

Annual Implementation Statement – for scheme year ending 31 March 2023

Rockwell-Collins (UK) Limited Pension Scheme

Introduction and purpose to this statement

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Rockwell-Collins (UK) Limited Pension Scheme (the “Scheme”) covering the scheme year to 31 March 2023.

The purpose of this statement is to:

- detail any reviews of the Statement of Investment Principles (‘SIP’), required under section 35 of the Pensions Act 1995, that the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review
- set out details of how and the extent to which, in the opinion of the Trustees of the Scheme (the “Trustees”), the Trustees’ policies on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) have been adhered to during the year;
- describe the voting behaviour (including the most significant votes made on behalf of the Trustees) and any use of a proxy voter during the year

A copy of this implementation statement along with the SIP will be made available on the following website [\[https://www.collinsaerospace.com/who-we-are/Global/Europe/UK/Local-Presence\]](https://www.collinsaerospace.com/who-we-are/Global/Europe/UK/Local-Presence) and included in the Trustees’ annual report and scheme accounts for the year to 31 March 2023.

Review of the SIP and changes made during the Scheme year

The SIP is a document which outlines the Trustees’ policies with respect to various aspects related to investing and managing the Scheme’s assets including but not limited to investment managers, portfolio construction and risks

As the SIP was amended during the year, this statement considers the items outlined above by reference to the content of the previous SIP which applied prior to November 2022 as well as the SIP dated November 2022.

Trustee’s voting and engagement policy

The Trustee’s policies on voting and engagement, as stated in the SIP, are as follows:

- The Trustees are not involved in the investment managers' day-to-day method of operation and do not directly seek to influence attainment of their performance targets. The Trustees will, however, monitor the performance of each manager relative to its benchmark (or other appropriate comparator).
- The Trustees recognise that a company’s long-term financial success is influenced by a range of factors including appropriate management of environmental, social, ethical and corporate governance (ESG) issues. Consequently, the Trustees seek to be an engaged long-term shareholder and via its selection and oversight of its investment managers, seek to encourage the companies in which the Plan invests to adopt sustainable business practices and high standards of corporate governance with the aim of protecting and enhancing long-term shareholder value. Whilst it is the Trustees’ preference that all companies should be run in a socially responsible way, it takes the view that its primary responsibility is to act in the best financial interest of the members of the Plan. Therefore, the Trustees’ policy is that the extent to which environmental, social and corporate governance considerations may have a

financial impact on the portfolio will be taken into account by their investment managers in the exercise of their delegated duties.

- The Trustees expect their managers to sign up to their local stewardship code with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings, in-keeping with good practice. The Trustees will monitor the activities of all of their managers on a regular basis but appreciate that the code's applicability may be limited for certain asset classes. These matters are kept under review by the Trustees, in consultation with their investment consultant and investment managers.
- The Scheme uses different managers and mandates to implement its investment policies. The Trustees ensure that, in aggregate, the Scheme's portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustees will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question.
- To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.
- Should the Trustees' monitoring process reveal that a manager's portfolio is not aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment and ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.
- For most of the Scheme's investments, the Trustees expect the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

The return-seeking assets of the Scheme with a right to vote as an ultimate owner of a stock are held in two Diversified Growth Funds (DF), namely the LGIM Diversified Fund and the Partners Group Generations Fund. Therefore, the Trustees' focus in this implementation statement is on these two funds. Voting information on the Scheme's investment in BlackRock's LDI fund and the TWIM's ACF fund is not provided since the vast majority of debt securities do not come with voting rights.

The Scheme's investment managers are signed up to the UK FRC Stewardship Code and the Trustee monitor the Scheme's investment managers' adherence to the Code. The latest statements of compliance can be found via the links below:

BlackRock: <https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history>

LGIM: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

TWIM: <https://www.wtwco.com/-/media/WTW/Solutions/SI-Policy-LRL.pdf?modified=20200327184316>

PGF: https://www.partnersgroup.com/fileadmin/user_upload/Files/Legal_Compliance_PDFs/2021_UK_Stewardship_Code_Disclosure_Statement_Final_V2.pdf

Summary of voting over the year to 31 March 2023

A summary of the votes made by LGIM on behalf of the Trustee over the year to 31 March 2023 is provided in the table below:

Manager and strategy	Portfolio structure	Voting activity
Legal and General Investment Management – Diversified Fund	Fund of funds	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 9,541 • Number of resolutions on which manager was eligible to vote: 99,252 • Percentage of eligible votes cast: 99.82% • Percentage of votes with management: 77.36% • Percentage of votes against management: 21.94% • Percentage of votes abstained from: 0.70% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 72.78% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 12.51%
Partners Group Fund – Partners Group Generations Fund I	Fund of funds	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 69 • Number of resolutions on which manager was eligible to vote: 959 • Percentage of eligible votes cast: 100% • Percentage of votes with management: 95% • Percentage of votes against management: 2% • Percentage of votes abstained from: 2% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 20% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 1%

Investment Managers have their own voting policies which determine their approach to voting, and the principles they follow when voting on investors' behalf. Investment Managers also use proxy voting advisers which aid in their voting decisions. Details of how the votes are approached are summarised below:

LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) 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 decision.

LGIM use ISS recommendations to augment their own research. LGIM's internal investment stewardship team also use 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 have a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit.

Partners Group have their votes based on internal Proxy Voting Directive. They hire services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, and who have been instructed to vote in-line with Partners Group's Proxy Voting Directive. Wherever the recommendations for Glass Lewis, Partners Group's proxy voting directive, and the company's management differ, Partners Group vote manually on those proposals.

Significant votes

The table below demonstrates significant votes cast on behalf of the Scheme over the year to 31 March 2023. The information included relates to the most significant vote for each stewardship priority:

Fund	Most significant votes cast
LGIM Diversified Fund	<p>Company: <u>Prologis, Inc.</u></p> <p>Meeting date: <u>4 May 2022</u></p> <p>Manager resolution: Resolution 1a - Elect Director Hamid R. Moghadam</p> <p>Reason significant: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles.</p> <p>Stewardship priority: Governance</p> <p>Size: 0.37% of diversified fund</p> <p>Company management recommendation: Against</p> <p>Intention communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</p> <p>Rationale: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate</p> <p>Outcome: 92.9% of shareholders supported the resolution.</p> <p>Next steps: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>
LGIM Diversified Fund	<p>Company: <u>Rio Tinto PLC</u></p> <p>Meeting date: <u>8 April 2022</u></p> <p>Manager resolution: Resolution 17- Approve Climate Action Plan</p> <p>Reason Significant: LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p> <p>Stewardship priority: Climate change</p> <p>Size: 0.11% of diversified fund</p> <p>Company management recommendation: Against</p> <p>Intention communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</p> <p>Rationale: Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p> <p>Outcome: 84.3% of shareholders supported the resolution.</p>

	<p>Next steps: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>
<p>Partners Group Fund – Partners Group Generations Fund I</p>	<p>Company: <u>Axia Women’s Health</u></p> <p>Meeting date: <u>n.a.</u></p> <p>Manager resolution: As we control the Board, please see below the ESG efforts of the portfolio company.</p> <p>Reason significant: Size of holding in fund.</p> <p>Stewardship priority: Diversity and Inclusion and Governance</p> <p>Size: n.a.</p> <p>Company management recommendation: Control of board</p> <p>Intention communicated: n.a.</p> <p>Rationale: Axia Women’s Health has improved its quality of care and clinical outcomes, providing a superior and convenient patient experience, exhibiting a reduction in hospital days per patient to 2.1 days, alongside a 10.9% reduction in c-section rates, and a 67.8 net promoter score.</p> <p>Outcome: n.a.</p> <p>Next steps: The company has launched its first sophisticated employee engagement survey with 73% participation and will use the results to craft specific employee engagement initiatives. Furthermore, Axia Women’s Health has established a Risk & Audit committee (including cybersecurity), while ensuring ownership and accountability at executive and board level, and establishing a cyber baseline with regular reporting.</p>
<p>Partners Group Fund – Partners Group Generations Fund I</p>	<p>Company: <u>EyeCare Partners</u></p> <p>Meeting date: <u>n.a.</u></p> <p>Manager resolution: As we control the Board, please see below the ESG efforts of the portfolio company.</p> <p>Reason significant: Size of holding in fund.</p> <p>Stewardship priority: Social initiatives, Diversity and Inclusion</p> <p>Size: n.a.</p> <p>Company management recommendation: Control of board</p> <p>Intention communicated: n.a.</p> <p>Rationale: In 2022, the number of patients served by EyeCare Partners (ECP) rose to 3 million, with the company exceeding its targets for average net promoter score (NPS) for its ECP clinics and Medicare/Medicaid patients served. In 2021, ECP clinics had an NPS score of 89 compared to the target score of 87, and had served 37% of Medicare/Medicaid patients.</p> <p>Outcome: n.a.</p> <p>Next steps: Meanwhile, several initiatives were implemented to improve stakeholder benefits. For instance, significant investment in benefits were made in 2021 and 2022. In addition, the company increased communication around its ECP Cares Foundation, a non-profit organization dedicated to giving back to ECP team members in need. Meanwhile, Incident Frequency Rate (IFR) measures were established and are being captured to drive root-cause analysis and drive prevention strategies. This has engaged employees and helped to increase employee retention to 31% (exceeding the target of 27%). Lastly, baselines and specific initiatives were established based on the doctor and employee engagement surveys conducted during the first half of 2022.</p>

Meetings with managers

The Trustees met with BlackRock during the year but no other investment managers.

Trustees' opinion

Based on the voting summaries set out above, the Trustees' opinion is that the Statement of Investment Principles has been followed during the year to 31 March 2023 in relation to voting and engagement.

The Trustees of the Rockwell-Collins (UK) Limited Pension Scheme

September 2023