

Annual Implementation Statement – for scheme year ending 31 March 2022

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 2022.

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 2022.

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

The SIP was reviewed but no changes were made during the year.

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 a Diversified Growth Fund (DF), namely the LGIM Diversified Fund. Therefore, the Trustees' focus in this implementation statement is on this fund. 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 for TWIM and LGIM 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>

Summary of voting over the year to 31 March 2022

A summary of the votes made by LGIM on behalf of the Trustee over the year to 31 March 2022 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: 9,010• Number of resolutions on which manager was eligible to vote: 90,252• Percentage of eligible votes cast: 98.76%• Percentage of votes with management: 78.74%• Percentage of votes against management: 20.74%• Percentage of votes abstained from: 0.79%• Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 69.84%• Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 12.47%

Significant votes

The table below demonstrates significant votes cast on behalf of the Scheme over the year to 31 March 2022. The information included relates to the most significant vote for each voting category:

Fund	Most significant votes cast
LGIM Diversified Fund	<p><u>Company: NextEra Energy Inc</u></p> <p><u>Meeting date: 20 May 2021</u></p> <p>Summary of the resolution: Elect Director James L. Robo.</p> <p>How the manager voted: Against</p> <p>Rationale: 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 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and have reinforced their position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p>LGIM considers this vote to be significant as an escalation of their vote policy was applied on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> <p>Outcome: 88.1% of shareholders supported the resolution.</p> <p>Implications: LGIM will continue to publicly advocate their position on this issue and monitor company and market-level progress.</p>
LGIM Diversified Fund	<p><u>Company: Mitsubishi UFJ Financial Group, Inc.</u></p> <p><u>Meeting date: 29 June 2021</u></p> <p>Summary of the resolution: Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement</p> <p>How the manager voted: For</p> <p>Rationale: A vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively noted the company's recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and believe the shareholder proposal provides a good directional push.</p> <p>LGIM considers this vote to be significant as it views climate change as a financially material issue for its clients, with implications for the assets it manages on their behalf. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.</p> <p>Outcome: 22.7% of shareholders supported the resolution.</p> <p>Implications: LGIM will continue to engage on this important ESG issue.</p>
LGIM Diversified Fund	<p><u>Company: McDonald's Corporation</u></p> <p><u>Meeting date: 20 May 2021</u></p> <p>Summary of the resolution: Report on Antibiotics and Public Health Costs</p> <p>How the manager voted: For</p> <p>Outcome: Fail</p> <p>Rationale: LGIM voted in favour as they believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship</p>

	<p>team. LGIM believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, LGIM believe AMR is a financially material issue for the company and other stakeholders, and they want to signal the importance of this topic to the company's board of directors.</p> <p>LGIM considers this vote to be significant as LGIM took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring its vote intention is an important tool for LGIM's engagement activities. LGIM decides to pre-declare its vote intention for a number of reasons, including as part of its escalation strategy, where it considers the vote to be contentious, or as part of a specific engagement programme.</p> <p>Outcome: 11.3% of shareholders supported the resolution.</p> <p>Implications: LGIM will continue to engage with the company and monitor progress.</p>
<p>LGIM Diversified Fund</p>	<p><u>Company: Intel Corporation</u></p> <p><u>Meeting date: 13 May 2020</u></p> <p>Summary of the resolution: Report on Global Median Gender/Racial Pay Gap</p> <p>How the manager voted: For</p> <p>Rationale: A vote in favour was applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. For 10 years, LGIM have been using their position to engage with companies on this issue. As part of LGIM's efforts to influence our investee companies on having greater gender balance, LGIM expect all companies in which it invests globally to have at least one female on their board. Please note LGIM have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets.</p> <p>LGIM considers this vote to be significant as it views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.</p> <p>Outcome: 14.3% of shareholders supported the resolution.</p> <p>Implications: LGIM will continue to engage with the investee company and publicly advocate its position on the issue and monitor progress.</p>

Meetings with managers

In the preceding Scheme year, the Trustees met with Legal and General Investment Management on 10 March 2022. There were no other meetings with the investment managers over the year.

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 2022 in relation to voting and engagement.

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

September 2022