CASE STUDIES CONTINUED

Becton, Dickinson & Co: shareholder revolt over severance agreements

> **We supported the shareholder proposal calling on the board to seek shareholder approval of any senior manager's pay package."**

The specific securities identified and described are for informational purposes only and do not represent recommendations.

WHAT'S THE ISSUE?

A severance agreement provides a pay-out for senior management when contracts are ended for reasons other than 'dismissal for cause', the legal term for being fired for unsatisfactory conduct. History provides examples of senior management benefitting from exceedingly generous severance agreements that don't reflect the executives' performance. In some cases the pay-outs are so large that they're a major cost to shareholders. Because of these issues, it's crucial that shareholders have an opportunity to vote on severance agreements.

WHAT DID WE DO?

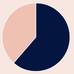
At the AGM of US medical technology company Becton, Dickinson & Co, we supported the shareholder proposal calling on the board to seek shareholder approval of any senior manager's pay package, if it provides for severance or termination payments with an estimated value more than 2.99 times the sum of the executive's base salary plus target short-term bonus. Such proposals are becoming progressively more common at large US companies - and often gaining more support from shareholders.

WHAT HAPPENED?

The resolution earned 61.6% shareholder support. It's rare to see shareholder resolutions win a majority of votes, particularly given the falling support that we saw in the US 2023 AGM season for them and the fact that they're advisory rather than binding.

In the months after the AGM, the company engaged with shareholders that supported the resolution, proposing a policy slightly different to what shareholders had approved. The crucial difference was that the directors whose employment was being terminated would no longer have quicker access to awards ahead of the vesting date originally set out in their pay package. The vesting date is the point after which people acquire ownership of various benefits, such as shares under long-term incentive plans.

Shareholders were happy with the proposal so the board adopted it.



61.6%

Support for stricter oversight of severance pay