Bank of America UK Retirement Plan

Statement of Investment Principles

September 2024

BANK OF AMERICA

Contents

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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'.

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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% p.a. basis, the value of the Plan's annuity policies was estimated to be c. £239m as at 30 June 2024, calculated using 31 December 2023 membership data and rolled forward to allow for changes in market conditions, benefit outgo, and expected changes to the membership profile to 30 June 2024. At 30 June 2024 this c. £239m valuation was out of total assets of c. £950m i.e. 25% of total assets. This percentage of total assets will vary over time.

<table>
<tr><th>Section / Asset Class</th><th>Target Weight (ex. buy-in) (%)</th><th>Benchmark</th><th>Performance Target (p.a)</th></tr>
<tr><td>Returns Section</td><td>5</td><td>Composite</td><td></td></tr>
<tr><td>Cash Plus</td><td>5</td><td></td><td></td></tr>
<tr><td>Unconstrained Bonds</td><td></td><td>SONIA</td><td>+4%</td></tr>
<tr><td>Protection Section</td><td>95</td><td>Composite</td><td></td></tr>
<tr><td>Absolute Return Bond Investments (ARBIs)</td><td rowspan="2">10</td><td>SONIA</td><td>+2%</td></tr>
<tr><td>Asset Backed Securities</td><td>SONIA</td><td>+2%</td></tr>
<tr><td>Investment Grade Credit</td><td>20</td><td>SONIA</td><td>+2%</td></tr>
<tr><td>Cash/Money Market</td><td rowspan="2">65</td><td>SONIA</td><td></td></tr>
<tr><td>LDI</td><td>Plan specific liability benchmark</td><td></td></tr>
</table>

- The Returns section consists of 'Cash Plus' mandates whose 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 agreed to remove the Plan's private equity, property debt, and property allocation as a means of lowering the overall risk profile of the Plan as well as increasing the liquidity of the Plan. This is being done in part to enable the Trustee to act quickly should they choose to purchase further annuity policies and better align the Plan’s assets with insurer assets.

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). This allocation is complemented by an Investment Grade Credit allocation which is also used to help hedge interest rate and inflation risks, derived from the Investment Grade Credit’s interest rate exposure within the portfolio. The exposure to credit within the portfolio targets a 2% return above SONIA.

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) as well as the risk appetite of both the employer and Trustees.
- 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 current funding position of the Plan.

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 if 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.
- The risk that the investment vehicles in which monies are invested underperform the expectations of the Trustee due to other external factors (e.g. environmental, social and governance factors, including climate change) over the short and long-term.

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 and investment grade credit mandates). 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, complemented by the investment grade credit allocation, 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 Adviser. 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 DC Section of the Plan comprise twenty Freestyle funds and two risk-differentiated Lifestyle options. The Trustee allows members to have simultaneous investments in both Freestyle and Lifestyle strategies.

The two Lifestyle options each have options aligned to the at retirement access choices of: Flexible, Annuity or Cash. The Cash option was discontinued as an option for new investments from June 2024. Members who were invested in the Cash option and in the Pre-retirement phase as at June 2024 remained in this option.

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 Target Retirement Date that can be pre-selected by the member, otherwise a default Target Retirement Date 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 Target Retirement Date, 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 risk adjusted 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.

Default Arrangement

The Trustee has chosen the Principal Lifestyle – Flexible option as the Plan's Default Arrangement. This is the option that has the most balanced approach to risk and return of the 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 flexibility in its design for members who are considering a combination of options or wish to choose alternative options such as annuity or cash at retirement.

Under regulatory definitions, the Money Market Fund is also a Default Arrangement. 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.
- The risk that the investment vehicles in which monies are invested underperform the expectations of the Trustee due to other external factors (e.g. environmental, social and governance factors, including climate change) over the short and long term.

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 DC 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 its performance targets.

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.

Cashflow rebalancing is in place to ensure these funds are weightings are maintained as closely to the benchmark weights as such cashflow rebalancing achieves. The funds have additional triggers, based on tolerances ranges expressed as a +/- percentage deemed appropriate for each underlying fund, to ensure the funds are brought back to the benchmark 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.

Illiquid Investments

The Trustee holds illiquid investments on behalf of DC members in the primary Default Arrangement, the Principal Lifestyle – Flexible option.

The illiquid investments are underlying holdings within wider pooled funds. Specifically, the Diversified Lifestyle Fund holds an underlying property fund with a specific objective to invest in illiquid holdings, namely physical property. The Fund also holds underlying diversified growth funds, which may allocate to illiquid holdings at the discretion of the underlying Investment Managers, and these allocations may increase or decrease over time. All underlying Investment Managers aim to hold a sufficient pool of assets to maintain liquidity in the fund. The Diversified Lifestyle Fund also holds a number of fully liquid underlying funds. The Trustee is comfortable that member liquidity can be maintained at the blended fund level, even if there is a specific underlying component that cannot provide liquidity when required.

The Diversified Lifestyle Fund is introduced in the later stages of the Default Arrangement. It is therefore only held by members invested in the Principal Lifestyle – Flexible option who are within 15 years of retirement. The Trustee believes that the fund, and the illiquid investments within it, provide diversification from the other key return drivers held by members at this stage of the Lifestyle.

Whilst the Trustee recognises that illiquid investments may be associated with higher costs, and liquidity risks, they nevertheless believe that the benefits of diversification and access to an illiquidity premium should benefit members in the long term. The Trustee also believes the underlying diversified growth fund managers within the Diversified Lifestyle Fund are best placed to use their discretion as to the appropriateness of holding illiquid investments within their funds at any particular time.

The Trustee would be willing to consider expanding its use of illiquid investments in the future. This is a consideration that would form part of any future review of investment strategy or selection of Investment Manager.

The Trustee does not currently hold any illiquid investments on behalf of DC members within the Plan's secondary Default Arrangement, the Money Market Fund.

The Trustee does not have any specific concerns with illiquid investments. However, the Trustee believes that the use of illiquid investments would not be appropriate within the Money Market Fund in particular, given full liquidity is a core objective of this fund.

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 DC Section's Default Arrangement, 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.
- The monitoring provided by the Investment Adviser also analyses metrics such as climate risk metrics and scenario modelling, carbon foot printing and diversity and inclusion analytics for the investments within the DB and DC Sections.
- 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 DB Section and strategy for the DC 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 delegates stewardship activities related to underlying investee companies, including the exercise of voting rights and engagement with said companies, to its appointed Investment Managers. The Trustee acknowledges that it is ultimately responsible for decisions taken by its appointed Investment Managers in relation to the stewardship of assets, including the casting of votes in line with each manager's individual voting policies.

The Trustee expects its managers, or other third parties, to use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

This includes voting, along with – where relevant and appropriate – engaging with underlying investee companies on ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest) to promote good corporate governance, accountability, and positive change.

Review of Stewardship Activities

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.

The Trustee reviews the stewardship activities of its incumbent Asset Managers on an annual basis, covering both engagement and voting actions to ensure the managers are acting in line with expectations, and therefore the members' best interests. With regard to transparency over voting, the Trustee requires 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. This information will be shared with members in the annual Implementation Statement.

The Trustee, with support from its Investment Adviser, will engage with its Asset Managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its stewardship policies, are being actioned.

If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will engage with the manager where possible, via different methods such as emails and meetings, to seek a more sustainable position but may ultimately look to replace the manager.

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.

Stewardship Priorities

The Trustee has identified three stewardship priorities for the Plan:

- Environmental issues.
- Social issues.
- Corporate governance issues.

These have been selected because the Trustee believes they have the potential to significantly impact the value of the Plan's investments and that consideration of them is likely to improve risk-adjusted returns in the long term. Therefore, it is in members' best interests to ensure there is active stewardship regarding the management of these risks.

Based on advice from its Investment Adviser, the Trustee has also identified focus areas within each priority that it deems to be key risks:

Stewardship Priority	Focus areas
Environmental issues	Climate change Biodiversity loss
Social issues	Human and labour rights Working conditions Employee/Board diversity
Corporate governance issues	Capital structure Remuneration

The Trustee keeps its relevant Investment Managers informed of its stewardship priorities and expectations, and levels scrutiny on its Investment Managers regarding how they are carrying out stewardship activities in relation to these priorities and focus areas. It is the expectation of the Trustee that the Scheme's Investment Managers will actively monitor for these risks within their investment portfolios and that they will provide transparency on engagement and voting actions with respect to mitigating these risks.

The Trustee will keep its stewardship priorities and corresponding focus areas under review and update these as required based on its understanding of the most material risks faced by the Plan and its beneficiaries.

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, and stewardship policies, including the selection of stewardship priorities.

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 Arrangement 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 the 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 Additional Voluntary Contributions (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 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: September 2024