

West Pharmaceutical Services UK Pension & Life Assurance Scheme

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Annual Engagement Policy Implementation Statement

Year Ending 5 April 2024

Introduction

This Statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 5 April 2024. The SIP is a document drafted by the Trustee in order to help govern the Scheme's investment strategy. It details a range of investment-related policies, a summary of which is included below alongside the relevant actions taken by the Trustee in connection with each of these policies.

This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance - June 2022.

Investment Objectives of the Scheme

The Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

Review of the SIP

During the year to 5 April 2024, the Trustee reviewed the SIP to reflect the changes made to the investment strategy and investment manager appointments following advice from their investment consultant, Mercer. The SIP was last updated on January 2023.

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Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

Engagement

The Trustee, supported by the investment consultant, requested that the investment managers confirmed compliance with the principles of the UK Stewardship Code. All the Scheme's investment managers are signatories of the current UK Stewardship Code. Also, all managers confirmed to be signatories to the UN's Principles for Responsible Investment initiative ("PRI").

As per the Scheme's SIP, the Trustee believes that the integration of ESG factors including climate change may have a material impact on the overall investment outcome.

With regards to engagement, given that the Scheme is invested solely in pooled investment funds, the Trustee's policy is to delegate responsibility for engaging with and monitoring investee companies as well as exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long-term financial interests of investors.

The Trustee, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. If the Trustee has any concerns, they will raise them with Mercer verbally or in writing.

In particular, the Trustee will monitor:

- The performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time-periods will be considered, the focus will be on the medium to long-term performance of the investment manager / fund. Where performance has failed to meet expectations and/or the Mercer view on the future expectations of performance has changed, the underlying investment manager / fund may be replaced with a suitable alternative;
- Performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustee must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy. Similarly, if the strategy out-performs that may present opportunities to reduce risk and change investment approach;

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- The level of investment risk is monitored on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately in the context of the Trustee's strategic objectives for the Scheme;
- The ESG and Stewardship policies of the underlying investment managers are reviewed on a regular basis. As the Scheme invests in pooled funds, the Trustee recognises that its ability to influence the stewardship policies of the underlying investment manager is limited. As such, any changes to the Trustee's views on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

The Trustee also receives regular performance reports from investment consultant including performance ratings and ESG ratings in order to remain abreast of all key investment-related aspects of the strategy.

Voting Activity

The Trustee has concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustee from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Following the regulatory requirements in place, the Trustee was asked to provide its own definition of significant votes, in line with the engagement priorities disclosed above.

The Trustee considers a significant vote as any vote relating to material holdings (a company that represented at least 2.0% of the year-end market capitalisation of any fund in which the Scheme was invested during the majority of the year), in each of the following thematic areas:

- Climate Change: including (but not necessarily limited to) low-carbon transition and physical damages resilience;
- Human Rights: including (but not necessarily limited to) modern slavery, pay & safety in the workforce and supply chains and abuses in conflict zones; and/or
- Diversity, Equity and Inclusion: including (but not necessarily limited to) equal pay, board equality, and inclusive & diverse decision-making.

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We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

Manager Voting Activity

The tables below set out a summary of the key voting activity for the relevant funds over the financial year. We have included voting information for the year ending 5 April 2024, unless otherwise stated, in line with data available from the investment managers. Votes for the AVC funds have not been considered as they are not considered to be material in the wider context of the Scheme. Fixed income and liability-hedging assets with no direct listed equity exposure have no voting rights and are excluded from the reported voting activity.

Voting undertaken over the prior year is summarised in the table below:

Manager/Fund	Votes cast		
	Votes in total ⁽¹⁾	Votes against management endorsement	Abstentions
Baillie Gifford / Multi Asset Growth Fund	649	18	3
LGIM / UK Equity Index Fund	10,441	584	3
JP Morgan / Emerging Market Opportunity Fund	1,216	151	35
Vontobel / Global Equity UK Life Fund	735	84	1

⁽¹⁾ Voting information provided by the investment managers are at month end. We have used the 31st of March data as a proxy for the 5th of April where manager voting date was unavailable.

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Diversified Growth - Baillie Gifford

Baillie Gifford's Governance and Sustainability team oversees their voting analysis and execution in conjunction with their investment managers.

Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. They utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and endeavour to vote every one of their clients' holdings in all markets.

Baillie Gifford utilises ISS (Institutional Shareholder Services) and Glass Lewis for research and voting recommendations only.

Whilst they are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon the proxy advisers' recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with their in-house policy and not with the proxy voting providers' policies

The list below is not exhaustive, but exemplifies potentially significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting
- The resolution received 20% or more opposition and Baillie Gifford opposed
- Egregious remuneration
- Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
- Where there has been a significant audit failing
- Where Baillie Gifford opposed mergers and acquisitions
- Where Baillie Gifford have opposed the financial statements/annual report

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— Where Baillie Gifford have opposed the election of directors and executives.

Equity – LGIM

LGIM's Investment Stewardship team uses Institutional Shareholder Services, Inc.'s (ISS) 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS's recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

LGIM's definition of significant voting includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

Emerging Market Equity – JP Morgan

JP Morgan Asset Management uses a third-party corporate governance data provider, ISS, to receive meetings notifications, provide company research and process its votes.

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Although they use the ISS ProxyExchange platform and see their voting recommendations, thinking, and all their voting decisions are made on a case-by-case basis by in-house specialists in conjunction with the Analyst and/or Fund Manager in reference to the JPMAM Corporate Governance Policy and Voting Guidelines.

JP Morgan defines "significant" votes as votes where they are a major shareholder in their portfolios, where the vote is likely to be close or contentious or where there may be potential material consequences for their clients.

Equity – Vontobel

While Vontobel utilise Institutional Shareholder Services, Inc. (ISS) for research and advice, they have independence to vote as we believe will best represent the long-term interests of our investors. In the 12-month period ending 31 March 2024, they voted with ISS's advice on 100% of proposals voted on behalf of the fund.

Vontobel considers significance as a balance between:

1. Weight held within the portfolio,
2. Aggregate holding across their portfolios as a proportion of a company's outstanding shares (across portfolios managed by Vontobel's Quality Growth boutique),
3. Potential impact to long-term shareholder value from a proposal.

Votes are aimed at aligning shareholder interests with those of the management teams to deliver sustainable long-term growth.

Below are some examples of manager engagements with companies and significant votes on behalf of the Trustee over the year to 5 April 2024:

Diversified Growth - Baillie Gifford

The votes casted by Baillie Gifford were not significant votes as defined by the Trustee.

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Equity – LGIM

Holding details	Resolution details	How the manager voted	Reason for manager's vote	Outcome of the vote	Why is this vote classed as most significant?
Company name: Royal Dutch Shell Plc Approximate size of holding as at date of vote: 7.0%	Summary of Resolution: Approve the Shell Energy Transition Progress Date of vote: 23-05-2023	Against (against management recommendation)	Climate change: A vote against is applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcomes the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5°C trajectory.	80% (Pass)	Environment - Emissions
Company name: Glencore Plc Approximate size of holding as at date of vote: 2.4%	Summary of Resolution: Approve Net Zero - From Ambition to Action Report Date of vote: 26-05-2023	For (Against Management Recommendation)	In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition.	29.2% (Fail)	Environment - Emissions

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Emerging Market Equity – JP Morgan

The votes casted by JP Morgan were not significant votes as defined by the Trustee.

Equity – Vontobel

Holding details	Resolution details	How the manager voted	Reason for manager's vote	Outcome of the vote	Why is this vote classed as most significant?
Company name: Amazon.com, Inc. Approximate size of holding as at date of vote: 4.4%	Summary of Resolution: Report on Climate Change Date of vote: 01-05-2023	Against Management	Vontobel voted in support of this proposal (against management) because they believe shareholders would benefit from more disclosure on how the company considers internal and external issues related to the transition to a low-carbon economy as part of its climate strategy.	Fail	Environment - Climate Change