

Engagement Policy Implementation Statement (“EPIS”)

BMW (GB) Limited Employee Benefits Plan (the “Plan”)

Scheme Year End – 31 December 2022

The purpose of the EPIS is for us, the Trustee of the BMW (GB) Limited Employee Benefits Plan, to explain what we have done during the year ending 31 December 2022 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Plan’s investments have been followed during the year; and
2. How we have exercised our 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.

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.

In our view, most of the Plan’s material investment managers were able to disclose adequate evidence of voting and engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

We (supported by our investment adviser, Aon) will engage with Ardevora, as set out in our engagement plan, to inform them of our expectations of better disclosures and understand their engagement practices.

How voting and engagement policies have been followed

The Plan is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Plan's investment managers. We reviewed the stewardship activity of the material investment managers carried out over the Plan year and in our view, most of the investment managers were able to disclose adequate evidence of voting and engagement activity. More information on the stewardship activity carried out by the Plan's investment managers can be found in the following sections.

Over the reporting year, we monitored the performance of the Plan's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). Aon's reporting includes Environmental, Social and Governance ("ESG") ratings covering buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. Ratings are updated quarterly to reflect any changes in the level of ESG integration or broader responsible investment developments.

The Plan's stewardship policy can be found in the SIP:

<https://pensioninformation.aon.com/bmwschemes/documents.aspx>

The SIP demonstrates that,

- We recognise the importance of our role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.
- We regularly review the suitability of the Plan's appointed asset managers and take advice from our investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.
- We will engage with our investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, is being actioned.

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. We note that Ardevora provided the same number of engagements at a fund level and a firm level. After querying, the manager highlighted that their engagement approach is set at a firm level and applies to all of its strategies. Hence, Ardevora reported the same firm-level and fund-level number of engagements. We (supported by our investment adviser) will engage with the manager to rectify this and better understand their engagement practices.
2. We will engage with each of our investment managers to get a better understanding their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.

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 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

Our fiduciary manager's engagement activity

The Plan's equity assets are invested in Aon Investments Limited ("Aon") Global Equity strategy. This is a fund of funds arrangement, where Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code ("the Code"). The Code is a set of high stewardship standards for asset owners and asset managers. The Code is maintained and assessed by the Financial Reporting Council ("FRC").

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. The trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Our underlying equity managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Plan's investments is an important factor in deciding whether a manager remains the right choice for the Plan.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for a sample of the Plan's material funds with voting rights for the year to 31 December 2022.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
GQG - Global Equity Fund	1,073	96.5%	8.4%	5.4%
Ardevora - Global Long-Only Equity Fund	2,539	100.0%	8.5%	0.5%

Source: Managers

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Plan's managers use proxy voting advisers.

	Description of use of proxy voting advisers
GQG	GQG has engaged Institutional Shareholder Services (ISS) to manage and coordinate proxy voting processes for the firm.
Ardevora	We partnered Glass Lewis as our proxy administrator in 2017. Glass Lewis is responsible for submitting votes across all our Funds and segregated portfolios. Glass Lewis have partnered with Sustainalytics who provide detailed ESG profiles for each of the companies they vote on. Their proxy voting guidelines can be viewed at: www.glasslewis.com/guidelines . The Responsible Investment team oversees Glass Lewis's voting recommendations using an internal proxy voting dashboard. Additional scrutiny is applied to ballots concerning election of directors, 'say on climate' and shareholder resolutions. We vote in line with our values and priorities, particularly taking into account fairness and environmental considerations. Our proxy voting dashboard filters Glass Lewis research, allowing for efficient analysis of recommendations. The RI team then approves the recommendation or changes the vote if the recommendation does not align with our views on fairness or the environment.

Source: Managers

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Plan's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Plan's funds. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Plan's material managers over the year. Some of the engagement information provided is at a firm level i.e., is not necessarily specific to the fund invested in by the Plan.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Within Aon's Global Equity strategy			
GQG - Global Equity Fund	36	80	Environment – Climate change; Pollution and waste and others Social - Conduct, culture and ethics; Human capital management and others Strategy, Financial and Reporting - Risk management (e.g., operational risks, cyber/information security, product risks) and others
Ardevora - Global Long-Only Equity Fund	245	245	Environment – Climate change and others Social - Human capital management and others Governance – Board effectiveness- Diversity and Other Strategy, Financial and Reporting - Risk management and others
Insight - Global ABS Fund*	40	948	Environmental – Climate change and others Social - Human capital management and others Governance - Board effectiveness - Independence or Oversight and others Strategy, Financial and Reporting - Capital allocation; Financial performance; Strategy/purpose and others
Insight - UK Corporate Bonds*	30	948	Environmental – Climate change and others Social - Human capital management and others Governance - Board effectiveness - Independence or Oversight and others Strategy, Financial and Reporting - Capital allocation; Financial performance; Strategy/purpose and others

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Schroders - Securitised Credit Fund*	80 (<i>At the securitised and asset-backed securities level</i>)	>2800	<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity)</p> <p>Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health</p> <p>Governance - Board effectiveness – Diversity, Board effectiveness - Independence or Oversight</p>

*Source: Managers. *Insight and Schroders provided themes at a firm level i.e., they are not specific to the funds the Plan is invested in.*

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Schroders did not provide fund level engagement themes or the number of engagements relevant to the fund the Plan is invested in; however, this is due to the nature of the investment mandates within the fund managed by Schroders and does not require further engagement.
- Insight did not provide fund level engagement themes, as it provided its information in a previous version of the engagement reporting template which did not ask for engagement themes at a fund level.
- We note that Ardevora provided the same number of engagements at a fund level and a firm level.

This report does not include commentary on the Plan's liability driven investments or cash because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Plan's assets that are held as AVCs.

Appendix – Significant Voting Examples

The table below includes a couple of significant vote examples provided by the Plan’s managers.

Ardevora - Global Long-Only Equity Fund	Company name	Amazon.com Inc
	Date of vote	25-May-2022
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	Yes
	Summary of the resolution	Shareholder Proposal Regarding Report on Working Conditions
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	~0.6%
	Outcome of the vote	Fail (43.7% voted FOR)
	Rationale for the voting decision	In light of troubling reports and allegations concerning the Company's working conditions, we believe that additional, independent scrutiny on this matter is warranted.
	Implications of the outcome	We will continue to monitor the company on this issue.
	Criteria on which the vote is considered significant?	High profile vote which has a degree of controversy and/or received public scrutiny; AND is linked to one of our key focus areas (improving the workplace).
GQG - Global Equity Fund	Company name	America Movil SAB de CV
	Date of vote	1-Dec-2022
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	No
	Summary of the resolution	Approve/amend conversion of securities
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not Provided
	Outcome of the vote	Pass
	Rationale for the voting decision	Although the proposal to convert different share classes into a single share class would represent an improvement in the company's corporate governance structure, a vote AGAINST this item is warranted because: <ul style="list-style-type: none"> ▪ The company has not disclosed the full text of the proposed bylaw amendments, related to the shares' conversions, which, according to the company, will be disclosed after the shareholder meeting; ▪ The full impact of the article amendments on shareholders' rights is unclear, in a context in which current holders of a certain type of shares would lose the right to appoint two board members as well as certain economic rights.
	Implications of the outcome	Not provided
	Criteria on which the vote is considered significant?	Vote against management, potential impact on financial and/or stewardship outcomes, and size of the holding in the mandate.

Source: Managers