

Engagement Policy Implementation Statement

The MSD Animal Health Pension Scheme

The purpose of the Engagement Policy Implementation Statement (“EPIS”) is for us, the Trustee (MSD Pensions Trustee Limited) of The MSD Animal Health Pension Scheme (“the Scheme”), to explain what we have done during the year ended 31 December 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). The EPIS has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator. It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised any voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

The SIP in place at year end is dated September 2023; during the year ended 31 December 2023 the SIP was updated to reflect the updated stewardship guidance published by the Department of Work and Pensions.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

During the year, the Scheme was primarily invested in Liability Driven Investments (“LDI”). This report does not include commentary on the Scheme’s LDI or cash holdings because of the limited materiality of stewardship to these asset classes.

How voting and engagement policies have been followed

Responsibility for voting or engagement is delegated to the Scheme’s investment manager, which is in line with the Trustee’s policy. During the year, the Scheme was primarily invested in LDI. There was no opportunity for the investment manager of the Scheme to implement voting or engagement on behalf of the Trustee. So, this EPIS does not include commentary on the Scheme’s LDI or cash because of the limited materiality of stewardship to these asset classes.

Over the reporting year, we monitored the performance of the Scheme’s investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited (“Aon”). In particular, we received quarterly ESG ratings from Aon for the funds the Scheme is invested in where available. During the year, we received training on ESG and stewardship topics, and agreed our policies in relation to these.

The Scheme invests in a LDI mandate which consists primarily of government issued bonds, which have no associated voting rights. As such, voting and engagement policies were not relevant to the Scheme through the year ended 31 December 2023. The Trustee remains responsible for oversight of all strategic matters related to the Scheme, including the approval of the governance and management framework relating to ESG considerations, climate related risks and opportunities. Should the strategy evolve, the Scheme’s investment managers will be monitored to ensure they align with our own policies and help us to achieve them.

The Scheme’s stewardship policy can be found in the SIP [here](#).

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental, Social and Governance (“ESG”) issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI