

Trustee's Report

Implementation Statement

Implementation Statement – year to 31 December 2022

The Trustee of the Bank of America Pension Plan for UK Sterling Paid Employees (Military Banking Operation) ("the Plan") has prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to demonstrate how the Trustee has followed the policy on voting, stewardship and engagement as set out in the Plan's Statement of Investment Principles ("SIP"), dated September 2020. This statement covers the year to 31 December 2022.

The Trustee purchased a bulk annuity policy with Legal & General Assurance Society Limited ('LGAS') in December 2017 to secure full benefits for all Plan beneficiaries.

As Trustee of the Plan's assets, we are responsible for the selection of LGAS, however the Trustee has no other discretion or influence as to how monies are invested by the insurance provider. The day-to-day management of the investments (including the responsibility for voting and engaging with companies) is delegated to the insurance provider. LGAS invests in a portfolio of bonds and not equities, therefore they do not hold assets with voting rights.

The Plan currently invests the surplus assets in the Sterling Liquidity Fund, which is a pooled investment fund with Legal & General Investment Management ("LGIM"). The day-to-day management of this investment (including the responsibility for voting and engaging with companies) is delegated to LGIM.

As Trustee of the Plan's assets, we are responsible for the selection and retention of the Sterling Liquidity Fund. Reviewing the voting and engagement activities, which we include details on below, is an important exercise to help us ensure they remain appropriate and are consistent with LGIM's stated policies in this regard. We are satisfied with the voting and engagement activities of LGIM, and in particular, that LGIM are using their position as stakeholder to engage constructively with investee companies. However, we will engage with them should we have any concerns about the voting and/or engagement activities carried out on our behalf. The Trustee had no cause to challenge LGIM's voting and/or engagement activities during the year to 31 December 2022.

Voting and engagement

We are aware of the requirement on trustees to report on voting and engagement activities. These activities are delegated to LGAS and LGIM and we requested various items of information from LGAS and LGIM on these topics so that we could better understand the activities that they have been undertaking.

LGAS have been unable to provide any information to us regarding their engagement activities with the companies they lend to (via the bond-holdings). They have confirmed that it is their understanding that contracts of insurance, such as bulk annuities, individual insurance contracts, and other similar products, can be excluded and therefore have not provided any information.

The LGIM Sterling Liquidity Fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, LGIM's engagement activities are undertaken for all the companies that they hold, so they also engage with the companies whose bonds are held within this fund.

Implementation Statement (continued)

LGIM voting and engagement activities

The following information is based on the responses LGIM have provided in answer to our questions and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Ongoing dialogue with companies is a fundamental aspect of LGIM's commitment to responsible investment. Engagement will be triggered in a variety of ways, such as a regular catch-ups; analysis of responsible investment themes and voting issues; general knowledge of the company; or a media report.

We incorporate ESG assessments into our dialogue with companies, in order to push for real change and long-term sustainable value creation. Due to the size of our holdings and our constructive relationship with companies, our engagements tend to be with board directors.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Example of LGIM's engagement

Over the year to 31 December 2022, LGIM's investment stewardship team had engagements with 1,008 companies. 87% of engagements were in relation to environmental, social or governance issues. Banks are the primary provider of the assets within the Sterling Liquidity Fund. Below we provide an example, provided by LGIM, of their engagement activities with an investment bank.

NINETY ONE PLC

Date: 04/05/2022

Resolution: Approve Climate Strategy

Vote: Against

"A vote against was applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope one, two and material scope three GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal."

Outcome: 97.6% of the shareholders vote in favour of the resolution.

"LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote."