

Second Party Opinion

Bank Of America Corp. ESG-Themed Issuance Framework

Nov. 17, 2021

Bank of America Corp. is a diversified financial services company operating across the U.S., its territories, and approximately 35 countries globally. The company provides a diverse range of banking and nonbank services and products to individual consumers, small and midsize enterprises (SMEs), large corporations, institutional investors, and governments through its four business segments: Consumer Banking, Global Wealth and Investment Management, Global Banking, and Global Markets. The bank is the second largest in the U.S. and considered a Global Systemically Important Bank (GSIB).

In our view, Bank of America's ESG-Themed Issuance Framework, published in November 2021, is aligned with:

- ✓ Green Bond Principles, ICMA, 2021
- ✓ Social Bond Principles, ICMA, 2021
- ✓ Sustainability Bond Guidelines ICMA, 2021

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Issuer's Sustainability Objectives


Bank of America's "responsible growth" strategy is driven by its focus on sustainable finance, which has two main pillars: "environmental transition" and "inclusive development". Under its environmental transition pillar, the company aims to address climate change and promote a circular economy by investing in areas such as renewable energy, energy efficient solutions, clean transportation, water and sanitation, sustainable agriculture, and carbon capture and sequestration. Its inclusive development pillar is focused on developing communities, increasing access to essential services such as affordable housing, health care, and education, fostering economic mobility, and promoting racial and gender equality.

Recently, the bank has taken additional steps to align its corporate strategy with its sustainability goals. These include the announcement in 2021 of a \$1.5 trillion 10-year sustainable finance goal, to accelerate the transition to a low-carbon economy and promote socially inclusive development, as well as a commitment to invest \$1.25 billion over the next five years to help local communities address economic and racial inequality accelerated by the COVID-19 pandemic.

Moreover, the bank has been an active player in the ESG capital markets, issuing \$9.85 billion in green, social, and sustainability bonds since 2013. Bank of America has created its ESG-Themed Issuance Framework as a part of its broader sustainability strategy. The framework serves as a guide for future issuances to fund eligible assets that will help meet its sustainability objectives.

Second Party Opinion Summary


Use of proceeds

Alignment  Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Score Not aligned Satisfactory **Strong** Advanced

Bank of America commits to using an amount equal to the net proceeds of securities issued pursuant to the framework to exclusively finance/refinance eligible green and social assets. The bank provides a clear description of the eligible assets and identifies the relevant sustainability objective(s) associated with each category.


Process for project evaluation and selection

Alignment  Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Score Not aligned **Satisfactory** Strong Advanced


Bank of America's framework clearly outlines its process to select and approve eligible green and social assets. All eligible assets are evaluated by representatives of the company's Global Enterprise Environmental, Social, and Governance (ESG) group and Global Sustainable Finance group. All assets must adhere to the bank's Environmental and Social Risk Policy Framework, which aims to identify and mitigate environmental and social risks.

Management of proceeds

Alignment  Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Bank of America commits to track the proceeds allocated to eligible green and social assets for the life of the outstanding securities. Unallocated proceeds will be managed in line with the company's normal liquidity practices.

Reporting

Alignment  Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Score Not aligned Satisfactory **Strong** Advanced

Bank of America commits to report on the allocation of proceeds across eligible assets annually, if any ESG-themed issuance remains outstanding. The bank also commits to disclose environmental and social performance indicators for all eligible assets, where feasible, as well as the methodology and key assumptions used to calculate the metrics. Allocation and impact reporting will be publicly available on the issuer's website.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as satisfactory, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.



Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Satisfactory

Strong

Advanced

We consider Bank of America's overall use of proceeds commitments to be strong.

Bank of America commits to using an amount equal to the net proceeds of financing securities issued under the framework to exclusively finance/refinance eligible green and social assets. The bank commits to a 24-month lookback period for refinanced assets, which we consider to be in line with best market practice and commits to disclosing the proportion of funds used for financing versus refinancing as recommended by the Principles.

Green assets are directly linked to environmental sustainability objectives and aligned with eligible categories such as renewable energy generation from wind, solar, geothermal, hydro and biomass, and production of green hydrogen, energy efficiency (energy efficient equipment and construction materials, assets that reduce transmission losses and improve transmission efficiency, and digital controls and sensors), clean transportation (electric vehicles and associated infrastructure, and sustainable aviation fuel), sustainable water and wastewater management (to improve water quality, water efficiency, and climate change resilience), green buildings (which meet stringent third-party certifications or have performance in the top 15% of their geographic region), and carbon capture, including carbon capture and storage and production of blue hydrogen using fossil fuel energy sources with carbon capture and storage.

Bank of America has also identified the sustainability objectives of its eligible social assets, for which it has defined specific target populations including individuals and communities that are considered low income, located in disadvantaged regions, or underserved. The asset categories include access to health care, education, and affordable housing.

Bank of America's social and sustainability issuances may also include an "Equality Progress" label. These aim to advance equality and economic opportunity specifically for people of color or women. The bank identifies the target populations for this label via borrower/investee self-identification, geographic community data (e.g. based on U.S. census tract data), the asset's purpose or intention to predominantly serve the target populations, or established business certification schemes or definitions (i.e. Federal Deposit Insurance Corp. and/or Office of the Comptroller of the Currency maintained list of Minority Depository Institutions [MDIs] and/or Women's Depository Institutions [WDIs] which have also been certified by the U.S. Department of Treasury as Community Development Financial Institution). Eligible equality progress social categories include affordable housing, socioeconomic advancement and empowerment, and access to health care. Socioeconomic advancement and empowerment assets include investments that expand access to capital for medical professionals, minority/women-owned businesses, MDIs and WDIs, and venture capital and private equity funds that focus on investing in minority/women-owned businesses.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as satisfactory, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.



Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Second Party Opinion

Commitments score

Not aligned

Satisfactory

Strong

Advanced

We consider Bank of America's overall process for project selection and evaluation commitments to be satisfactory.

Bank of America's framework clearly outlines its process to select and approve eligible green and social assets. All assets are evaluated by representatives of Bank of America's ESG and Global Sustainable Finance groups, which work with relevant business lines across the company to select assets that meet the eligibility criteria outlined in the framework and demonstrate a positive environmental or social impact. The ESG and Global Sustainable Finance groups, together with the Corporate Treasury group, make the proceeds allocation recommendations. The allocation is then reviewed and finalized by the appropriate Bank of America officers.

The bank's eligibility criteria are well defined, and most categories include additional criteria such as efficiency thresholds, or the use of third-party certification systems. For example, all affordable housing assets must qualify under the Community Reinvestment Act, Low Income Housing Tax Credit, or other national/regional affordable housing standards to receive funding. Additionally, the bank's framework includes exclusion criteria for all categories.

Moreover, Bank of America's Environmental and Social Risk Policy Framework, which applies to all lines of business, provides clarity and transparency around how the company approaches environmental and social risks. If risks are identified, client relationships or transactions may require enhanced due diligence involving engagement with internal and external stakeholders to ensure risks are adequately identified, measured, and subject to mitigating actions or in some cases, no longer pursued.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Bank of America commits to tracking funds allocated to eligible green and social assets for the life of the outstanding securities through its internal systems. The issuer expects to allocate an amount equal to the net proceeds raised from each ESG-themed issuance to eligible assets within 24 months of the issue date, which we view to be in line with best market practice. Furthermore, Bank of America commits to reallocate proceeds to new eligible assets, on a best-efforts basis, if the original assets are prepaid or mature.

Bank of America will manage unallocated proceeds in line with its normal liquidity practices. This includes investments in overnight and/or other high quality financing instruments or reductions, redemptions, repayments, or repurchases of outstanding indebtedness. However, in our view, the use of unallocated proceeds for debt repayment is not best practice.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Bank of America's ESG-Themed Issuance Framework is aligned with this component of the Principles.

Disclosure score

Not aligned

Satisfactory

Strong

Advanced

Second Party Opinion

We consider Bank of America's overall reporting practices to be strong.

Bank of America has committed to reporting annually on the allocation of proceeds if any ESG-themed issuance remains outstanding. Allocation reporting, which will be done using a bond-by-bond approach, will include the amount allocated to each eligible asset category and the balance of unallocated proceeds. The allocation report will also be accompanied by assertions from Bank of America management on the amounts allocated to each eligible category and an independent third-party review of management assertions with respect to these allocations.









A strong feature of the framework, in our view, is the issuer's commitment to publicly report, where feasible, selected environmental and social key performance indicators in line with the ICMA Harmonized Framework for Impact Reporting. In addition, the key performance indicators that may be disclosed for environmental and social assets demonstrate the assets' actual impact, for example annual greenhouse gas emissions reduced or avoided, reduction in water use, or number of health care facilities built or refurbished. Bank of America seeks to report social impact metrics by target population and disclose the methodology and key assumptions used to calculate each environmental and social metric. Where feasible, the bank will also include case studies on individual investments. However, there is no commitment for external review of the asset impacts.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Bank of America's ESG-Themed Issuance Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs	
Green		
Renewable Energy		
	*7. Affordable and clean energy	*9. Industry, innovation and infrastructure
Energy Efficiency		
	*9. Industry, innovation and infrastructure	11. Sustainable cities and communities
Clean Transportation		
	9. Industry, innovation and infrastructure	*11. Sustainable cities and communities
Sustainable Water and Wastewater Management		
	*6. Clean water and sanitation	*12. Responsible consumption and production

Green Buildings



***11. Sustainable cities and communities**

§Carbon Capture



9. Industry, innovation and infrastructure

Social

Access to Essential Services - Health



***3. Good health and well-being**

Access to Essential Services - Education



***4. Quality education**

Affordable Housing



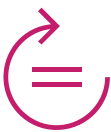
***11. Sustainable cities and communities**

Equality Progress Social

Affordable Housing



5. Gender equality



10. Reduced inequalities



*11. Sustainable cities and communities

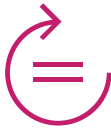
Socioeconomic Advancement and Empowerment



*5. Gender equality



*8. Decent work and economic growth



*10. Reduced inequalities

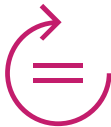
Access to Essential Services - Health



*3. Good health and well-being



5. Gender equality



*10. Reduced inequalities

*The eligible project categories link to these SDGs in the ICMA mapping.
§Carbon capture is not a distinct project category in the Principles and in the ICMA mapping.

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