

# Engagement Policy Implementation Statement (“EPIS”)

## BMW (UK) Operations Pension Scheme (the “Scheme”) Scheme Year End – 31 December 2023

The purpose of the EPIS is for us, the Trustee of the BMW (UK) Operations Pension Scheme, to explain what we have done during the year ending 31 December 2023 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 Scheme’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 Scheme’s material investment managers were able to disclose adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

Some investment managers did not provide us with all the stewardship information requested. We will engage with these managers to encourage improvements in their reporting, as set out in our Engagement Action Plan.

## How voting and engagement policies have been followed

The Scheme's responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the policies set out in our SIP and the Trustee's expectations regarding the stewardship of the assets. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose adequate evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

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"). 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.

We aim to perform a detailed review of each of the Scheme's investment managers, at least once every three years. As part of this, we review the integration of ESG in the investment process and assess the fund's carbon metrics (where data permits).

During the year, we published the Scheme's second climate change report in line with the Taskforce on Climate-Related Disclosure ("TCFD") recommendations for the year ended 31 December 2022. Building on the inaugural TCFD report, the report now explains the further actions that the Trustee has undertaken and the progress of the existing work that had been undertaken. We believe we have continued to make strong progress against this initiative, and we will continue to build on these foundations in moving towards our long-term climate goals. We will produce this report on an annual basis and this will be published online within seven months of the Scheme year end. The report can be found here:

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

Each year as part of the preparation of this statement, we review the voting and engagement policies of the Scheme's investment managers to ensure they align with our own policies for the Scheme and help us to achieve them.

The Scheme'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 Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.
- We regularly review the suitability of the Scheme's appointed asset managers and take advice from our investment consultant with regards to any changes. This advice includes consideration of broader

## 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*

stewardship matters and the exercise of voting rights by the appointed managers. Where this is delegated to our investment managers, we accept responsibility for how the managers steward assets on our behalf.

- We will engage with our investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of our active ownership policies, are being actioned.

## Our Engagement Action Plan

We have decided to take the following steps over the next 12 months:

1. Whilst BlackRock did provide a comprehensive list of fund level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the Absolute Return Bond Fund, as per the Investment Consulting Sustainability Working Group (“ICSWG”) industry standard. We will engage with BlackRock to encourage improvements in its engagement reporting.
2. BentallGreenOak and LGIM did provide engagement information at fund level but did not provide firm level engagement information. We will engage with these managers to encourage improvements in their engagement reporting.
3. ICG did not provide any fund level engagement information or engagement themes in relation to its Senior Debt Partners mandate. We will continue to engage with ICG to encourage improvements in its reporting and get a better understanding of its engagement practices.
4. Chorus Capital did not provide fund level engagement data for Chorus Capital Credit Fund IV. We will engage with the manager to understand its engagement practices.
5. Macquarie Group, Global Infrastructure Partners and CBRE did not provide any of the engagement information requested. We will continue to engage with the managers to encourage improvements in their reporting.
6. Insight did not provide fund level engagement themes for the Global ABS Fund. The manager has stated that they currently do not track this data for its ABS Fund. We will engage with Insight to encourage improvements in its reporting and get a better understanding of its engagement practices.
7. We have an ESG focused action plan that includes a review of existing and newly appointed fund managers. As part of every manager selection, we actively review the managers ESG credentials and assess how the fund actively seeks to reduce its carbon exposure. In addition, the manager’s ESG credentials are actively considered to ensure they are aligned with the Scheme’s policies.

## 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 Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund/ firm level
	Fund level	Firm level	
BentallGreenOak UK Secured Lending Fund III	6	<i>Not provided</i>	Environment - Climate Change; Natural Resource Use/Impact; Pollution, Waste Social - Conduct, Culture and Ethics; Human and Labour Rights
BlackRock Absolute Return Bond Fund	614	3,768	Environment - Climate Risk Management Governance - Remuneration; Board Composition & Effectiveness; Corporate Strategy; Business Oversight
CBRE Global Investment Partners European Segregated Multi-Manager Mandates			<i>Not provided</i>
Chorus Capital Credit Fund IV	<i>Not provided</i>	12	Environment- Climate Change; Natural Resource Use/Impact; Pollution, Waste Social- Conduct, Culture and Ethics; Human and Labour Rights
Global Infrastructure Partners III			<i>Not provided</i>
GSAM Global Credit	234	953	Governance - Remuneration; Shareholder Rights; Broad Effectiveness - Diversity Environment - Climate Change Social - Human Capital Management
ICG - Longbow UK Real Estate Debt Investment V	7	455	Other - Sustainable Travel; Green Buildings Certification Social - Human and Labour Rights Environment - Climate Change; Pollution, Waste
ICG Senior Debt Partners 3	<i>Not provided</i>	455	Not provided
Insight Global Asset Backed Securities (ABS) Fund	75 <sup>1</sup>	2,521	Environment - Climate Change Strategy, Financial & Reporting - Strategy/Purpose; Financial Performance; Reporting; Capital Allocation
Insight UK Corporate Bonds	151	2,521	Environment - Climate Change Strategy, Financial & Reporting - Strategy/Purpose; Financial Performance; Capital Allocation; Reporting
LGIM Property Segregated Funds	25	<i>Not provided</i>	<i>Not provided</i>
Macquarie European Infrastructure Fund 5			<i>Not provided</i>
PIMCO Global Investment Grade Credit	471	1,355	Governance - Broad Effectiveness - Diversity; Broad Effectiveness - Independence/Oversight; Broad Effectiveness - Other; Leadership - Chair/CEO; Remuneration
PIMCO Low Duration Opportunities	152	1,355	Environment - Climate Change Governance - Board, Management & Ownership Strategy, Financial & Reporting - Capital Allocation; Financial Performance; Strategy/Purpose

Schroders ISF Securitised Credit	<i>Not provided</i>	6,724	Environment- Decarbonising; Deforestation; Climate Risk, Oversight Governance- Boards and Management; Corporate Culture
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Source: Managers.

<sup>1</sup>Insight (Global ABS Fund) did not provide fund level themes; themes provided are at a firm-level. Insight has provided a range of (70-80) for the number of fund level engagements for the Global ABS Fund. We have therefore taken the number to be an average of the range.

## Data limitations

At the time of writing, the following managers had not provided all the information we requested:

- LGIM and BlackRock provided fund level engagement information, but this was not in the industry standard template. LGIM did not provide details of the engagement themes for the LGIM Property funds. Additionally, LGIM did not provide any firm level engagement information.
- Schroders did not provide fund level engagement data as the manager does not produce an engagement report for the Schroders ISF Securitised Credit fund. The structure of the assets it is invested in differs from that of a going-concern corporation.
- BentallGreenOak did not provide any firm level engagement information.
- ICG did not provide any fund level engagement information or engagement themes in relation to its Senior Debt Partners mandate.
- Chorus Capital did not provide fund level engagement data for Chorus Capital Credit Fund IV as the fund is no longer in its investment period.
- Macquarie Group, Global Infrastructure Partners and CBRE did not provide us with any engagement information.
- Insight did not provide fund level engagement themes for its Global ABS Fund. The manager said that they currently do not track this data for the ABS Fund.

This report does not include commentary on the Scheme's liability driven investments/gilts 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 Scheme's assets that are held as AVCs.