

WEST PHARMACEUTICAL SERVICES INC
Form PRE 14A
March 04, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

West Pharmaceutical Services, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- | | |
|-----|---|
| (1) | Title of each class of securities to which transaction applies: |
| (2) | Aggregate number of securities to which transaction applies: |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction: |
| (5) | Total fee paid: |
- Fee paid previously with preliminary materials.
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- | | |
|-----|---|
| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

PRELIMINARY COPY SUBJECT TO COMPLETION

West Pharmaceutical Services, Inc. Notice of 2015 Annual Meeting

530 Herman O. West Drive
Exton, Pennsylvania 19341

March 24, 2015

The 2015 Annual Meeting of Shareholders of West Pharmaceutical Services, Inc. will be held at our corporate headquarters on:

Tuesday, May 5, 2015

9:30 AM, local time

530 Herman O. West Drive

Exton, Pennsylvania 19341

The items of business are:

1. Election of ten nominees named in the Proxy Statement as directors, each for a term of one year.
2. Consideration of an advisory vote to approve named executive officer compensation.
3. Approval of amendments to our Amended and Restated Articles of Incorporation to adopt a majority voting standard for uncontested director elections.
4. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2015 year.

Shareholders of record of West common stock at the close of business on March 9, 2015, are entitled to vote at the meeting and any postponements or adjournments of the meeting.

William J. Federici
*Sr. Vice President and
Chief Financial Officer*

Important Notice Regarding the Internet Availability of Proxy Materials for the Shareholder Meeting on May 5, 2015

This Notice of Annual Meeting and Proxy Statement and the 2014 Annual Report (2014 Annual Report) are available on our website at <http://www.westpharma.com/en/Investors/Pages/AnnualReport.aspx>.

Your Vote is Important

Please vote as promptly as possible electronically via the Internet or by completing, signing, dating and returning the proxy card or voting instruction card.

Table of Contents

<u>Proxy Summary</u>	1
<u>General Information About the Meeting</u>	4
<u>Corporate Governance and Board Matters</u>	7
<u>Corporate Governance Principles</u>	7
<u>Code of Business Conduct</u>	7
<u>Board Leadership Structure</u>	8
<u>The Board's Role in Risk Oversight</u>	10
<u>Director Independence</u>	11
<u>Director Mandatory Retirement</u>	11
<u>Share Ownership Goals for Directors and Executive Management</u>	12
<u>Communicating with the Board</u>	12
<u>Nomination of Director Candidates</u>	12
<u>Related Person Transactions and Procedures</u>	13
<u>Director Compensation</u>	14
<u>2014 Director Compensation</u>	14
<u>Director Deferred Compensation Plan</u>	16
<u>Executive Compensation</u>	17
<u>Executive Summary</u>	17
<u>Compensation Committee Report</u>	21
<u>Compensation Discussion and Analysis</u>	22
<u>Compensation Tables</u>	38
<u>2014 Pension Benefits</u>	44
<u>2014 Nonqualified Deferred Compensation</u>	45
<u>Payments on Disability</u>	46
<u>Payments on Death</u>	47
<u>Estimated Payments Following Termination</u>	47
<u>Payments on Termination in Connection With a Change-in-Control</u>	49
<u>Independent Auditors and Fees</u>	53
<u>Audit Committee Report</u>	54
<u>Items to Be Voted On</u>	55
<u>Proposal 1 Election of Ten Directors</u>	55
<u>Proposal 2 Advisory Vote to Approve Named Executive Officer Compensation</u>	62
<u>Proposal 3 Approval of Amendments to our Amended and Restated Articles of Incorporation to Adopt a Majority Voting Standard in Uncontested Director Elections</u>	63
<u>Proposal 4 Ratification of Appointment of Independent Registered Public Accounting Firm for 2015 Year</u>	65
<u>Other Information</u>	66
<u>Stock Ownership</u>	66
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	67
<u>2014 Annual Report and SEC Filings</u>	67
<u>2016 Shareholder Proposals or Nominations</u>	67
<u>Other Matters</u>	68

GENERAL INFORMATION

Proxy Summary

Here are highlights of important information you will find in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

Summary of Shareholder Voting Matters

		Description	Recommendation
Proposal 1: Election of Ten Directors		Page 55	ü FOR
Mark A. Buthman	Douglas A. Michels		Each Nominee
William F. Feehery	Donald E. Morel, Jr.		
Thomas W. Hofmann	John H. Weiland		
Paula A. Johnson	Anthony Welters		
Myla P. Lai-Goldman	Patrick J. Zenner		
Proposal 2:		Page 62	ü FOR
Advisory Vote on Named Executive Officer Compensation			
Proposal 3:		Page 63	ü FOR
Approval of Amendments to our Amended and Restated Articles of Incorporation to Adopt a Majority Voting Standard for Uncontested Director Elections			
Proposal 4:		Page 65	ü FOR
Ratification of Appointment of Independent Registered Public Accounting Firm for 2015 Year			

Our Director Nominees

You are being asked to vote on these ten directors. All directors are currently elected annually by a plurality of votes cast. Detailed information about each director's background and areas of expertise can be found beginning on page 56.

Name	Age	Director Since	Occupation	Committee Memberships					Other Current Public Company Boards
				AC	CC	NCGC	ITC	SPC	
Mark A. Buthman	54	2011	CFO, Kimberly-Clark	C		M			--
William F. Feehery	44	2012	President, Industrial Biosciences, E.I. Du Pont de Nemours and Company				C		--
Thomas W. Hofmann	63	2007	Retired Sr. VP & CFO, Sunoco, Inc.	M	M			M	3
Paula A. Johnson	55	2005	Cardiologist; Exec. Dir. of Connors Center for Women's Health and Gender Biology Brigham and Women's Hospital	M			M		--
Myla P. Lai-Goldman	57	2014	CEO and President of GeneCentric Diagnostics, Inc.				M	M	1
Douglas A. Michels	58	2011	President & CEO, OraSure Technologies, Inc.	M	M				1
Donald E. Morel, Jr.	57	2002	CEO & Chairman, West						1
John H. Weiland	59	2007	President & Chief Operating Officer, C. R. Bard		C			M	1
Anthony Welters	60	1997	Executive Chairman, BlackIvy Group LLC			M			3
Patrick J. Zenner	68	2002	Retired, Hoffmann-La Roche			C		C	1

2015 Annual Meeting and Proxy Statement | 1

GENERAL INFORMATION

Legend for Director Nominee chart above:

AC	Audit Committee	CC	Compensation Committee	NCGC	Nominating and Corporate Governance Committee	M	Member
ITC	Innovation and Technology Committee	SPC	Succession Planning Committee (ad hoc)			C	Chair

NOTE: All Directors except Dr. Morel are independent.

2014 Performance and Compensation Highlights

We believe that Dr. Morel and the other named executive officers performed extremely well in 2014 and that their compensation is appropriate in relation to that performance.

Under their leadership, our Company achieved a total shareholder return (TSR) of 10% in 2014 and a cumulative three-year TSR of 191%. Those returns reflect our growing sales and profitability. Compared to 2013, net sales grew 3.9% (or 4.3% at constant exchange rates), gross profit grew by 3.0%, and operating profit grew by 12.1%.

The following table shows the components of 2014 compensation paid to our continuing named executive officers, including total realizable pay. Realizable pay takes a retrospective look at pay and performance. It is calculated using actual bonuses earned, end-of-period stock values and in-the-money value of stock options during the measurement period. Realizable pay is the sum of: (1) base salary paid; (2) annual incentive plan amounts actually earned for 2014 performance; (3) the in-the-money value of stock option grants made in 2014; and (4) the current estimate for payouts for the Performance-Vesting Share Unit award made in 2014 (at 95.24% of target). The table is not a substitute for our 2014 Summary Compensation Table set forth on page 38.

2014 Summary Compensation and Realizable Compensation (1)

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

Name and Principal Position	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	SEC Total	SEC Total	Total
								Without Change in Pension Value (2)	Realizable Compensation
Donald E. Morel, Jr. Chairman of the Board and CEO	837,721	1,200,022	1,199,996	723,880	832,608	95,755	4,889,982	4,057,374	3,529,677
William J. Federici Senior Vice President and CFO	467,023	349,985	349,998	281,967	241,242	39,949	1,730,164	1,488,922	1,333,440
John E. Paproski President, Pharma. Deliv. Sys.	350,339	299,944	300,004	234,191	336,873	93,136	1,614,487	1,277,614	1,092,598
Karen A. Flynn President, Pharma. Packg. Sys.	345,954	310,043	300,002	214,757	93,798	33,848	1,298,402	1,204,604	952,319
Warwick Bedwell(3) President, Pharma. Packg. Sys, Asia-Pacific Region	339,071	150,020	150,002	148,889	-0-	184,358	972,340	972,340	749,636

(1) Does not include compensation information for Jeffrey C. Hunt, who resigned in July 2014. See Summary Compensation Table below.

(2) This column is each officer's total compensation, as determined under applicable SEC rules, minus the change in pension value reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table. It shows the impact that change in pension values had on total compensation, as determined under applicable SEC rules, which vary substantially due to actuarial calculations. The amounts reported in the SEC Total Without Change in Pension Value column may differ substantially from the amounts reported in the Total column required under SEC rules and are not a substitute for total compensation under the 2014 Summary Compensation Table.

(3) Amounts in the Salary and All Other Compensation columns for Mr. Bedwell have been converted from Singapore dollars to U.S. dollars at a rate of 0.7991 U.S. dollars per Singapore dollar or 0.9013 per Australian Dollar. These are the average of the daily-average monthly rates for 2014.

GENERAL INFORMATION

Key 2014 Compensation-Related Actions

- Reaffirmed compensation philosophy to target our executive compensation at the median (50th percentile) of comparator group companies.
- Conducted formal pay-for-performance review of CEO compensation versus peers.
- Conducted realizable pay analysis to assess whether Company performance and CEO realizable pay are aligned over a given period of time.
- Adopted policy to provide for continued vesting of future PVSUs and stock option awards for recipients who are at least 57 years of age at the time of retirement and have been with the Company for at least 10 years.
- Eliminated regional PPS annual incentive plans and created a global PPS annual incentive plan to foster greater cooperation and coordination among our regions.
- Modified treatment of LTIP awards upon an executive's termination due to death, disability or retirement.
- Revised our equity grant policy to be consistent with best practices.
- Set compensation for our new President, PPS, Karen A. Flynn, who was promoted from President, PPS, Americas.

Other Existing Key Compensation Features

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

- Clawback of incentive compensation
- No (excise) tax gross-ups
- No single trigger feature on parachute payments in change-in-control agreements offered to future executives
- No-hedging/no-pledging of company stock
- Independent compensation consultant
- Annual CEO realizable pay-for-performance alignment analyses versus our peer groups
- Limited perquisites and personal benefits

Auditors

Set forth below is summary information with respect to PricewaterhouseCoopers LLP's fees for services provided in 2014 and 2013.

Type of Fees	2014	2013
Audit Fees	\$1,527,742	\$1,608,548
Audit-Related Fees	94,977	38,347
Tax Fees	165,677	183,923
All Other Fees	<u>23,098</u>	<u>12,261</u>
Total	\$1,811,494	\$1,843,079

2015 Annual Meeting and Proxy Statement | 3

General Information About the Meeting

Proxy Solicitation

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

Our Board of Directors is soliciting your vote on matters that will be presented at our 2015 Annual Meeting of Shareholders and at any adjournment or postponement. This Proxy Statement contains information on these matters to assist you in voting your shares.

The Notice of Annual Meeting and Proxy Statement, the accompanying proxy card or voting instructions and our 2014 Form 10-K Annual Report, including our annual report wrapper, are being mailed starting on or about March 24, 2015.

Shareholders Entitled to Vote

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

All shareholders of record of our common stock, par value \$.25 per share, at the close of business on March 9, 2015, are entitled to receive the Notice of Annual Meeting and to vote their

shares at the meeting. As of that date, [71,697,992] shares of our common stock were outstanding. Each share is entitled to one vote on each matter properly brought to the meeting.

Voting Methods

You may vote at the Annual Meeting by delivering a proxy card in person or you may cast your vote in any of the following ways:

Mailing your signed proxy card or voter instruction card.

Using the Internet at www.ProxyVote.com.

Calling toll-free from the United States, U.S. territories and Canada to 1-800-690-6903.

How Your Shares Will Be Voted

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

In each case, your shares will be voted as you instruct. If you return a signed card, but do not provide voting instructions, your shares will be voted FOR each of the proposals. You may revoke or change your vote any time before the proxy is exercised by filing with our Corporate Secretary a notice of revocation or a duly executed proxy bearing a later date. You may also vote in person at the meeting, although attendance at the meeting will not by itself revoke a previously granted proxy.

Plan Participants. Any shares you may hold in the West Pharmaceutical Services, Inc. 401(k) Plan or the Tech Group Puerto Rico Savings and Retirement Plan have been added to your other holdings on your proxy card. Your completed proxy card serves as voting instructions to the trustee of those plans. You may direct the trustee how to vote your plan shares by submitting your proxy vote for those shares, along with the rest of your shares, by Internet, phone or mail, all as described on the enclosed

GENERAL INFORMATION

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

proxy card. If you do not instruct the trustee how to vote, your plan shares will be voted by the trustee in the same proportion that it votes shares in other plan accounts for which it received timely voting instructions.

Deadline for Voting. The deadline for voting by telephone or Internet is 11:59 PM Eastern Time

on May 4, 2015. If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. Street name shareholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

Broker Voting

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The Notice has been forwarded to you by your broker, bank or other holder of record who is considered the shareholder of record of those shares. As the beneficial owner, you may direct your broker, bank or other holder of record on how to vote your shares by using the proxy card included in the materials made available or by following

their instructions for voting on the Internet. A broker non-vote occurs when a broker or other nominee that holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares. Although there is no controlling precedent under Pennsylvania law regarding the treatment of broker non-votes in certain circumstances, we intend to apply the following principles.

Proposal	Votes Required	Treatment of Abstentions and Broker Non-Votes	Broker Discretionary Voting
Proposal 1 - Election of Ten Directors	Plurality of the votes cast	Abstentions and broker non-votes will not be taken into account in determining the outcome of the proposal	No
Proposal 2 - Advisory Vote on Named Executive Officer Compensation	Majority of the shares present and entitled to vote on the proposal in person or represented by proxy	Abstentions will have the effect of negative votes and broker non-votes will not be taken into account in determining the outcome of the proposal	No
Proposal 3 - Approval of Amendments to our Amended and Restated Articles of Incorporation to Adopt a Majority Voting Standard for Uncontested Director Elections	Majority of the shares present and entitled to vote on the proposal in person or represented by proxy	Abstentions will have the effect of negative votes and broker non-votes will not be taken into account in determining the outcome of the proposal	No
Proposal 4 - Ratification of Appointment of Independent Registered Public Accounting Firm for the 2015 Year	Majority of the shares present and entitled to vote on the proposal in person or represented by proxy	Abstentions and broker non-votes will have the effect of negative votes	Yes

GENERAL INFORMATION

Quorum

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

We must have a quorum to conduct business at the 2015 Annual Meeting. A quorum consists of the presence at the meeting either in person or represented by proxy of the holders of a majority of the outstanding shares of our common stock entitled to vote. For the purpose of establishing a quorum, abstentions, including brokers holding customers' shares of record who cause abstentions to be recorded at the meeting, and broker non-votes are considered shareholdings who are present and entitled to vote, and count toward the quorum.

Mailings to Multiple Shareholders at the Same Address

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

We have adopted a procedure called "householding" for making the Proxy Statement and the Annual Report available. Householding means that shareholders who share the same last name and address will receive only one copy of the materials, unless we are notified that one or more of these shareholders wishes to continue receiving additional copies.

We will continue to make a proxy card available to each shareholder of record. If you prefer to receive multiple copies of the proxy materials at the same address, please contact us in writing or by telephone: Corporate Secretary, West Pharmaceutical Services, Inc., 530 Herman O. West Drive, Exton, PA 19341, (610) 594-3309.

Electronic Availability of Proxy Statement and Annual Report

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

We are pleased to be distributing our proxy materials to certain shareholders via the Internet under the notice and access approach permitted by the rules of the SEC. This method conserves natural resources and reduces our costs of printing and mailing while providing a convenient way for shareholders to review our materials and vote their shares.

On March 24, 2015, we mailed a Notice of Internet Availability to participating shareholders, which contains instructions on how to access the proxy materials on the Internet.

If you would like to receive a printed copy of our proxy materials, we will send you one free of charge. Instructions for requesting such materials are included in the Notice.

This Proxy Statement and our 2014 Annual Report are available at:

<http://www.westpharma.com/en/Investors/Pages/AnnualReport.aspx>

Proxy Solicitation Costs

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

We pay the cost of soliciting proxies. Proxies will be solicited on behalf of the Board by mail, telephone, and other electronic means or in person. We have retained Georgeson Inc., 199 Water Street, 26th Floor, New York, NY 10038, to help with the solicitation for a fee of \$7,000, plus reasonable out-of-pocket costs and expenses. We will reimburse brokerage firms and other custodians, nominees and fiduciaries their reasonable out-of-pocket expenses for forwarding solicitation materials to shareholders and obtaining their votes.

CORPORATE GOVERNANCE AND BOARD MATTERS

Corporate Governance and Board Matters

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

During 2014, our Board met five times. Each director attended at least 75% of the Board meetings and the meetings of the Board committees on which he or she served. All directors are expected to attend the 2015 Annual Meeting, and all of our directors, except John H. Weiland, attended the 2014 Annual Meeting.

Our principal governance documents are our Corporate Governance Principles, Board Committee Charters, Independence Standards and Code of Business Conduct. Aspects of our governance documents are summarized below.

We encourage our shareholders to read our governance documents, as they present a comprehensive picture of how the Board addresses its governance responsibilities to ensure our vitality and success. The documents are available in the *Who We Are Investor Information Corporate Governance* section of our website at www.westpharma.com and copies of these documents may be requested by writing to our Corporate Secretary, West Pharmaceutical Services, Inc., 530 Herman O. West Drive, Exton, PA 19341.

Corporate Governance Principles

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

Our Board has adopted Corporate Governance Principles to provide guidance to our Board and its committees on their respective roles, director qualifications and responsibilities, Board and committee composition, organization and leadership. Our Principles address, among other things:

- director qualifications standards, including our Independence Standards;
- the requirement to hold separate executive sessions of the independent directors;
- the role of independent directors in executive succession planning;
- the Board's policy on setting director compensation and director share-ownership guidelines;
- guidelines on Board organization and leadership, including the number and structure of committees and qualifications of committee members;
- policies on access to management;
- director orientation and education; and
- self-assessments of board and committee performance to determine their effectiveness.

Code of Business Conduct

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

All of our employees, officers and directors are required to comply with our Code of Business Conduct. The Code of Business Conduct covers fundamental ethical and compliance-related principles and practices such as accurate accounting records and financial reporting, avoiding conflicts of interest, the protection and use of our property and information and

compliance with legal and regulatory requirements. The Board has adopted a comprehensive Compliance and Ethics Program and has named Susan A. Morris our interim Chief Compliance Officer. Our Chief Compliance Officer delivers regular reports on program developments and initiatives to the Audit Committee and the Board.

CORPORATE GOVERNANCE AND BOARD MATTERS

Board Leadership Structure

The Board has determined that combining the CEO and Chairman positions is currently the best leadership structure for the Company. The Board believes that our CEO is best situated to serve as Chairman because, given his day-to-day involvement with and intimate understanding of our business, industry and management team, he is the director most capable of effectively identifying and implementing strategic priorities.

Independent directors and management have different perspectives and roles in strategy development. Our independent directors bring experience, oversight skills and expertise from outside our organization and industry, while our CEO brings Company-specific experience and expertise. The Board believes that the combined role of Chairman and CEO promotes strategy development and implementation and facilitates information flow between management and the Board, which are essential to effective governance.

The Board further believes that combining these roles fosters clear accountability, effective decision-making and alignment on the development and execution of corporate strategy.

One of the key responsibilities of the Board is to develop strategic direction and hold management accountable for implementing the strategy once it is developed. The Board also believes the combined role of Chairman and CEO is an effective structure for the Board to understand the risks associated with the Company's strategic plans and objectives. Combining these positions places the Company's senior-most executive in a position to guide the Board's agenda in setting priorities for the Company and addressing the risks and challenges the Company faces.

Additionally, maintaining an independent board with a Chairman, Independent Directors permits open discussion and assessment of the Company's ability to manage these risks and provides the appropriate balance between strategy development and independent oversight of management.

Chairman, Independent Directors

Edgar Filing: WEST PHARMACEUTICAL SERVICES INC - Form PRE 14A

Patrick J. Zenner, an independent director who serves as Chairman of the Nominating and Corporate Governance Committee, was selected by the Board in 2014 to serve as the Chairman, Independent Directors for all meetings of non-management directors held in executive session. The duties and responsibilities of the Chairman, Independent Directors include:

- conferring with the CEO on Board agenda items, meeting schedules, presentations and other communications;