Bank of America UK Retirement Plan (‘the Plan’)

DC Governance – Chair’s Statement
(forming part of the Trustee’s report)

July 2022

A message from the Chair of Bank of America UK Retirement Plan Trustees Limited (the 'Trustee') (forming part of the Trustee's report)

This statement is required by law to explain how the Trustee, with the help of its professional advisers, meets a number of statutory defined contribution governance standards, including the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

The Plan is established within a Trust and is governed by a Trust Deed and Rules that set out how the Plan operates. The Plan has a single Trustee, Bank of America UK Retirement Plan Trustees Limited, which has a Board of Trustee Directors.

This statement is in respect of the twelve-month period to 31 December 2021 and covers the following:

Section 1 - How the Trustee oversees the Plan summarises the rigorous governance processes the Trustee undertakes each year to operate the Plan.

Section 2 - Improving the Trustee's knowledge and understanding shows the continuous efforts the Trustee makes to ensure it maintains the specialist knowledge required to make sure the Plan is well run.

Section 3 - Managing the Plan's investment options & reviewing the Default Arrangement focuses on how the Trustee designs and monitors the investment options offered by the Plan, to ensure that are appropriate for members.

Section 4 - Statement of Investment Principles (SIP) describes the requirements on the Trustee to produce a SIP, what it contains (including the principles used to design the Default Arrangement), when it was last updated and where you can find a copy.

Section 5 - Charges and transactions costs provides information on the various deductions made from Member Accounts each year to pay for the investment management services and associated running costs.

Section 6 - Charges and transaction costs – illustrations provides examples showing how the investment charges and transaction costs described in Section 5 will affect the value of a Member Account over time.

Section 7 - Net investment return disclosures provides details of the performance of the Plan's various investment options, after deduction of the costs described in Section 5.

Section 8 - Value for members states what the Trustee does to ensure that members are receiving value for money from the Plan, including the results of its latest annual assessment.

Section 9 - Monitoring and processing of core financial transactions explains the internal controls the Trustee has in place in respect of the administration services, including ensuring that financial transactions such as investment switches and transfers out are processed promptly and accurately.

The Trustee also identified in 2019 that the administration services provided to the Plan's members by Capita was an area where improved value could be provided. Following a market review for such services, the Trustee appointed WTW to take over the provision of these services and a key deliverable for the 2021 Plan year was the transition of the administration service to WTW with effect from 2 June 2021. The Trustee believes that this will result in better administration and member support services.

This statement outlines the requirements in each area, how the Trustee ensures that they meet or exceed these requirements on an ongoing basis and the specific actions taken during the 2021 Plan year to meet the requirements.

Peter Gibbs – Chair

On behalf of Bank of America UK Retirement Plan Trustees Limited

Section 1: How the Trustee oversees the Plan

What are the Trustee's responsibilities?

The Trustee is required to ensure that the Plan offers a robust, well-governed pension savings vehicle that offers good value for money, helping members achieve their retirement savings goals.

How does the Trustee meet these requirements?

The Trustee's long-term strategy for helping improve member outcomes at retirement is guided by the following beliefs:

- The Trustee is here to serve all members, while also helping the bank to provide a well-governed pension savings vehicle.
- All members should be encouraged and helped to develop a Plan for attaining an appropriate income for life after work.
- While members have the opportunity to make their own investment decisions, the quality and suitability of the Default Arrangement is likely to be of key importance for many members.
- Operating robust internal controls and reliable administration processes is important to the Plan being trusted and respected by members.
- The Trustee must regularly review industry innovations, solutions and levels of charges for comparable pension plans in order to ensure that the Plan continues to provide members with good value for money.

To this end, the Trustee is committed to compliance with both the letter and spirit of regulations and will also seek out and implement best-practice governance arrangements where possible.

Each year the Trustee holds several meetings, each with a different focus:

- The Investment Sub-Committee (ISC) meets at least quarterly, tasked with reviewing the performance of the investment fund range and the underlying investment managers, meet with the investment managers on a regular basis, discuss new developments and, as required, make changes to the investment options offered by the Plan.
- The Administration & Governance Sub-Committee (AGSC) meets at least quarterly, to review the administration service provided to Plan members, ensure that the Plan maintains robust risk management processes and internal controls, and ensure completion of the Annual Independent Audit of the Plan.
- The full Trustee board also meets at least quarterly, to consider the recommendations of the two sub-committees, monitor the overall operation of the Plan and deal with any issues not directly covered by the sub-committees.

The Trustee believes that good governance is key to ensuring better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet industry best practice. The Trustee receives substantial support from the bank and its in-house team of pension experts, which liaises with its advisers and the Plan Administrator on a continuous basis to deal with any issues as they arise, ensuring the continued ongoing development and smooth running of the Plan.

What did we do in 2021?

During the year:

- Six meetings of the ISC were held. A summary of actions taken during the year can be found in Section 3.
- Six meetings of the AGSC were held, with additional meetings as required in respect of the change of pension administrator (discussed in Section 9).
- Six meetings of the full Trustee Board of Directors were held.

At all these meetings, key issues were discussed and progressed with the Trustee's appointed advisers and representatives of the bank.

Finally, the Trustee's Board of Directors held several additional informal conference calls in relation to the administration transition project, with the new administrator going live on 2 June 2021.

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Section 2: Improving the Trustee's knowledge and understanding

What are the Trustee's responsibilities?

The Plan is operated by a single corporate Trustee, Bank of America UK Retirement Plan Trustees Limited, which must ensure that its directors have appropriate knowledge and understanding to fulfil their role as Trustee Directors.

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding of pension-related legislation and best practice requirements. This, together with the professional advice available to the Trustee, enables it to properly carry out its duties in relation to the Plan.

How does the Trustee meet these requirements?

The Trustee has a rigorous process for developing and maintaining the knowledge and understanding (TKU) of its Trustee Directors. The following points cover the Trustee's ongoing approach to meeting the TKU requirements:

- The training needs of new Trustee Directors are assessed, and they are given appropriate training in the first six months of their appointment, including on the law relating to pensions and trusts and relevant principles relating to funding and investment of occupational schemes.
- Refresher training is provided, where appropriate, so that all Trustee Directors have sufficient knowledge and understanding of the relevant pensions and trust laws and principles relating to the funding and investment of occupational pension schemes.
- All Trustee Directors complete the Pensions Regulator's Trustee Toolkit within six months of their appointment and undertake new modules as required.
- The Trustee and the bank support the completion of the Pensions Management Institute Trusteeship exams and several of the Trustee Directors hold further professional trustee qualifications with either the Association of Professional Pension Trustees or the Pensions Management Institute.
- The Chair of the Trustee holds an annual meeting with each Trustee Director individually to discuss their role, assess their individual training requirements and provide and obtain feedback on their performance and the performance and effectiveness of the Board as a whole. During these meetings, the individual skill set of each Trustee Director is considered against the backdrop of the combined capabilities of the Trustee Board, to ensure the Board is well balanced and equipped to exercise its functions as trustee of the Plan.
- The Trustee obtains appropriate advice and training on the Plan documents, including ensuring that all Trustee Directors have a working knowledge of the Trust Deed and Rules, the Statement of Investment Principles, and all other documents setting out the Trustee's policies. The Trustee is also familiar with the reporting requirements for the Task Force on Climate-Related Financial Disclosures (TCFD). In addition, when dealing with benefit queries that require legal advice, the Plan's advisers will refer the Trustee to the specific Plan Rules,

to ensure they are clear on the interpretation of the Plan's governing documentation.

- The Trustee's legal advisers attend every main board Trustee meeting to provide input on legal considerations, update the Trustee Directors on new legal issues and ensure that the Trustee is always acting in accordance with the Plan's formal documentation.
- All Plan documents and policies are reviewed regularly in accordance with the Trustee's ongoing Business Plan and are updated if required. Several key Plan documents are available to members on the dedicated Plan website (www.bofapension.co.uk).
- The Trustee regularly assesses the individual and group training requirements of its Directors through the completion of self-assessment questionnaires, which are then used to create an ongoing Trustee Training plan.
- Regular, specific training from professional advisers on the latest current issues and legislation, regulatory and best-practice requirements is incorporated into appropriate Trustee and sub-committee meetings, along with extensive reading materials from the Plan's professional advisers.
- All training and attendance at appropriate seminars is recorded via the Plan's training log.
- All Trustee Directors aim to complete at least 15 hours of formal and informal Continuous Professional Development each year, related to their ongoing Trustee duties.

The Trustee also receives professional advice to support it in reviewing the performance of the Plan and governing it in line with the Trust Deed and Rules and other formal documentation. If there are any ambiguities or questions over the interpretation of the Rules or legislative requirements, legal advice is always obtained.

Overall, the Trustee and their advisers are satisfied, given the advice received and the extensive combined experience of the individual Trustee Directors, that they exceed the required regulatory standards, are compliant with the Pensions Regulator's DC Code of Practice No. 13 (July 2016) and the Code of Practice No. 7 on Trustee Knowledge and Understanding, enabling them to properly exercise their function as Trustee of the Plan.

What did we do in 2021?

During 2021:

- Two Trustee Directors resigned during the year and one Trustee Director did not renew their appointment at the end of their term. Three new Trustee Directors were appointed following year end on 17 January 2022.
- During the year the Trustee undertook an exercise to review and record all Trustee policies as part of the administration transition project and to generally assess the Plan in preparation for regulatory changes expected during 2022.
- The Statement of Investment Principles was reviewed during the year and revised in July 2021.

- The Trustee Directors made discretionary decisions on death benefits in line with the Trust Deed and Rules.
- During 2020 and 2021 the Trustee worked on a project to harmonise the eligibility requirements set out in the Trust Deed and Rules for spouse and dependant pensions for all members of the Plan.
- A new Trustee training policy was put in place and signed off on following year end, in line with expectations for Trustee training of the Pensions Management Institute.
- The Trustee, with the bank's Pensions Team, worked to implement a training plan for 2022 based on identified knowledge gaps and the future requirements of the Plan.
- The majority of Trustee Directors have completed the Pension Regulator's new Trustee Toolkit module on pension scams.
- Specific training has been undertaken in several areas, including the following:

  - Investment manager research screening process (16 February – Trustee Board).
  - Responsible Investing including climate scenario modelling and the requirements in respect of TCFD compliance (March, November, and December meetings – Trustee Board).
  - Pension Schemes Act 2021 (20 April – Trustee Board).
  - Pension scams (18 May - AGSC).
  - GMP Equalisation (3 June – Trustee Board).
  - The bank's Global Information Security (GIS) team (13 July - AGSC).
  - DC and DB member support and engagement (30 September 2021 – Trustee Board).
  - Single Modular Code of Practice (29 November – Trustee Board)
  - Investment markets overview and investment current topics (all ISC meetings).
  - Current issues from consultant, actuary, and legal advisers (all Trustee Board meetings).
- The Trustee Directors all met or exceeded their goal of achieving at least 15 hours of formal and informal Continued Professional Development in, certified by the Pensions Management Institute.

Section 3: Managing the Plan’s investment options & reviewing the Default Arrangement

What are the Trustee’s responsibilities?

The Trustee is responsible for setting the Plan’s investment strategy and for appointing investment managers to deliver appropriate investment options for members to select. The Plan is used by the bank as a Qualifying Scheme to meet the requirements of automatic enrolment legislation in respect of the majority of active employees. As a result, the Trustee must also establish and regularly review a Default Arrangement, into which the savings of those members who do not wish to select their own investment options are invested.

The Trustee is required to review the Plan’s Default Arrangement at least every three years to ensure that it remains appropriate, taking into account the profile and likely requirements of the Plan’s membership as a whole. The Trustee is also required to monitor the performance and ongoing return expectations of the Default Arrangement on a regular basis, to ensure that it continues to meet its objectives.

Finally, the Trustee is required to monitor and regularly review the range of Freestyle investment options offered by the Plan, making changes as required, to ensure that they meet the varied and evolving requirements of members who wish to select their own investment options.

The Plan’s investment options

Plan members can choose between two different approaches to invest their Member Account – the ‘hands-on’ Freestyle approach or the ‘hands-off’ Lifestyle approach.

Within the Lifestyle approach, the Plan offers members three options each with a different level of risk and potential return ('Thames', 'Severn' and 'Tay'). For each of these Lifestyle options, members can also select any one of three pre-retirement phase options. These three pre-retirement phase options target different asset allocations at retirement aiming to be suitable for members seeking to either:

- purchase an annuity,
- move into a flexible drawdown product, or
- take the full amount as cash.

Default Arrangement: how does the Trustee meet the requirements?

- The Plan’s Default Arrangement for those members who previously did not select their own investment options is the Thames Flexible Lifestyle strategy. This was agreed by the Trustee, having consulted with its advisers, based on in-depth analysis of the demographics and likely risk profile of the Plan’s membership.

- The Thames Flexible Lifestyle strategy is associated with a medium level of investment risk, and medium potential investment return up to the point members use their benefits.
- The objective of the Thames Flexible Lifestyle strategy is to generate capital growth over the long term, combined with an adequate degree of diversification, with increasing levels of retirement income protection and capital protection as members approach retirement. The Trustee believes that this offers a suitable balance between the exposure to investment risk (by a sufficient level of diversification) and expected growth over the longer term.
- All the Plan's investments are monitored by the Investment Sub-Committee (ISC), made up of Trustee Directors with specific investment expertise. The Trustee regularly undertakes an assessment of their training needs and members of the ISC receive ongoing and frequent training from their professional advisers on investment principles, strategies and risks, which is recorded in a formal training log. This ensures that they maintain knowledge and relevant understanding to carry out sound and prudent oversight of the investment strategy.
- The ISC meets at least quarterly to review the investment performance of the Default Arrangement and all the additional funds made available to members.
- The Trustee's professional investment advisers attend every ISC meeting, to assist the Trustee with its decision-making, based on their comprehensive investment manager research.
- Investment managers attend and present at ISC meetings as required or following the identification of an issue that the Trustee wishes to probe further.
- In between the quarterly meetings, the Trustee's investment advisers provide regular updates and ratings of the investment managers.
- The Trustee may decide to replace investment managers if appropriate or to introduce other investment managers with attractive or alternative offerings. Members are notified of any changes made to the investment managers.

The Trustee, with the help of its investment advisers, also undertakes a more in-depth review of the Plan's underlying fund range on an annual basis. This includes:

- Considering the on-going suitability of the funds that make up the default and other Lifestyle options and their adherence to their investment mandates.
- Ensuring that the funds available to members continue to compare favourably with other funds available in the market.
- Ensuring costs and charges borne by members continue to represent good value to those members.

What did we do in 2021?

Triennial review of the Default Arrangement

The last formal triennial review of the Default Arrangement was completed as part of the overall general review of the Plan's investment strategy on 15 January 2020. Strategic reviews are carried out on a triennial basis with the next such a review to be carried out no later than 2023.

The Trustee was supported in its review through receiving advice from its investment adviser on the suitability of the Plan's Default Arrangement. The review process involved detailed analysis of the Plan's membership with particular focus on the expected outcomes at retirement for members and their tolerance to different risks. The Trustee also considered developments in investment markets and how this impacted on the default design.

The review principally covered the following areas:

- The design of the Lifestyle strategies, in particular whether the de-risking phase was still aligned with how the majority of members are expected to take their savings from the Plan.
- Whether the Thames Flexible Lifestyle strategy has met the Trustee's objectives for its Default Arrangement.
- The different funds and glidepaths used in the Lifestyle strategies to ensure these are appropriate in terms of the risk tolerance of members and in light of any developments in investment markets.

As a result of this review, the Trustee decided to consolidate the three Lifestyle investment options into two revised options and introduce the flexibility to invest in both Freestyle and Lifestyle options from July 2022.

The Thames Lifestyle strategy will be renamed the Principal Lifestyle option and the Tay Lifestyle strategy will be called the Lower Risk Lifestyle option. These options will also be updated to refine the way in which funds are automatically invested in different asset classes as members approach retirement. The Principal Flexible Lifestyle option will continue as the Default Arrangement (previously the Thames Flexible Lifestyle) for members who do not actively make a selection when joining the Plan. The Severn Lifestyle strategy will be discontinued.

The revised options will continue to give members the choice on reaching their target retirement date (TRD) of taking their benefits as flexible income (via a drawdown arrangement), as a guaranteed income for life (by buying an annuity), or as cash.

The Principal Lifestyle option aims to achieve growth by investing all retirement savings in equities until 15 years from TRD. After this point, retirement savings will be gradually moved out of equities and into a range of assets which are exposed to less investment risk relative to the way retirement savings could be used at retirement. This will ensure retirement savings still have the potential to grow, while reducing the risk that they experience any significant shorter-term falls. The revised option increases exposure to equities (and therefore potential investment growth and volatility) for longer than the current Thames Lifestyle strategy. The Trustee believes this will increase the potential for retirement savings to benefit from higher investment growth for longer.

The Lower Risk Lifestyle option aims to achieve growth while taking a lower level of investment risk than the Principal Lifestyle option. It invests in broadly equal parts equities and diversified growth assets until 25 years from TRD. After that, it gradually lowers exposure to investment risk relative to the way retirement savings could be used at retirement by reducing investment in equities and increasing investment in other assets. The revised option invests in a mix of assets that provides an increased exposure to potential investment growth and potential volatility compared with the current Tay Lifestyle strategy. The Trustee believes that this approach will provide an improved lower-risk option that delivers increased potential for long-term growth, compared to the current Tay Lifestyle strategy.

From July 2022, members will be able to invest their Member Account in a combination of the Lifestyle and Freestyle options.

These revisions will automatically be implemented for members currently invested in any of the Thames and Tay Lifestyle strategies. Members invested in the Severn Lifestyle strategy will automatically be moved to the Principal Lifestyle option, maintaining the same focus at retirement (i.e., targeting drawdown, annuity purchase or cash).

The Trustee, with its investment adviser, initiated work on the implementation of changes agreed following the strategy review during the year. However, due to the impact of COVID-19 on financial markets and to tie in with the transition of the pension administration services from Capita to WTW, implementation of some of the proposed changes was postponed until 2021/2022. The Trustee, working with its advisers, developed and agreed an implementation plan at the 29 July 2021 Trustee meeting, with the implementation expected to take place during 2022.

Freestyle fund range: how does the Trustee meet the requirements?

The Trustee is aware that no single investment strategy can be designed to suit the differing investment needs of all Plan members, which will change during their working lives. To help members make appropriate investment decisions, the Trustee makes a range of suitable investment funds available, and provides members with guides, fact sheets and modelling tools. These include the following:

- A wide range of Freestyle investment options made available via Fidelity, the Plan's investment platform.
- An HSBC Islamic Global Equity Fund for members who wish to invest in line with Shariah law principles.

A continuing area of focus for the Trustee has been its policy on responsible investment and the relevant options available to members. The Trustee believes that investing in companies which do not consider Environmental, Social and Governance (ESG) issues creates an undesirable long-term investment risk. Moreover, integrating ESG considerations into the governance of the Plan is both important and necessary to members achieving the best retirement outcomes.

As part of the ongoing monitoring of the Plan's investment managers, the Trustee uses ESG ratings provided by the Plan's investment advisers, where relevant and available, to monitor the level of the Plan's investment managers' integration of ESG considerations on a quarterly basis. The Environmental, Social and Governance Global Equity Fund (formerly 'Ethical Global Equity Fund') is fully invested in the Impax Leaders Strategy Fund. The Trustee concluded that this underlying fund is well placed to meet the objectives set for the Environmental, Social and Governance Global Equity Fund and is in members' best interests. In addition, the Trustee has engaged directly with several of its fund managers on these areas.

The Plan also operates several legacy investment options, that are not offered via the Fidelity platform, into which further contributions and investment switches are not permitted. The Trustee reviews these legacy options periodically with support from its advisers. Further information is provided below under **Legacy Investment Policies.**

As well as conducting a review of the Plan's Default Arrangement, the Trustee also carries out ongoing and formal reviews of the Freestyle Fund range on a regular basis:

- The ISC meets at least quarterly to review the investment performance of all fund options offered by the Plan and receive updates from its professional investment advisers, who attend every ISC meeting.
- In between the quarterly meetings, the Trustee's investment advisers provide regular updates and ratings of the investment managers.
- Investment managers attend and present at ISC meetings typically once every two years or following the identification of an issue that the Trustee wishes to probe further.
- The Trustee may decide to replace Freestyle Fund options and the underlying investment managers, if appropriate, or to introduce other options with attractive or alternative offerings that may be appropriate for Plan members. Members are notified of any changes made to the fund range or the investment managers.

Freestyle fund range: what did we do in 2021?

A new 'Equity Growth Fund' has been added to the Freestyle options. This new fund will provide access to the same equity allocation as the current Equity Lifestyle Fund (used within some of the Lifestyle options). It aims to achieve long-term capital growth by investing in shares of global companies around the world, including the UK and emerging markets.

The Trustee also made a number of changes to the Diversified Growth Fund and the Diversified Lifestyle Fund as part of a restructure of the blends to introduce a Risk Parity Fund and Multi Asset Credit Funds.

As part of the Trustee's aim for greater environmental considerations within the Plan’s investment strategies, the BlackRock Sterling Liquidity Fund was replaced by BlackRock Liquidity Environmentally Aware Fund within the Money Market Funds in the Plan.

During the year, the Equity Lifestyle Fund and the Emerging Markets Equity Fund – Active were reviewed and the Lazard Emerging Markets Fund was removed and replaced, due to ongoing performance concerns and the downgrade by Aon's Investment Manager Research.

Changes were also made within the UK Equity – Active Fund to replace Jupiter UK Growth with the Jupiter UK Special Situations Fund following a review in the previous year.

Reviewing investment performance

In addition, the performance of the Default Arrangement and other investment options is regularly monitored between each strategic review to ensure the funds and strategies are delivering as expected. The Trustee is satisfied that over the year most of its funds and strategies performed in line with their aims and objectives as set out in the Statement of Investment Principles (SIP). The Trustee has in place performance monitoring metrics that bring any underperforming funds to the attention of the Trustee.

Other Default Arrangements

As a result of the impact that the COVID-19 pandemic had on global financial markets, Threadneedle, the fund manager responsible for the Plan's UK Property Fund, temporarily suspended trading in the fund with immediate effect in March 2020.

While these suspensions were in place, member contributions intended for this fund were redirected into the Money Market Fund. This led to the Money Market Fund being classified as a Default Arrangement and having the same statutory requirements apply as the Plan's main Default Arrangement. For the purpose of this reporting year, the Trustee can confirm that the level of member-borne charges for the Money Market Fund did not exceed the regulatory charge cap of 0.75% p.a.

Section 4: Statement of Investment Principles

What are the Trustee's responsibilities?

The Trustee is required to include within this statement, a copy of the latest Statement of Investment Principles (the 'SIP') prepared for the Plan, in compliance with Section 35 of the Pensions Act 1995 and regulation 2/regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

The SIP covers the following key matters in relation to the Default Arrangement:

- The Trustee's aims and objectives in relation to the investments held in the Default Arrangement.
- The Trustee's policies on issues, such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (as appropriate) to which social, environmental, or ethical considerations are considered when selecting, retaining or realising investments.
- An explanation of how these aims, objectives, and policies (which together form a part of the Trustee's 'Default Arrangement') are intended to ensure that assets are invested in the best interests of members whose savings are invested in the Default Arrangement.

The Trustee reviews the SIP at least annually or more often if changes are required.

What did we do in 2021?

The SIP was reviewed during the year and revised in July. The changes made included:

- Recognising environmental, social and governance ('ESG') issues as a key risk factor that Plan members may be exposed to and outlining how the Trustee takes account of and monitor this risk.
- Expanding on how stewardship activity is carried out on behalf of the Trustee by the Plan's investment managers, the expectations that the Trustee has of its investment managers and how this is monitored by the Trustee.
- Outlining information on arrangements with investment managers including:
  - How the Trustee selects and monitors its investment managers.
  - The Trustee's expectations of how managers make investment decisions.
  - Steps that might be taken to ensure alignment of Trustee and manager interests.
  - The process of monitoring of investment manager costs and fees.

The SIP will be further updated to reflect the investment strategy changes described above on implementation. A copy of the latest SIP for the Plan can be requested from the Plan's Administrator. The SIP is also attached to this statement (Appendix 6) in the Annual Report and Financial Statements and is available on the Plan website.

Section 5: Charges and transaction costs

What is required?

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to obtain and annually publish the level of costs and charges that apply to:

- Each Default Arrangement during the Plan year.
- Each fund option available to members, in which members' savings have been invested during the Plan year. For the Plan this is the Freestyle Fund range and a small number of investment funds held in legacy investment policies.

These requirements are intended to ensure transparency on the costs that members pay from their retirement savings.

Charges include the Annual Management Charge (AMC) which is the annual fee charged by the investment manager for investing in a fund. Additional expenses such as trading fees or legal fees are included in the Total Expense Ratio (TER), which is the total cost of investing in a fund.

Any relevant charges are deducted as a percentage of a member's funds. You can find details about the charges for each fund available in the Plan in the Fidelity factsheets available in the Resources section of the **Plan website.**

Transaction costs are costs which are incurred within the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of a fund. The prescribed method of calculating transaction costs states the trading cost is arrived at by comparing the price at which the transaction was actually executed with the price when the order to transact entered the market. So, when selling into a rising market or buying into a falling market, the calculation produces a credit that may outweigh the other 'explicit' transaction costs, resulting in negative overall transaction costs.

The Trustee is also required to assess annually the extent to which these charges and costs represent good value for members. See 'Value for Members' in Section 8.

The Trustee has taken account of statutory guidance when producing this section and the related appendices.

How does the Trustee meet the requirements?

The Trustee formally reviews the charges and transactions costs paid by members on an annual basis and, through the Investment Sub-Committee, works closely with the Plan's investment managers throughout the year to obtain the lowest possible charges for all the available fund options.

What did we do in 2021?

The requirement for fund managers to calculate and disclose transaction costs using a method prescribed by the Financial Conduct Authority was introduced on 3 January 2018. Fund managers calculate transaction costs at fund-level not scheme-level, therefore, the Trustee requested details of transaction costs for the period 1 January 2021 to 31 December 2021 from the Plan's providers, Fidelity, and Aviva.

The Trustee has not been provided with full transaction cost data from all fund managers in respect of funds in which members were invested in during the year. The Trustee continues to liaise with Fidelity and Aviva to obtain the outstanding information and will provide further information to members once this is available.

Specifically, the cumulative data for the Fidelity BoARP Emerging Market Equity Fund - Active, Fidelity BoARP Equity Growth Fund and Fidelity BoARP Equity Lifestyle Fund is 'Not Available'. This is because Fidelity is yet to receive the first transaction cost data sets from the following underlying Fund Providers, since their introduction to the Plan:

- TM Redwheel Global Emerging Markets Fund.
- William Blair Emerging Market Leaders Fund.

The data has been requested and the Fidelity report will be updated to reflect the values for these three funds, upon receipt. There are also some components of transaction costs for all funds which were not yet available. The Trustee and Aon continue to liaise with Fidelity to obtain this information once available.

Charges and Transaction Costs

Default Arrangements and other Lifestyle funds

The level of charges and transaction costs applicable to the Default Arrangement (Thames Flexible Lifestyle) during 2021 are shown below, expressed as a percentage of a member's fund holdings. The charges are shown for different terms to retirement taking into account the mix of assets applicable for the strategy for that period. These charges and transaction costs were supplied by Fidelity, the Plan's investment platform provider. These charges and transaction costs do not include any allowance for the missing information described above.

Term to Retirement	Total Expense Ratio	Transaction Costs	Total
0	0.37%	0.06%	0.43%
1	0.38%	0.07%	0.45%
2	0.39%	0.08%	0.47%
3	0.41%	0.10%	0.51%
4	0.42%	0.11%	0.53%
5	0.44%	0.12%	0.56%
6	0.45%	0.13%	0.58%
7	0.46%	0.14%	0.60%
8	0.47%	0.16%	0.63%
9	0.48%	0.17%	0.65%
10+	0.49%	0.18%	0.67%

The level of charges and transaction costs applicable to the deemed Default Arrangement (Money Market Fund) during 2021 are shown below, expressed as a percentage of a member's fund holdings.

Fund	Total Expense Ratio	Transaction Costs	Total
Money Market Fund	0.08%	0.00%	0.08%

Importantly, the Trustee is pleased to confirm that the Total Expense Ratios (TERs) for the Plan's Default Arrangement and the deemed default are below the charge cap set by the regulations of 0.75% per year and therefore also satisfies this legal requirement.

The level of charges and transaction costs applicable to the other Lifestyle strategies during 2021 are as shown in Appendix 1, expressed as a percentage of a members' fund holdings.

Freestyle Fund Range

The level of charges and transaction costs that applied as at 31 December 2021 to the Freestyle Fund range in which members have chosen to invest are shown in Appendix 2 along with further details on funds used within the lifestyle options.

External AVC arrangements

AVC assets are also held outside of the Plan, in BlackRock Sub Investment accounts, a Common Investment Fund and also with Aviva.

BlackRock Sub Investment Accounts

Over recent years, the governance regulations applicable to Money Purchase arrangements have increased, which have successively placed increasing requirements on trustees. In response to this, the Trustee regularly reviews the Plan's Money Purchase arrangements to ensure they remain fit for purpose and are compliant with the regulations. As part of this process, the Trustee reviewed the sub-investment accounts and decided that they should be closed due to the increased governance requirements, the nature of the accounts and the lack of Trustee involvement in the investment process. There is currently one remaining notional account with zero value which is in the process of being closed.

Given the sub-investment accounts do not hold any member funds, there were no member borne charges during the year.

Common Investment Fund (CIF)

Historically, members of the DB section of the Plan were given the option to pay AVCs on a Money Purchase basis into the DB section via a CIF. These AVCs are attributed a value based on a notional portfolio of assets. The CIF also offers a guaranteed investment return of 8% p.a. to some members on a portion of their previous CIF contributions.

All contributions into the CIF AVC arrangement have now ceased. With regards to the notional funds in the CIF AVC arrangement, these carry no explicit charges or direct transaction costs.

Aviva

The Aviva arrangements are closed to new contributions. Members are invested in unit-linked funds. The AMCs and transaction costs for these funds are shown within Appendix 3. At the time of writing, charges information for Aviva was not available at 31 December 2021. The latest charges information at 31 December 2020 are shown. The Trustee and Aon continue to liaise with Aviva to obtain this information once available.

Section 6: Charges and transaction costs: illustrations

What is required?

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 also require the Trustee to produce illustrations of the cumulative effect over time of the transaction costs and charges that apply to the fund options offered by the Plan. This is to improve transparency and help members understand the impact that charges and transaction costs might have on their own savings.

Costs and charges illustrations - 2021

The Trustee has taken account of the applicable statutory guidance and has produced illustrations to demonstrate the effect of the costs and charges for the investment funds and strategies offered by the Plan for three different example members (two active and one deferred), with different terms to retirement and accumulated fund values.

The illustrations in Appendix 4 show, based on several assumptions and investment options, the projected fund values at retirement before and after charges and transaction costs have been deducted, so that the potential impact of these costs are clearly shown.

Please note that the figures in Appendix 4 are only illustrations and the actual fund values and impact of charges on members' investments will be different, depending on their personal details and investment choices, and whether the assumptions are borne out. The information contained in Appendix 4 is not a substitute for the individual and personalised illustrations provided to members each year by the Plan.

A large proportion of members are invested in the Default Arrangement (Thames Flexible Lifestyle) option which automatically transitions members' funds between the underlying funds as members approach retirement age. We therefore chose this option for these illustrations. Members are also offered alternative lifestyle options and a series of self-select funds which, as the tables on pages 35 to 41 show, carry a variety of TERs and transaction costs. We have therefore also shown the potential impact that costs and charges might have if the example member was charged a higher level of costs and charges on the Default Arrangement, compared to the one illustrated in the chart, as well as the lowest charge fund (Money Market Fund, which is also a deemed default) and highest charge fund (Emerging Market Equity Fund) as comparisons to the Default Arrangement.

Section 7: Net investment returns

What is required?

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced new requirements on the Trustee to calculate and publish the return on investments of the Plan's Default Arrangement and those freestyle investment options in which members have invested, after taking account of transaction costs and charges.

Net investment return disclosures - 2021

The tables below provide the net investment returns disclosures as at 31 December 2021 for the Default Arrangement (Thames Flexible Lifestyle) and the deemed default (Money Market Fund). Adjustments have been made for all member-borne charges and transaction costs.

Default Arrangement (Thames Flexible Lifestyle)		
Performance to 31 December 2021	**Annualised returns (%)**	
Age of member in 2021	**1 year**	**5 years**
25	16.4	11.6
35	16.4	11.6
45	12.2	9.0
55	7.1	6.4
60	6.9	6.4

Deemed Default (Money Market Fund)		
	Annualised returns (%)	
	1 year	**5 years**
Performance to 31 December 2021	0.0	0.4

Appendix 5 provides the net investment disclosures as at 31 December 2021, showing the investment performance of all the Plan's various default, freestyle, and legacy fund options, after adjustment for all charges and transaction costs. The Trustee has taken account of the statutory guidance when preparing these disclosures.

It is important to note that past performance is not a guarantee of future performance.

Section 8: Value for members

What is required?

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 require that the Trustee conduct an annual review of the value for money that members receive from the Plan and disclose the results of this review in this statement. If it is identified that members are not receiving good value, the Trustee is required to investigate and identify what steps can be taken to improve the position for the affected members.

How does the Trustee meet the requirements?

The Trustee is committed to ensuring that members receive value for money from the Plan, meaning that all the services and features that members receive, compared to the charges deducted from their savings, should represent good value.

In the Plan, members only meet the charges and costs associated with the management and delivery of the Plan's investment options, with all other costs being met by the bank. These charges and transaction and costs are shown earlier in this statement, along with illustrations of the impact of these costs on Member Accounts.

Together with its investment advisers, the Trustee has established an assessment framework in order to assess the benefits of membership of the Plan, including the external AVC arrangements, as these continue to be administered by the Trustee.

Each year, the Trustee, with its advisers, carries out a formal assessment using this framework of the value of the investment charges that members pay, compared to the services they receive. The assessment includes the value provided by the Plan's investment options and the broader value of the additional services provided by the Plan where the bank meets the costs, including administration, communications, and online services. The assessments are undertaken in line with the Regulator's Codes of Practice. Benefits can be financial or non-financial in nature.

The review process considers all the following factors:

- An analysis of the membership data, decision-making and interactions with the Plan, to consider the expected needs of the membership.
- The investment performance of the Plan's fund options.
- Whether the range of freestyle funds and lifestyle options remained suitable.
- Benchmarking the Plan charges against other pension schemes of a similar size and nature and other types of pension vehicles and the transaction costs against relevant asset class comparators.
- The degree of flexibility in respect of member contributions.
- The performance of the administration service, covering the service standards achieved, data quality and interactions with members.

- The quality of the communication and online services provided to members by the Trustee and the bank.
- The governance and management of the Plan.

Value for members assessment - 2021

Under the Trustee's assessment framework, which is described below, the Trustee believes that overall, the Plan is well run for its size and profile and offers good value for members.

Investment choices

- The Plan offers a variety of lifestyle strategies and freestyle funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Plan's investment adviser, with the specific needs of members in mind.
- The Trustee has agreed changes following the most recent investment strategy review. The strategy review considered the membership profile of the Plan and the way in which members are expected to take benefits, and the changes agreed are expected to improve member engagement and produce better member outcomes. These changes are described in Section 3 and implementation is expected to be completed during 2022.
- The Trustee will also be reviewing its legacy arrangement with Aviva during 2022 to consider the value provided to members relative to the alternative investment options available to members through the Plan.

Member communications and engagement (including support at retirement)

- The Plan provides effective communications that are accurate, clear, informative, and timely.
- The use of a variety of communication media, including access to well-developed online tools and helpful information around retirement planning via the Plan website.
- Members can access help to support them in their decision making in the form of decision trees, factsheets, and case studies.

Flexible contributions

- The Plan has a flexible employee contribution structure, paid by salary sacrifice, which allows members to set their own level of contributions and change their level of contributions at any time with ease. Current employees at the bank (known as active members) can also pay extra contributions in the form of Additional Voluntary Contributions and / or special lump sums.

Sound administration

- Capita provided administration services to the Plan during the period of review and the Trustee is satisfied that Capita has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that when administrative errors do occur, members are not disadvantaged as a result.
- However, as part of their ongoing monitoring of the services provided to members and reinforced in the value assessment, the Trustee identified (in 2019) that the administration services provided to the Plan's members by Capita was an area where improved value could be provided. As a result, the Trustee conducted a market review for such services, resulting in the appointment of WTW, with effect from 2 June 2021. An unexpected backlog placed significant pressure on WTW, resulting in turnaround times for members falling below the standard expected by the Trustee in the period 2 June to 31 December 2021. The bank's Pension Team worked closely with the Trustee and Administrator to put in place a project plan to deal with this issue. The Trustee believes that the transition will result in better administration and a good base for future development of services to members.

Plan governance

- Plan governance covers the time spent by the Trustee to ensure the Plan is run in compliance with the law and regulation, including taking account of the interests of its members.
- The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet industry best practice.

BANK OF AMERICA

Section 9 - Monitoring and processing of core financial transactions

What is required?

The Occupational Pension Schemes (**Scheme Administration**) Regulations 1996 requires that a pension plan's core financial transactions are processed promptly and accurately. These transactions include, but are not limited to the following:

- Investment of contributions paid to the Plan.
- Transfer of member assets into and out of the Plan.
- Switching between different investments within the Plan.
- Payments to and in respect of members, for example on retirement or death.

The Trustee is required to monitor these activities and take action where there are systematic process delays or inaccuracies.

How does the Trustee meet the requirements?

Active member contributions

The bank is responsible for ensuring that contributions in respect of active members are paid to the Plan promptly. The Trustee relies on the bank to ensure contribution payments are accurate by carrying out appropriate checks. The timing of these payments and their subsequent investment is monitored by the Trustee through quarterly reports produced by the Plan's Administrator.

Administration arrangements

The Trustee outsources the administration of the Plan and the operation of the Plan's bank account to a professional administration provider, which carries out the bulk of the core financial transactions undertaken by the Plan. The Trustee outsourced these roles to Capita Employee Benefits (Capita) until 2 June 2021, after which it was transferred to WTW.

The Trustee has agreed target timescales with the Plan Administrator for the processing of all member-related services, including core financial functions relating to contribution handling, quoting benefits and paying benefits. When a member transaction request is received, it is recorded on a work management system by the Administrator, which assigns an appropriate Service Level Agreement ('SLA') target timescale to each task.

Examples of target timescales for WTW are set out below:

Task	Service Level Agreement
Transfer out quotations	10 days
Provision of current fund value	5 days
Retirement – Settlement	5 days
Death claim	4 days
Investment switches	5 days

The Trustee, after taking advice, believes that these target timescales are in line with industry best practice and should ensure that all transactions are completed within any applicable statutory timescales.

The Plan Administrator produces quarterly administration reports disclosing its performance against these agreed timescales. These reports are reviewed on behalf of the Trustee at quarterly meetings of the Administration and Governance Sub-Committee (AGSC).

The AGSC also requires additional disclosures from the Plan Administrator in respect of any transactions and benefit processing activity that has not been completed within the agreed timescales, including details of the cause of the delay, the extent to which agreed timescales were not met and remedial measures taken to ensure that the delays do not reoccur. The Trustee requires that the Plan Administrator reports back to them on the completion of any remedial measures, with oversight from its advisers where appropriate. The Trustee also operates a system of controls designed to ensure that core financial transactions are carried out both promptly and accurately, with any problems being quickly identified and resolved.

The table on pages 29 to 30 sets out two examples of the Plan's core financial transactions and the controls that existed during the year to December 2021 to ensure accuracy and promptness.

Core financial transaction	Key internal controls	
Investment switches requested by members	**Promptness**	**Accuracy**
	The Plan Administrator's SLA for switching investments is five days from date of request. Data on the events received each quarter, the number completed within and outside of the SLA target and the number of work in progress cases at the quarter end are provided to the Trustee for review.	All switches are reconciled with manager transaction statements. All members are notified when an investment switch is completed.
Payment of benefits	**Promptness**	**Accuracy**
	Cash flow preparation includes identification of forthcoming benefit payments to minimise delay. SLAs for core benefit transactions, particularly forthcoming retirements, help ensure that member wishes are known well in advance of the required benefit payment date. Regular appraisal of the quality of common data items for all members helps to ensure that member data is accurate, reducing the likelihood of delay due to data issues. Clear authorisations exist for the payment of transactions, balancing the need for promptness against a requirement for appropriate senior oversight. Data on any events that breached the target timescales is provided to the Trustee for review. Regular meetings take place between the bank's Pension Team and the Administrator to quickly identify problems that might arise and agree appropriate solutions,	Administrator operates peer review system for all benefit calculations. Data accuracy is subject to regular evaluation and updating. All members are notified when their benefit payments have been completed.

	which are then monitored to completion.	

Independent governance monitoring

Silver Wolf Associates, a pension consulting firm independent of the Plan Administrator and other advisers, verifies the administration reports and carries out additional ongoing governance monitoring and one-off projects for the Trustee. It also verifies the administration reports and carries out additional ongoing governance monitoring and one-off projects, to ensure that member requests and benefit payments are dealt with in accordance with statutory requirements.

Core financial transactions – accuracy and timely processing in 2021

Monitoring of Capita administration services

From 1 January to 1 June, Capita's internal reconciliations team independently carried out monthly checks on the accuracy and timeliness of processing transactions. The bank's Pension Team held fortnightly calls with them to discuss any complex member cases or those where delays are occurring and ensure the smooth interface between Capita and the Plan Actuary.

Over this period c.70% of all financial transactions relating to individual member requests, such as processing retirements and transfers, were completed within five working days of receipt by Capita. This is below the level expected by the Trustee noting that, in line with other pension administration providers, Capita had experienced issues relating to the ongoing COVID-19 pandemic combined with a significant increase in demand from the members of all pension arrangements, including the Plan.

In line with the Pensions Regulator's guidance, Capita continued to focus on ensuring that member critical tasks (such as retirements, transfers, and deaths) were prioritised during this period.

Change of administration provider – June 2021

The administration services moved to WTW with effect from 2 June due to service issues identified at Capita. This project was a significant undertaking for the Trustee and its advisers, the bank's Pension Team and the two administration companies.

Given the size of the project, the Trustee is satisfied that the transition of ongoing administration and online services generally went well. However, a number of issues did arise. These included:

- Delays in providing annual benefit statements as at 1 April 2021. These were posted on member's online Member Accounts in March 2022.
- Member demand for administration services was, and continues to be, significantly higher than anticipated at the start of the transition project, which has put pressure on administration team resources. WTW recruited and trained additional administration staff to work on the bank's Plans.
- A significant and unexpected backlog of unprocessed member requests was inherited from Capita by WTW, instead of being processed by Capita before the transition date. This resulted in significant delays in processing some member requests during 2021.

This unexpected backlog placed significant pressure on the team at WTW and did result in turnaround times for members falling below the standard expected by the Trustee in the period 2 June to 31 December 2021. The bank's Pension Team worked closely with the Trustee and Plan Administrator to put in place a project plan to deal with this issue. This included isolating the backlog from new member requests, so that the backlog could be resolved by a separate team to avoid new member requests also being delayed and focusing on clearing core financial transactions and other 'member critical' items from the backlog.

The Trustee and AGSC have monitored these issues closely and monitoring the Administrator's progress to have the backlog of cases cleared as soon as possible in 2022.

As part of the change, the Trustee also requires that the new Administrator works with the Plan Actuary to implement full automation of all significant core financial transactions within its systems and administration processes, to ensure accuracy of processing and timeliness going forwards. This process is expected to be fully signed off over the course of 2022.

At the time of producing this statement, all statistics provided to the Trustee to date have included transactions in respect of both the DB Section and the DC Section, and have also excluded automated transactions that members request through the Plan's online systems. The Trustee has requested that separate DC Section statistics are reported for 2022 and is aiming to include details in next year's Chair's Statement.

The ability for members to "self-serve" a number of core financial transactions using the member website is a significant improvement in administration service and that is wholly the result of the change in administrator in 2021. By way of example, where members are able to request information or carry out transactions online, including obtaining retirement quotations, transfer out quotations and investment switches, these are carried out immediately by the online system and so have met the high standards expected by the Trustee.

Some members, however, have more complex benefit entitlements or the data held by the Plan is currently not in a suitable format to enable their benefit calculations to be automated. For these members it is likely that performance against the administrator's SLA targets fell below the high standards expected by the Trustee over the period. However, with the inherited backlog now largely cleared and ongoing projects to increase the automation of core transactions, the Trustee is confident that administration services to these members will improve and reach the expected high levels of ongoing service over the course of 2022.

Data quality - 2021

The Trustee monitors the accuracy of the Plan's common data on a regular basis, based on quarterly analysis reports produced by the Plan Administrator. Reasons for any decline in common data quality are considered, alongside the remedial measures available to the Trustee. The Trustee requires updates on any agreed remedial measures to ensure they have been satisfactorily implemented.

The Trustee commissioned a full Data Integrity report from WTW, reviewing the quality of the Plan's data and requesting proposals for how data quality can be improved and maintained going forwards. This report was discussed by the AGSC at its meeting on 15 February 2022. The Trustee and the bank Pensions Team will work with the Administrator over 2022 to implement appropriate data validation and correction processes.

Internal controls - 2021

The Trustee believes that strong and well documented internal controls are a key element in delivering high quality, risk managed services to members.

The Trustee operates a comprehensive Risk Register that aims to identify all the risks to which the Plan is exposed, including those relating to the promptness, accuracy, and security of the Plan's financial transactions. It also describes the internal controls that are in place to mitigate the impact of those risks on member benefits and the Plan as a whole. The Trustee works closely with its advisers to review the processes that monitor financial transactions and ensure that they are working effectively. The Risk Register is formally reviewed at least annually.

The Trustee also reviews the Plan Administrator's assurance report on its internal controls each year. These internal control reports are expected to conclude that the Administrator's internal controls are suitably designed and those tested generally operated effectively. However, where a report does highlight any exceptions, the Administrator is required to confirm that it did not have any negative impact on Plan members and confirm implementation and completion of an action plan to avoid a recurrence of the issue.

The report received from Capita for the period January 2020 to December 2020 was reviewed by the Trustee in September 2021. This report highlighted a number of internal control failures, but Capita confirmed that no Plan members had been adversely affected and the Trustee obtained confirmation from Capita that steps had been taken to prevent these occurring again.

The report from WTW relating to the Plan year ending in December 2021 will be reviewed promptly on receipt during 2022.

Audit review of financial control environment - 2021

During the year the Plan Auditor was asked to carry out a Financial Governance Comparative Analysis, which is a review of the Plan's financial control environment. This review highlighted that the Plan's financial controls and processes continued to be very strong.

The Plan Auditor also conducted a benefit audit, as part of the annual audit of the Plan's Annual Accounts, to review the calculation accuracy of a sample of the transactions carried out during the year.

It is intended that a similar benefit audit process will be undertaken in 2022 with WTW.

Conclusion

The transition to a new Plan Administrator from 2 June 2021 was the result of a very significant project following service issues identified at Capita, designed to improve and enhance the administration services experienced by Plan members in the future. Unfortunately, as part of the transition process, there was a significant worsening of administration turnaround times. Since June, the Trustee and bank Pensions Team have worked closely with the new Plan Administrator, implementing a plan to clear the backlog of member requests and ensure that new requests are processed within the required timescales. With the backlog largely having been cleared in Q1 2022, the Trustee is satisfied that these were short-term issues arising from a combination of the transition processes and increased administration workload over the period. Overall, the Trustee is satisfied that the core financial transactions were processed accurately over 2021, although some members did experience delays in processing their requests. The Trustee is continuing to monitor the administration service closely, working with the bank's Pension Team to identify and promptly resolve any issues.

Chair's declaration

This statement has been prepared in accordance with the Regulations and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

PETER GIBBS

Peter Gibbs – **Chair**

On behalf of Bank of America UK Retirement Plan Trustees Limited

21 JULY 2022

Date

Appendix 1: Charge and transaction costs – Lifestyle strategies

The below tables illustrate the charges and transaction costs applicable to each Lifestyle strategy, taking into account terms to retirement, as the allocation of a member's savings between the component funds within the lifestyle strategies will change as they approach their target retirement date. For more information on the investment options offered by the Plan, please see the Plan Handbook on the **Plan website**.

Thames Flexible Lifestyle

Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.37%	0.06%	0.43%
1	0.38%	0.07%	0.45%
2	0.39%	0.08%	0.47%
3	0.41%	0.10%	0.51%
4	0.42%	0.11%	0.53%
5	0.44%	0.12%	0.56%
6	0.45%	0.13%	0.58%
7	0.46%	0.14%	0.60%
8	0.47%	0.16%	0.63%
9	0.48%	0.17%	0.65%
10+	0.49%	0.18%	0.67%

Thames Annuity Lifestyle

Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.11%	0.01%	0.12%
1	0.15%	0.04%	0.19%
2	0.19%	0.06%	0.26%
3	0.24%	0.09%	0.33%
4	0.27%	0.12%	0.39%
5	0.31%	0.15%	0.46%
6	0.35%	0.17%	0.52%
7	0.39%	0.20%	0.59%
8	0.42%	0.23%	0.65%
9	0.46%	0.23%	0.69%
10+	0.50%	0.23%	0.73%

Thames Cash Lifestyle			
Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.08%	0.00%	0.08%
1	0.13%	0.03%	0.16%
2	0.18%	0.06%	0.25%
3	0.24%	0.09%	0.33%
4	0.27%	0.12%	0.39%
5	0.31%	0.15%	0.46%
6	0.35%	0.17%	0.52%
7	0.39%	0.20%	0.59%
8	0.42%	0.23%	0.65%
9	0.46%	0.23%	0.69%
10+	0.50%	0.23%	0.73%

Tay Flexible Lifestyle			
Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.37%	0.16%	0.53%
1	0.38%	0.17%	0.54%
2	0.38%	0.17%	0.55%
3	0.39%	0.18%	0.57%
4	0.40%	0.18%	0.58%
5	0.40%	0.19%	0.59%
6	0.41%	0.20%	0.61%
7	0.42%	0.20%	0.63%
8	0.43%	0.21%	0.64%
9	0.44%	0.22%	0.66%
10	0.45%	0.23%	0.68%
11	0.46%	0.24%	0.70%
12	0.47%	0.25%	0.72%
13	0.48%	0.26%	0.74%
14	0.49%	0.27%	0.76%
15+	0.50%	0.28%	0.78%

Tay Annuity Lifestyle			
Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.11%	0.01%	0.12%
1	0.18%	0.05%	0.24%
2	0.26%	0.10%	0.35%
3	0.33%	0.14%	0.47%
4	0.37%	0.17%	0.53%
5	0.40%	0.19%	0.59%
6	0.41%	0.20%	0.61%
7	0.42%	0.20%	0.63%
8	0.43%	0.21%	0.64%
9	0.44%	0.22%	0.66%
10	0.45%	0.23%	0.68%
11	0.46%	0.24%	0.70%
12	0.47%	0.25%	0.72%
13	0.48%	0.26%	0.74%
14	0.49%	0.27%	0.76%
15+	0.50%	0.28%	0.78%

Tay Cash Lifestyle			
Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.08%	0.00%	0.08%
1	0.18%	0.06%	0.24%
2	0.29%	0.12%	0.40%
3	0.39%	0.18%	0.57%
4	0.40%	0.18%	0.58%
5	0.40%	0.19%	0.59%
6	0.41%	0.20%	0.61%
7	0.42%	0.20%	0.63%
8	0.43%	0.21%	0.64%
9	0.44%	0.22%	0.66%
10	0.45%	0.23%	0.68%
11	0.46%	0.24%	0.70%
12	0.47%	0.25%	0.72%
13	0.48%	0.26%	0.74%
14	0.49%	0.27%	0.76%
15+	0.50%	0.28%	0.78%

Severn Flexible Lifestyle			
Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.37%	0.06%	0.43%
1	0.38%	0.08%	0.46%
2	0.40%	0.10%	0.50%
3	0.42%	0.11%	0.53%
4	0.44%	0.13%	0.57%
5	0.46%	0.15%	0.61%
6	0.48%	0.16%	0.64%
7	0.49%	0.17%	0.66%
8	0.49%	0.11%	0.60%
9	0.49%	0.06%	0.55%
10+	0.49%	0.00%	0.49%

Severn Annuity Lifestyle			
Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.11%	0.01%	0.12%
1	0.19%	0.06%	0.25%
2	0.27%	0.12%	0.38%
3	0.35%	0.17%	0.52%
4	0.42%	0.23%	0.65%
5	0.50%	0.28%	0.78%
6	0.50%	0.22%	0.72%
7	0.49%	0.17%	0.66%
8	0.49%	0.11%	0.60%
9	0.49%	0.06%	0.55%
10+	0.49%	0.00%	0.49%

Severn Cash Lifestyle			
Term to ret	Total Expense Ratio	Transaction Costs	Total
0	0.08%	0.00%	0.08%
1	0.17%	0.06%	0.23%
2	0.26%	0.11%	0.37%
3	0.35%	0.17%	0.52%
4	0.42%	0.23%	0.65%
5	0.50%	0.28%	0.78%
6	0.50%	0.22%	0.72%
7	0.49%	0.17%	0.66%
8	0.49%	0.11%	0.60%
9	0.49%	0.06%	0.55%
10+	0.49%	0.00%	0.49%

The table below sets out the charges and transaction costs for the underlying funds in each lifestyle fund:

Fund name	Total Expense Ratio (% p.a.)	Transaction costs (% p.a.)
Equity Lifestyle Fund[1, 2, 3, 4, 5, 6]	0.490	not available (see Section 5)
Diversified Lifestyle Fund[1, 2, 3, 4, 5, 6, 7, 8, 9]	0.497	0.280
Pre-Retirement Lifestyle Fund[1, 2, 4, 5, 7]	0.120	0.010
Money Market Lifestyle Fund[1, 2, 4, 5, 7, 8]	0.080	0.000
Corporate Bond Lifestyle Fund[3, 6, 7, 8, 9]	0.310	0.020
Index-Linked Gilt Lifestyle Fund[3, 6, 7, 8, 9]	0.086	0.010

Notes:

[1] Funds underlying Severn Annuity

[2] Funds underlying Severn Cash

[3] Funds underlying Severn Flexible

[4] Funds underlying Thames Annuity

[5] Funds underlying Thames Cash

[6] Funds underlying Thames Flexible (Default Arrangement)

[7] Funds underlying Tay Annuity

[8] Funds underlying Tay Cash

[9] Funds underlying Tay Flexible

Appendix 2: Charge and transaction costs – Freestyle fund range

The level of charges and transaction costs applied to the non-default funds on the Fidelity Platform can be seen in the table below. For more information on the investment options offered by the Plan, please see the Plan Handbook on **Plan website**.

Fund name	Total Expense Ratio* (%)	Transaction costs (%)**
Asia Pacific ex Japan Equity Fund - Passive	0.900	0.00
Diversified Growth Fund	0.488	0.28
Emerging Market Equity Fund – Active	0.940	not available (see Section 5)
Environmental Social and Governance Global Equity Fund	0.640	0.28
European (ex UK) Equity Fund - Passive	0.090	0.00
Gilt Fund	0.090	0.00
Global Equity Fund - Active	0.687	0.04
Index Linked Gilts Fund	0.090	0.01
Japanese Equity Fund - Passive	0.090	0.00
Money market Fund	0.080	0.00
North American Equity Fund - Passive	0.090	0.06
Pre-Retirement Fund	0.120	0.01
Shariah Fund	0.330	0.02
UK Corporate Bond - Active Fund	0.310	0.02
UK Corporate Bond Fund - Passive	0.090	0.04
UK Equity Fund - Active	0.530	0.13
UK Equity Fund - Passive	0.090	0.06
UK Property Fund	0.530	0.15
World ex UK Equity Fund - Passive	0.010	0.02
(NEW) Equity Growth Fund	0.490	Not available (see Section 5)

Notes to the table on the previous page:

* Total Expense Ratio (TER) is the total cost of investing in the fund. It is automatically deducted from the price of the funds in which you are invested. The TER includes the annual management charge for that fund and any other additional fund expenses such as legal fees, auditor fees and other operational expenses. The TERs are correct as at 31 December 2021.

** Transaction costs are costs incurred in the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis, are included within the overall performance of the fund and are in addition to the Total Earnings Ratio (TER) figures provided. A positive value represents a reduction in performance as a result of the transaction costs, while a negative transaction cost means that a trading gain was made over the year. Please note that gains of this type may not be repeated in a typical year. The transaction costs reflect the latest information provided to Fidelity by the fund managers as at 31 December 2021.

Appendix 3: Charges and transaction costs – external AVC arrangements

The table below illustrates the charges and transaction costs at 31 December 2020 associated with the legacy investment policies with Aviva in respect of member's historical Additional Voluntary Contributions. As at the time of writing, the information at 31 December 2021 was not available. The Trustee and Aon continue to liaise with Aviva to obtain the outstanding information.

Fund name	Total Expense Ratio * (%)	Transaction costs** (%)
European Equity Fund	0.88	0.1545
Gilt Fund	0.88	0.1049
Global Bond Fund	0.88	0.3163
Mixed Investment Fund (40-85% Shares)	0.88	0.0719
Pacific Equity Fund	0.88	0.1141
US Equity Fund	0.88	0.0071

Notes:

* The TER includes the annual management charge and any other additional fund expenses such as legal fees, auditor fees and other operational expenses. The TERs are correct as at 31 December 2020.

** Transaction costs are costs incurred in the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis, are included within the overall performance of the fund and are in addition to the Total Earnings Ratio (TER) figures provided. A positive value represents a reduction in performance as a result of the transaction costs, while a negative transaction cost means that a trading gain was made over the year. Please note that gains of this type may not be repeated in a typical year. The transaction costs reflect the latest information provided by the fund managers as at 31 December 2020.

Appendix 4 – Charges and transaction costs – Default Arrangement

The table illustrates the effect of the costs and charges in Appendix 1 and 2 for investment funds and strategies available through Fidelity, for three different example members (two active and one deferred) with different terms to retirement and accumulated fund values.

The three example members have been selected to illustrate the possible impact of costs and charges on the accumulated fund values of a range of different Plan members:

Example member A: an active member with 44 years to retirement, on a current salary of £22,000 and invested in the Thames Flexible Lifestyle option, the estimated impact of charges on projected retirement values is shown below. Projections are based on a current fund value of £0.

Example member B: an active member with 23 years to retirement, with a current salary of £94,000 and invested in the Thames Flexible Lifestyle option, the estimated impact of charges on projected retirement values is shown below. Projections are based on a current fund value of £95,000.

Example member C: a deferred member with 19 years to retirement, invested in the Thames Flexible Lifestyle option, the estimated impact of charges on projected retirement values is shown below. Projections are based on a current fund value of £50,000.

The illustrations show the projected fund values (rounded to the nearest £1) based on certain assumptions before and after charges so that the potential impact of charges is clearly shown.

A large proportion of members are invested in the Default Arrangement (Thames Flexible Lifestyle) option which automatically transitions members' funds between the underlying funds as members approach retirement age. We therefore chose this option for these illustrations. Members are also offered alternative lifestyle options and a series of self-select funds which, as the tables on pages 35 to 41 show, carry a variety of TERs and transaction costs. We have therefore also shown the potential impact that costs and charges might have if the example member was charged a higher level of costs and charges on the Default Arrangement compared to the one illustrated in the chart, as well as the lowest charge fund (Money Market Fund, which has a lower risk profile and is also a deemed default) and highest charge fund (Emerging Market Equity Fund, which also has a higher risk profile) as comparisons to the Default Arrangement.

Members should be aware that these are simply illustrations, so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. Due to the effect of rounding, the impact of charges on Member Account values may appear uneven, particularly in the early years. The information contained here is not a substitute for the individual and personalised illustrations provided to members each year by the Plan.

Example Member	Age	Thames Flexible Lifestyle		Thames Flexible Lifestyle (TER = charge cap 0.75% plus actual transaction costs)		Emerging Market Equity Fund (highest charge fund)		Money Market Fund (lowest charge fund and deemed default)	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Example A (Example youngest active member)	20	3,603	3,584	3,603	3,576	3,620	3,584	3,426	3,423
	25	13,812	13,558	13,812	13,438	14,050	13,549	11,558	11,524
	30	26,001	25,167	26,001	24,777	26,800	25,137	19,109	19,012
	35	42,356	40,472	42,356	39,601	44,195	40,404	27,832	27,647
	40	64,837	61,186	64,837	59,520	68,461	61,056	38,407	38,098
	45	91,037	84,575	91,037	81,725	98,123	85,070	48,226	47,759
	50	118,781	107,935	118,781	103,564	134,381	112,996	57,343	56,691
	55	147,859	131,123	147,859	124,863	178,702	145,469	65,808	64,948
	60	175,265	152,622	175,265	143,866	232,878	183,230	73,667	72,581
	62	185,104	160,312	185,104	150,372	257,784	200,003	76,651	75,470
Example B (Example average active member)	40	109,770	109,241	109,770	108,986	110,260	109,221	104,660	104,574
	45	190,705	185,768	190,705	183,561	196,469	187,135	150,865	150,251
	50	279,254	265,588	279,254	260,270	301,849	277,736	193,766	192,477
	55	374,206	347,277	374,206	337,561	430,662	383,090	233,599	231,514
	60	467,255	425,992	467,255	409,806	588,119	505,602	270,582	267,603
	62	501,970	455,241	501,970	435,796	660,504	560,021	284,624	281,263
Example C (Example average deferred member)	45	53,288	52,668	53,288	52,409	54,182	53,110	48,538	48,454
	50	61,350	58,663	61,350	57,663	66,230	61,759	45,066	44,794
	55	69,221	63,878	69,221	62,002	80,957	71,816	41,843	41,410
	60	75,685	67,821	75,685	64,835	98,960	83,511	38,851	38,282
	62	77,653	68,903	77,653	65,407	107,236	88,705	37,714	37,098

Notes and assumptions for the table on the previous page

- The projected Member Account values are shown in today's terms and are calculated using the same assumptions as the Statutory Money Purchase Illustration ('SMPI') benefit projections issued annually to members (and is based on the AS TM1 guidance prepared by the Institute and Faculty of Actuaries).
- Annual investment returns and costs/charges as a percentage reduction are assumed to be deducted at the end of each year. Charges and costs are deducted before the application of investment returns.
- Switching costs are not considered in the lifestyle strategy.
- For the active example members, contributions are assumed to 8% of pensionable pay for the first 10 years of service and 12% thereafter until normal retirement age. The average active member is assumed to have more than 10 years of service. Contributions are paid halfway through the year.
- Retirement is assumed at the normal retirement age of 62.
- Values shown are estimates and not guaranteed.
- The projected growth rates (ignoring the effect of inflation) for each fund are as follow:
  - Equity Lifestyle Fund 6.20%
  - Diversified Lifestyle Fund 4.50%
  - Corporate Bond Lifestyle Fund 1.83%
  - Index Linked Gilt Lifestyle Fund 0.35%
  - Emerging Market Equity Fund – Active 6.70%
  - Money Market Fund 0.99%
- Price inflation is assumed to be 2.5% each year and is deducted from the above returns as part of the calculations.
- The transaction costs have been averaged over a four-year period based on information received from Fidelity. A floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

Appendix 5: Net investment returns

The tables below provide the net investment disclosures as at 31 December 2021, showing the investment performance of all the Plan's various default, freestyle, and legacy fund options, after adjustment for all charges and transaction costs. The Trustee has taken account of the statutory guidance when preparing these disclosures.

It is important to note that past performance is not a guarantee of future performance.

Lifestyle strategies

Default Arrangement (Thames Flexible Lifestyle)		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	16.4	11.6
35	16.4	11.6
45	12.2	9.0
55	7.1	6.4
60	6.9	6.4

Thames Annuity Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	16.4	11.6
35	16.4	11.6
45	13.1	9.6
55	0.9	3.6
60	-2.8	3.5

Thames Cash Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	16.4	11.6
35	16.4	11.6
45	13.1	9.6
55	0.9	3.6
60	-1.57	1.5

Tay Flexible Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	3.3	3.5
35	3.3	3.5
45	3.3	3.5
55	2.2	3.6
60	2.0	3.6

Tay Annuity Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	3.3	3.5
35	3.3	3.5
45	3.3	3.5
55	2.2	3.6
60	-1.2	3.4

Tay Cash Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	3.3	3.5
35	3.3	3.5
45	3.3	3.5
55	2.2	3.6
60	1.3	2.5

Severn Flexible Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	16.4	11.6
35	16.4	11.6
45	16.4	11.6
55	8.5	6.7
60	6.9	6.4

Severn Annuity Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	16.4	11.6
35	16.4	11.6
45	16.4	11.6
55	8.5	6.7
60	-1.2	3.4

Severn Cash Lifestyle		
Performance to 31 December 2021	Annualised returns (%)	
Age of member in 2021	1 year	5 years
25	16.4	11.6
35	16.4	11.6
45	16.4	11.6
55	8.5	6.7
60	0.01	2.6

Freestyle strategy

Performance to 31 December 2021	Annualised returns (%)	
Fund name	1 year	5 years
Asia Pacific ex Japan Equity Fund - Passive	2.3	8.0
Diversified Growth Fund	3.3	3.5
Emerging Market Equity Fund – Active	-6.3	7.5
Environmental Social and Governance Global Equity Fund	22.8	15.2
European (ex UK) Equity Fund - Passive	18.1	10.4
Gilt Fund	-7.3	4.2
Global Equity Fund - Active	16.8	14.4
Index Linked Gilts Fund	4.1	5.0
Japanese Equity Fund - Passive	2.5	7.0
Money market Fund	0.0	0.4
North American Equity Fund - Passive	28.0	16.5
Pre-Retirement Fund	-4.9	3.8
Shariah Fund	27.9	19.0
UK Corporate Bond - Active Fund	-3.5	3.6
UK Corporate Bond Fund - Passive	-3.1	3.3
UK Equity Fund - Active	16.2	5.6
UK Equity Fund - Passive	18.5	5.5
UK Property Fund	22.0	7.4
World ex UK Equity Fund - Passive	22.8	13.9
(NEW) Equity Growth Fund	Not yet available (new fund)	Not yet available (new fund)

At the time of writing, the net return information from Aviva was not available. The Trustee and Aon continue to liaise with Aviva to obtain the outstanding information.

Statement of Investment Principles

Section 1: Introduction

This Statement of Investment Principles ('SIP') is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

This SIP covers both the Defined Benefit ('DB'; also known as 'final salary') and the Defined Contribution ('DC'; also known as 'money purchase') sections of the Bank of America UK Retirement Plan (the 'Plan'). Each of the two sections of the Plan are covered individually below. This SIP also covers the Trustee's policy on issues that apply equally to both sections.

Details of the appointed managers can be found in a separate document produced by the Trustee entitled "Summary of Investment Arrangements".

Section 2: Defined Benefit Section

Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to Plan members are provided. In setting the Plan's investment strategy, the Trustee took advice from its Investment Adviser and consulted with the sponsoring employer. The asset allocation strategy selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

Strategy

The current **planned asset allocation strategy** chosen to meet the objective above is set out in the table below. In addition to the assets detailed below the Trustee has purchased an annuity policy designed to pay the benefits of the pensioner membership covered in the policy. The annuity policy provides protection, however the Trustee does not target a specific allocation to annuity policies. Instead, the Trustee considers opportunities to purchase annuity policies as and when pricing and the Plan's circumstances permit. The strategic allocation set out in the table below therefore excludes the allocation to any annuity policies. Based on the Trustee's Gilts +0% basis, the value of the Plan's annuity policies was c. £388m as at 31 March 2021 (calculated using December 2020 membership data. At 31 March 2021 this c. £388m valuation was out of total assets of c. £1,640m i.e. 24% of total assets. This percentage of total assets will vary over time).

Section / Asset Class	Target Weight (ex. buy-in) (%)	Benchmark	Performance Target (p.a)
Returns Section	30 – 37.5	Composite	
Beta	**0 - 10**		
Property		IPD All Balanced Funds	+1%
Cash Plus	**20 – 37.5**		
Loans			
Property Debt		SONIA	+4%
Unconstrained Bonds			
Protection Section	62.5 - 70	Plan specific liability benchmark	
Absolute Return Bond Investments (ARBIs)		SONIA	+2%
Asset Backed Securities		SONIA	+2%
Cash/Money Market		SONIA	
LDI		Plan specific liability benchmark	

- The Returns section consists of a 'Beta' subsection and 'Cash Plus' subsection. 'Beta' mandates are those where performance is expected to be determined largely by market returns. 'Cash Plus' mandates are those where performance is expected to be determined largely by manager skill.
- Target weights are in respect of total assets excluding the annuity policy.
- The Trustee's wider approach is to take attractive opportunities to reduce the Plan's property allocation - replacing it with more liquid 'Cash Plus' assets in a way expected to maintain the level of expected return for the total assets. This is being done in order to enable the Trustee to act quickly should they choose to purchase further annuity policies. For every £4m of the property allocation sold, the Trustee has agreed to invest £7m in 'Cash Plus' assets in order to broadly maintain the Plan's expected return (i.e. a ratio of 1.75:1). The additional cash will be released from the Plan's LDI portfolio. The allocations are therefore expressed as ranges to reflect this.

The Plan has a Liability Driven Investment (LDI) allocation within the Protection section. The value of the LDI allocation will vary over time in line with its objective of mitigating the interest rate and inflation risks faced by the Plan (excluding those already hedged by the annuity policy).

The Trustee monitors the actual asset allocation versus the target weights listed in the asset allocation strategy on a quarterly basis. The Trustee considers rebalancing the assets back towards the target weights should the asset allocations deviate significantly from the target.

The current investment strategy was determined with regard to:

- The actuarial characteristics of the Plan, i.e. the nature and timing of the Plan's expected future liability cash flows. These characteristics were considered when designing the Plan's LDI mandate.
- The strength of the current funding position and sponsoring employer's covenant (the direct covenant rests with the sponsoring employers of the Plan: MLI and MLIH).
- The sponsoring employer's contribution policy.

The Trustee's policy is to make the assumption that return seeking asset classes will outperform the Plan's liabilities over the long term. The Trustee also assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in return seeking assets relative to the present value of the Plan's liabilities.

Prior to setting the current investment strategy, the Trustee considered written advice from its Investment Adviser and in doing so addressed the following:

- The need to consider a full range of asset classes including private equity, property and other alternative assets.
- The overall risks and expected returns of a range of alternative asset allocation strategies.

- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee also consulted with the sponsoring employer when setting the Plan's investment strategy.

Risk Measurement and Management

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Plan's liabilities as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ('funding risk'). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ('mismatching risk'). The Trustee and its advisers considered this mismatching risk when setting the investment strategy and have specifically structured the Plan's assets so as to mitigate this risk.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ('cash flow risk'). The Trustee and its advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the performance targets set by the Trustee relative to the benchmark ('manager risk'). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ('risk of lack of diversification'). The Trustee and its advisers considered this risk when setting the Plan's investment strategy and when appointing multi asset fund managers.
- The possibility of failure of the Plan's sponsoring employer ('covenant risk'). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy. The Trustee has appointed a covenant adviser to monitor the covenant on an ongoing basis.
- The risk of fraud, poor advice or acts of negligence ('operational risk'). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Estimated current funding level versus the Plan's specific funding objective.
- Performance of the Plan's assets versus the overall investment objective.
- Performance of individual fund managers versus their respective targets.
- Evaluative comments and any significant issues regarding the Plan's current fund managers.
- Performance of the Plan's LDI mandate and its success at reducing mismatching risk.
- Projected risk attribution for the Plan's assets relative to the liabilities.

More broadly the Trustee maintains a risk register which looks at the whole range of risks to which the Plan may be subject. This includes the risks described above.

Implementation

The Plan's strategy is implemented largely through investment in pooled funds (at the time of writing the only exception is the segregated LDI mandate). The fund managers are monitored and may change from time to time. The investment objectives of each mandate and its alignment with the Plan's strategy is considered at inception and on an ongoing basis.

The Plan's LDI mandate has been implemented through a portfolio of physical gilts and gilt derivatives of various maturities. The LDI mandate is not designed to achieve a profit for the Plan. Instead, it has been implemented to try and reduce the volatility of the Plan's overall funding level through time. Movements in long-term interest rates and inflation expectations affect the present value of the Plan's expected future liabilities. The LDI mandate hedges the Plan against these movements.

Section 3: Defined Contribution Section

Investment Objective

The Trustee is responsible for providing an appropriate range of investment options to members. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. It has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

Strategy

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee's Investment Advisers. In choosing the Plan's investment options, it is the Trustee's policy to consider:

- A wide range of asset classes.
- The suitability of each asset class for a defined contribution plan.
- The need for appropriate diversification of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.

In addition, the Trustee will consider the characteristics of various member types or groups and the potential differences between these in relation to attitude to risk over the period of their membership in the Plan, and the different ways in which benefits may be taken at retirement.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on the bond and cash options are expected to be lower than returns on predominantly equity options. However, bond funds have the potential to broadly offset changes in the price of annuities, giving some protection to the amount of pension that can be secured by members choosing to purchase an annuity at retirement. Cash funds are expected to provide protection against changes in short-term capital values.

Investment options

The investment options for members of the defined contribution section of the Plan comprise nineteen freestyle and three risk-differentiated lifestyle strategies.

The three lifestyle strategies each have options aligned to the at retirement access choices of: flexible drawdown, annuity or cash.

The lifestyle options are designed based on analysis of the demographics of the Plan's membership to provide a range of options offering members a choice of investment risk and potential for growth. These will be reviewed on an ongoing basis to ensure they remain appropriate for a broad range of the membership.

The lifestyle options are designed using a retirement age that can be pre-selected by the member, otherwise a default age is used. The Trustee recognises that the lifestyle options may be less suitable for members who retire earlier or later than their chosen, or the Plan's, default age, and communicates this issue to members.

The freestyle fund range has been designed to enable members to create a diversified investment portfolio; the range comprises both single-manager funds and multi-manager ‘blended’ funds, with blending used where it is felt that manager diversification and/or style differentiation could enhance member outcomes. The range contains a number of passively managed options as well as actively managed funds, offering the member the option of paying a lower level of fees for index-tracking, or higher fees in seeking the potential of additional returns. Actively managed funds have the objective to outperform the index net of fees to ensure that active management is delivering value for members. The Plan also makes available a Shariah Fund and an Environmental, Social & Governance Global Equity Fund for those wishing to invest in line with the specific objectives of these funds.

The Trustee does not allow members to have simultaneous investments in both freestyle and lifestyle options. A member must invest solely either in freestyle options or in one of the lifestyle options.

Default Arrangement

The Trustee has chosen the Thames Flexible Lifestyle option as the Default Arrangement for the Plan. This is the strategy that has the most balanced approach to risk and return of the three Lifestyle options available and the Trustee therefore views it as being the one most appropriate for the majority of members who have not made a decision on where to invest. The ‘Flexible’ pre-retirement option has been chosen as the Trustee expects, based on analysis of the membership and in particular the projected longer term average value of members’ funds at retirement, that many would potentially look for income drawdown in retirement. Importantly in selecting this as the default, this strategy also reflects in its design that there will be members who choose alternative options such as annuity or cash at retirement.

Under regulatory definitions, the Money Market Fund is also a Plan default. During a period when the UK Property Fund temporarily suspended cashflows, member contributions were automatically redirected into the Money Market Fund, thereby designating it as a deemed default.

Ongoing monitoring and review

The Trustee has a policy in place to review the funds within both the lifestyle and freestyle funds on an on-going basis. Where it is deemed that a manager or fund is no longer appropriate, the Trustee has operational procedures in place to remove and replace the manager or fund from the fund range. To support this process, the Trustee has created a number of blended ‘white labelled’ funds which allow the replacement of underperforming managers or funds to be carried out in a timely manner to the benefit of members.

Risk Measurement and Management

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Plan. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considers the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives ('manager risk'). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- Risk of asset classes not delivering the anticipated rate of return over the long term.
- Risk of the lifestyle options being unsuitable for the requirements of some members.
- The risk of fraud, poor advice or acts of negligence ('operational risk'). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal defined contribution strategy review. The Trustee considers feedback from members to ensure that a sufficient range of funds are offered to meet members' needs. The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle option at regular intervals.

The Trustee measures risk in terms of the performance of the funds compared to the respective benchmarks on a quarterly basis. The Trustee also monitors any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

Implementation

The Trustee has implemented the above investment strategy by offering members of the Plan a range of funds and lifestyle options via an investment only platform operated by Fidelity (Policy number INVE/MLDB/100157). The investment options available have been designed, following advice from the Plan's Investment Adviser, with the specific needs of members in mind.

The funds have been structured as tailored portfolios and the Trustee retains the right to add, remove or replace fund managers within each of the tailored portfolios, as well as make changes to the asset allocation between the underlying funds, as and when required. The tailored portfolio structure ensures this is applied in an efficient manner for the benefit of all members invested in them.

These funds are formally rebalanced to the initial weightings on an annual basis. During the year the asset weighting of the funds within each portfolio are measured against tolerances agreed by the Trustee to ensure the funds are brought back to the expected allocations if they move beyond these tolerance thresholds. The rebalancing is monitored and executed by Fidelity.

Members are provided with information on each of the tailored portfolios through individual fund factsheets that are provided by Fidelity and updated on a quarterly basis.

Section 4: Defined Benefit and Defined Contribution Sections

Implementation

The Trustee has appointed an Investment Adviser. The Investment Adviser operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. The Investment Adviser is paid on a time cost basis for all the work it undertakes for the Plan although fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

In setting the Plan's investment strategy, including the default investment strategy of the DC Section of the Plan, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believes that in order to fulfil this commitment and to protect and enhance the value of the Plan's investments, it is important to act as a responsible steward of the assets in which the Plan invests.

Environmental, Social, and Governance considerations

The Trustee further acknowledges that an understanding of financially material considerations including environmental, social and corporate governance ('ESG') factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks. The Trustee has agreed the following set of belief statements in connection with ESG matters:

- Our fiduciary duty requires us to take all financially material risks into account, including ESG risks.
- Our fund managers should consider sustainability issues related to the companies they invest in, as doing so is likely to improve risk-adjusted returns in the long-term.
- We believe that our Investment Managers should integrate ESG factors into their investment process.

To this end, as part of their delegated responsibilities, the Trustee expects the Plan's Investment Managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision made by the Plan's fund managers should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- Trustee Directors will have periodic training on Responsible Investment to understand regulatory requirements and approaches to this area, and how ESG factors could impact the Plan's assets and liabilities.
- As part of ongoing monitoring of the Plan's Investment Managers, the Trustee will use ESG ratings information provided by its Investment Adviser, where relevant and available, to monitor the level of the Plan's Investment Managers' integration of ESG on a quarterly basis.
- Supported by its Investment Adviser, the Trustee has also undertaken a 'deep dive' review of their managers' responsible investment policies and approaches, and subsequently have engaged directly with a number of their fund managers on these areas.
- Regarding the risk that ESG factors negatively impact the value of investments held if not understood and evaluated properly; Trustee Directors have received training on these risks. Further, the Trustee will take advice from its Investment Adviser on this matter when setting the asset allocation for the Plan's Defined Benefit section and strategy for the Defined Contribution section, when selecting managers and when monitoring their performance.
- The Trustee will include ESG-related risks on the Plan's risk register as part of ongoing risk assessment and monitoring.

Stewardship - Voting and Engagement

The Trustee recognises the importance of its 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. The Trustee also recognises that these issues may be of particular interest to Plan members in the DC Section.

The Trustee regularly reviews the suitability of the Plan's appointed asset managers and takes advice from its Investment Adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager (where possible) and seek a more sustainable position but may ultimately look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Plan's asset managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its asset managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This information will be shared with members in the annual Engagement Policy Implementation Statement and DC Implementation Statement.

With regard to transparency over voting, the Trustee expects to receive reporting from its asset managers on voting actions and rationale for those votes, where relevant to the Plan, in particular, where: votes were cast against management; votes against management generally were significant (more than 20%) or votes were abstained.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an asset manager. The Trustee may engage on matters concerning an issuer of debt or equity, including its performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Alignment with wider corporate sustainability policies and practices

When setting their own policies, particularly in relation to stewardship and corporate sustainability, the Trustee has regard to the employer's policies on corporate sustainability. The Trustee will look to integrate their policies and practices with those of the employer, provided these do not cause a financial detriment to members.

The employer has stated that "Bank of America is committed to improving the environment in how we approach our global business strategy, work with partners, make our operations more sustainable, support our employees, manage risks and govern our activities". The Trustee therefore seeks to apply the same principle to its investment decision making.

Members' Views and Non-Financial Factors

Where members make an active decision to share their views with the Trustee on ethical matters, social and environmental impact matters and present and future quality of life matters (defined as "non-financial factors" under the 2018 Regulations) the Trustee will note and discuss any feedback received.

The Trustee has made available the Environmental, Social & Governance Global Equity Fund and the Shariah Fund for members of the DC Section of the Plan who would like to invest in funds with these specific considerations. The underlying funds that make up the default fund and other freestyle fund options should not apply personal ethical or moral judgements as the sole basis for an investment decision.

Governance

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

<table>
<tr><td colspan="2">Trustee
Monitor actual returns versus Plan investment objective.
Appoint and monitor Investment Advisers, fund managers and custodians.
Set structures and processes for carrying out its role.
Select and monitor planned asset allocation strategy.
Make ongoing decisions relevant to the operational principles of the Plan’s investment strategy.
Select and review direct investments (see below).
The Trustee has set up an administration and governance sub-committee to exercise powers in relation to the Plan's administration and governance, and an investment sub-committee to exercise powers in relation to monitoring and reviewing the Plan's investments and fund managers. The powers delegated by the Trustee are set out in respective terms of reference documents.</td></tr>
<tr><td>Investment Adviser
Advise on all aspects of the investment of the Plan assets, including implementation.
Advise on this statement.
Provide required training.</td><td>Fund Managers
Operate within the terms of this statement and their written contracts.
Select individual investments with regard to their suitability and diversification.
Advise Trustee on suitability of the indices in its benchmark.</td></tr>
</table>

Part of the Investment Adviser's role is to evaluate equity managers as to their stewardship capabilities. This evaluation is provided to the Trustee as part of the Investment Adviser's standard manager monitoring service.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee’s policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' DC contributions and AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries.
- Security.
- Quality.
- Liquidity.
- Profitability.
- Nature and duration of liabilities.
- Tradability on regulated markets.
- Diversification.
- Use of derivatives.

The Trustee's Investment Adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects its fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The majority of the Plan's fund managers are remunerated on an ad valorem fee basis. This means that the total fee is based on the total size of assets under management. Some of the Plan's property debt and private equity fund managers are remunerated on a performance-based fee scale. The level of remuneration paid to fund managers is reviewed at regular intervals by the Trustee against market rates in an effort to ensure the Plan and its members benefit from the lowest fees possible.

The Trustee monitors those investments used by the Plan on an annual basis to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies as set out in the Statement of Investment Principles, including those on non-financial matters.

This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its Investment Adviser.

The Trustee receives reporting and verbal updates from its adviser on various items including the investment strategy, performance, and longer-term positioning of the strategy. The Trustee focusses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and assesses the asset managers over the long-term.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with its policies. Where possible, the Trustee will seek to express its expectations to the asset managers to try to achieve greater alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers (and doing so by other means e.g. verbally or in writing at time of appointment), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment for all asset managers will be reviewed periodically.

The Trustee reviews its SIP at least every three years and immediately following any significant change in investment policy. The Trustee takes investment advice and consults with the sponsoring employer over any changes to the SIP.

Costs and transparency

The Trustee has engaged a third-party specialist to assist in collating data on the costs and charges incurred on the Plan's investment funds, as described in more detail below.

The Trustee believes it is important to understand the different costs and charges. For the DC Section, costs are borne by the members whilst costs incurred in respect of the DB Section are incurred by the DB Plan (and therefore ultimately paid for by the sponsoring employer). These costs include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER').
- investment platform costs.
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund.
- performance-based fees in respect of illiquid property debt and Private Equity mandates in the DB Section.

The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

Other costs of providing the DC Section of the Plan (e.g. administration and adviser costs) are not charged to members.

For the DC Section, the Trustee collects information on these member-borne costs and charges on an annual basis, where available, and sets these out in the Plan's Annual Chair's Statement regarding DC Governance (the 'Annual Chair's Statement'), which is made available to members in a publicly accessible location. The Trustee has engaged a specialist third-party provider to assist with collating this data.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its DC Investment Adviser to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement exercise.

It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate its asset managers.

The Trustee believes that active Investment Managers can add value, net of fees. It is therefore comfortable with the use of active funds in the DB Plan and the investment lifestyle options and freestyle range available to members in the DC Plan. Passive funds are also made available for those members who prefer low-cost solutions.

Dated: July 2021