<td>676,749,445</td>
<td>97.71</td>
<td>15,843,720</td>
<td>2.29</td>
<td>692,593,165</td>
<td>352,762</td>
</tr>
</tbody>
</table>
Senior management remuneration
The Group’s administrative, supervisory and management body (senior management) comprises for US reporting purposes, Executive Directors and Executive Officers. Details of the current Executive Directors and Executive Officers are given on pages 86–89.

Compensation paid to senior management in respect of 2020, 2021 and 2022 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total compensation (excluding pension emoluments, but including cash payments under the performance-related incentive plans)</td>
<td>$17,211,000</td>
<td>$15,795,000</td>
<td>$12,369,000</td>
</tr>
<tr>
<td>Total compensation for loss of office</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aggregate increase in accrued pension scheme benefits</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aggregate amounts provided for under supplementary schemes</td>
<td>$1,626,000</td>
<td>$1,454,000</td>
<td>$1,753,000</td>
</tr>
</tbody>
</table>

As at 10 February 2023, senior management owned 530,016 shares and 8,457 ADSs, constituting less than 0.063% 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 10 February 2023 by members of senior management are as follows:

<table>
<thead>
<tr>
<th>Share awards granted during the year</th>
<th>Total share awards held as at 10 February 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Incentive Programme awards</td>
<td>0</td>
</tr>
<tr>
<td>Deferred Share Bonus Plan awards</td>
<td>161,396</td>
</tr>
<tr>
<td>Performance Share Programme awards at maximum</td>
<td>1,400,882</td>
</tr>
<tr>
<td>Performance Share Programme – Supplementary awards</td>
<td>0</td>
</tr>
<tr>
<td>Conditional Share Awards under the Global Share Plan 2020</td>
<td>126,337</td>
</tr>
<tr>
<td>Buy-Out Award Agreement</td>
<td>441,737</td>
</tr>
<tr>
<td>Options under Employee ShareSave plans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Smith+Nephew Employee Share Trust
Note 19.2 of these accounts states the movement in Treasury Shares and the Trust during 2022. 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 2022 is held within the Trust. At 31 December 2022 shares were held in the Trust representing 0.37% 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 (2013 to 2022), the number of new shares issued under our share plans has been as follows:

| All-employee share plans | 7,102,563 (0.81% of issued share capital as at 10 February 2023) |
| Discretionary share plans | 15,478,364 (1.77% of issued share capital as at 10 February 2023) |

By order of the Board, on 21 February 2023

Angie Risley
Chair of the Remuneration Committee