

**BANK OF AMERICA PENSION PLAN FOR UK STERLING PAID EMPLOYEES
(MILITARY BANKING OPERATION)**

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2023

1. INTRODUCTION

The Trustee of the Bank of America Pension Plan for UK Sterling Paid Employees (Military Banking Operation) (the 'Plan') has adopted this Statement of Investment Principles ('the Statement') to comply with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement replaces all previous Statements.

When making their investment decisions and reviewing this Statement, the Trustee obtained and considered the written advice of Cartwright Benefit Solutions Limited, whom the Trustee reasonably believes to be qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. Cartwright Benefit Solutions Limited is also authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustee.

Whilst the Trustee is solely responsible for the Plan's investment strategy, the Trustee consulted Bank of America N.A. (the 'Employer') on both the investment decisions taken by the Trustee and this Statement's content.

2. INVESTMENT OBJECTIVES

The primary investment objective of the Trustee is to ensure that the Plan will be able to pay all beneficiaries in full as and when their benefits fall due, taking into account the existing assets, the investment returns expected to be achieved, and the contributions from the Employer.

To increase the certainty of achieving the primary investment objective, the Trustee will aim to reduce the Plan's investment risk where possible and practical to do so, subject to still targeting sufficient investment returns. The level of investment risk will also be considered in the context of the ability and willingness of the Employer to support the investment risk being taken and the impact changes in financial market conditions may have on the Employer's future contribution requirements.

To achieve the objectives outlined above, the Trustee purchased a bulk annuity policy with Legal & General Assurance Society Limited ('LGAS') to secure full benefits for all Plan beneficiaries. The policy is currently in the Trustee's name. Once the membership data has been updated/cleansed, the bulk annuity policy will be split into individual member policies and re-assigned to each member. The Plan is in the process of being wound up.

The expected return on the bulk annuity policy is broadly in line with expected returns on long-dated UK government bonds, which given the nature of a bulk annuity policy is expected to be sufficient to pay all beneficiaries in full as and when their benefits fall due.

3. INVESTMENT STRATEGY

The Trustee's investment strategy for the Plan is to invest the majority of the Plans' assets in the bulk annuity policy with LGAS, with the residual assets invested in the Legal & General Investment Management Limited ('LGIM') Sterling Liquidity Fund. The Trustee also operates a bank account.

LGAS is authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority. LGIM is authorised and regulated by the Financial Conduct Authority.

A bulk annuity policy is an irrevocable contract with an insurance company, the payments from which aim to exactly match the agreed benefits to be paid to those members for as long as they (and their dependants) live. Purchasing a bulk annuity policy is the only practical way to secure all members' benefits and wind up the Plan without waiting 50+ years for the last pension to be paid to the last beneficiary.

The Trustee's cash flow policy until such time that the Plan is wound up will be to agree and accept payments from LGAS that match members' full benefits and pay those benefits to the relevant members. As the bulk annuity policy will cover all members' benefits in full, there should be an exact match between the benefits insured and the benefit outgo. To the extent that any further cash flow is required, investments/disinvestments will be made between the LGIM Sterling Liquidity Fund and the Trustee's bank account. This includes any cash flow related to the true-up payment to/from LGAS following the data update/cleanse.

4. RISK MEASUREMENT AND MANAGEMENT

The Trustee regularly reviews a wide range of risks to which the Plan is exposed and mitigates these risks where it is possible and practical to do so. The Trustee believes that the investment strategy adopted is consistent with the agreed risk management policy which is to ultimately remove all investment-related risks through the bulk annuity policy, which will be converted into individual annuity policies once the data update/cleanse has been completed.

However, until the data update/cleanse has been completed and the final true-up payment (if any) has been made, the Trustee will continue to be exposed to the Employer's covenant to the extent that a further Employer contribution is needed to secure all members' benefits in full.

The selection, retention and realisation of the investments underlying the bulk annuity policy is managed by LGAS in accordance with their obligations to their policyholders.

The Scheme's assets are invested on regulated markets which includes the bulk annuity as a qualifying insurance policy.

5. FEE STRUCTURES

LGAS' charges and profits are embedded within the premium paid for the bulk annuity policy.

Ongoing management fees for the LGIM Sterling Liquidity Fund are 0.1% p.a.

The investment adviser is paid on a time-cost or fixed fee basis, as agreed from time-to-time between the Trustee and the investment adviser, and paid from the Plan's assets.

6. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ('ESG')

The Trustee believes that their primary responsibility is to invest the Plan's assets for the longer-term financial best interests of the Plan's beneficiaries, as reflected by the Trustee's investment objectives (including the Plan's investment time horizon). The Trustee believes that ESG factors

(including climate change risks) can potentially have a material positive or negative financial impact on the Plan.

The Plan's investments are chosen to aim to achieve the Plan's strategic investment objectives, with consideration given to ESG factors over the Plan's investment time horizon when these investment choices are both made and reviewed from time-to-time.

The Plan's bulk annuity policy and the pooled LGIM Sterling Liquidity Fund were deliberately chosen to align with the Plan's strategic investment policies and objectives, in particular to meet the benefit payments and minimise risk. In addition, the fees applicable to the Sterling Liquidity Fund are taken into account to ensure that they are also consistent with the Plan's investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.

An important part of each investment fund's ability to invest sustainably is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance.

Given the nature of bulk annuities and that they cover all of the Scheme's members, it is not relevant for the Trustee to monitor metrics such as investment time horizon and portfolio turnover costs. The key investment objective for the bulk annuity policy is to pay the agreed member benefits at the right time, supported by: the insurers' capital reserves, the UK insurance regulatory regime, and the Financial Services Compensation Scheme.

Due to the Trustee's use of a bulk annuity policy and a pooled sterling liquidity fund, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are, ultimately, delegated to each provider and may differ depending on the objectives of each policy/fund and the managers' own policies in this regard.

The Trustee periodically obtains and reviews the relevant ESG and Stewardship policy documents for each pooled investment fund in which they are invested. When relevant, the Trustee will challenge the investment manager on their policies. Should the Trustee be dissatisfied with the response, they will take the approach that is believed to be in the best interests of the Plan's beneficiaries. In the case of the bulk annuity policy, this is likely to involve further engagement with the provider and in the case of the other assets may extend to disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustee's expectations with regard to ESG and Stewardship policy.

The Trustee does not explicitly take into account the views of the Plan's beneficiaries, including (but not limited to) ethical views and views in relation to the social and environmental impact and present and future quality of life of the Plan's beneficiaries.

7. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Some members have obtained further benefits by paying Additional Voluntary Contributions ("AVCs") which are now held with LGAS. The AVC facility no longer accepts new contributions.

8. FUTURE REVIEW

The Trustee will review this Statement:-

- (a) At least every three years, and
- (b) Without delay after any significant change in investment policy.

Any such review will be based on written investment advice from someone whom the Trustee reasonably believes to be qualified by his or her ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. The Employer will also be consulted.

For and on behalf of the Trustee of the Bank of America Pension Plan for
UK Sterling Paid Employees (Military Banking Operation)

September 2023