

**TRANSCRIPT**

Title of Meeting: Bank of America 2021 Global Liquidity Speaker Series  
*Building a sustainable future – the growing focus on ESG*

Date: 27APR21

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Coordinator Good day and welcome to the 2021 Global Liquidity Speaker Series titled “Building a Sustainable Future as a Growing Focus on ESG.” My name is Esther and I am your event manager. During the presentation your lines will remain on listen-only. I would like to advise that this conference is being recorded.

And with that, let me hand it over to our host. Please go ahead.

Amy Thank you. Hello. My name is Amy Watson, a Global Liquidity Solutions Specialist in Global Transaction Services at Bank of America, and I’m delighted to be hosting this session today on ESG.

I’m looking forward to an interesting discussion alongside guest speakers Henrik Lang, Managing Director and Head of Global Liquidity and Global Transaction Services; and Ashwani Chowdary, ESG Program Director in the Global Environmental Group at Bank of America.

As companies increasingly seek ways to have a positive impact environmentally, socially, and ethically, drawing attention to ESG-oriented investment opportunities, we will discuss today the concept, evolution, and trends of ESG in the corporate environment. But what is ESG? ESG stands for environmental, social, and governance. Environmental, relating to how the business performs as [i ndiscernible - 36:40]. We often hear this also referred to as being green. Social being a firm’s relationship with or ethical impact on society, including employees, suppliers, clients, etc. And governance, covering for example, an organization’s leadership, audit and internal processes or controls.

Today, it’s certainly apparent that ESG compliance is becoming increasingly important for a number of reasons, as the effects of climate change are progressively felt and accepted, as we look to sustainably rebuild society following the pandemic, and as demand grows for company policies that result in performance led by purpose, to give a few examples. Ashwani, it would be great to hear from you what ESG means from a Bank of America perspective.

Ashwani Thanks, Amy, and thanks, everyone, for joining today. For us at Bank of America ESG is really a core part of our responsible growth strategy, to be able to deliver for our customers, our employees, our shareholders, as well as our community and the broader society in which we operate. So for us, that means that in order for our own company to be sustainable and to grow, we have to focus on the needs of this broader set of stakeholders. This is becoming increasingly known as a concept called stakeholder capitalism, which many companies and CEOs are adopting, and you’re probably hearing about as you read about ESG.

So for us, sustainable finance is one of the ways that we’re embedding ESG across the enterprise. As part of a series of business goals that we’ve had for the past 15 years or so we just recently announced a new ten year, \$1.5 trillion goal to mobilize and deploy capital towards environmental transition, so addressing climate

change, as Amy just mentioned, as well as inclusive development. And that activity is all aligned with the sustainable development goals.

We recognize two of the biggest challenges as a society that we face today are climate change as well as inequality, and so addressing both of these has been a priority of ours for years. So that's one of the ways we're kind of operationalizing ESG at the bank.

Amy Oh that's great to hear about some of the impacts on work going on. Over the years I think we've really seen a lot of development in the market, since ESG was essentially conceptualized. Ashwani, could you give us some insight as to how ESG has evolved and what some of the key milestones have been?

Ashwani Sure. Yes, so if you go back maybe a decade or so, even farther back, the initial focus really for companies was on corporate social responsibility. So it was a little more localized and thinking about philanthropy, volunteerism, supporting local community institutions like arts or supporting arts and culture, all of which is still very important, but it has evolved into the broader stakeholder approach that I mentioned.

ESG is really about taking into account and managing the opportunities and the risks from an environmental and social perspective that could be associated with all of those stakeholders. So it could be thinking about human rights issues within your value chain, the affordability of your products, diversity and inclusion, both internally as well as externally. And then similarly, you've seen this growth in investment in ESG assets and the growth of the products to be able to meet that demand.

I think a turning point was—I mean, there have been several, but one key milestone I think was in 2013 when the Green Bond Principles were published. This gave a market standard for how a company should issue a green bond and what are the eligible agreed-upon criteria for what would qualify as a green asset or a green investment, and so that lent a lot of credibility and comfort to investors to be able to invest in these bonds.

And so you really started to see that market kind of take off after the Green Bond Principles were published. At the bank we've issued five green bonds of our own, two social bonds, and we just issued a sustainability bond as well last year, so we're definitely supporting the market in that way as well as underwriting on behalf of our clients.

So along with green bonds, then came social bonds, and the social bond principles which outlined the various kinds of social activities, whether it's affordable housing or access to healthcare and education. Again, that companies could use these proceeds to invest in those types of products. And you're seeing now sustainability bonds, sustainability linked loans in bonds as well, so there are all of these products and opportunities for investors to access.

And then of course now we have sustainability deposits, and I don't know, Henrik, if you wanted to touch upon that a little bit?

Henrik Yes. I just wanted to agree with Ashwani. We're definitely seeing what really started on the green finance and the sustainable finance front really take hold in the corporate treasury world as well, not just on the financing side but also going into either digital strategies, into trade finance, particularly as sustainable trade finance and also in the liquidity space.

Amy Thanks for that. Yes, it's really useful, and based on a kind of evolution. I think we're also seeing a lot of developments in the regulatory aspect. Ashwani, would you be able to talk about the possible impact of any new regulations?

Ashwani Sure. Yes, things started in terms of regulation in Europe, I think with the EU taxonomy that was published last year, and that's really designed to align a company's activities with the goals of the Paris Climate Accord to achieve certain temperature alignments in order to address climate change. And the EU taxonomy is one strategy in regulation that's attempting to do that; I know there's other regulations in Europe and in other jurisdictions as well.

Here in the US, with the change of administration we're starting to see a lot more focus on regulatory policy

mechanisms that will encourage investment in low carbon technologies, and we're also seeing lots of countries make net zero commitments. The US made a commitment last week as part of the president's climate summit, I think 50 or 70 countries have made these types of commitments, and what's going to come next are the policy and regulatory mechanisms in order to be able to encourage and incentivize industries to be able to achieve those goals.

Amy Yes, so there's definitely I think a lot more focus on ESG from a market perspective. Henrik, I know that your team works a lot with companies of all sizes. What are we seeing corporates doing in relation to ESG, and how are they looking to invest in the ESG agenda?

Henrik Good question, Amy, and again, thank you for having me on this call today. We're seeing a lot more corporates approaching ESG strategically. Dependent on the size of the company, increasingly there is board level oversight of ESG objectives and ESG metrics oftentimes.

We also see that ESG is getting integrated throughout the entire organization. And what do I mean by that? That could be policies. That could be corporate goals and objectives that incorporate all of those ESG compliance measures that the corporation has as an objective. It could relate to, for example, bringing this closer to the transaction services side of the business. It could be related to how they set financing terms for suppliers. It could be offering maybe more preferential financing terms for certain suppliers. For example, if they are mining suppliers, forest service suppliers that meet certain ESG criteria. It could—I don't know—lead to having specific guidelines within the [audio drops - 47:03] policy the company is operating under, allocating certain portions of their investments to ESG-friendly tech investment options.

So again, it takes all sorts of shapes and sizes. I've seen, for example, vendor selection criteria incorporating ESG-specific questions. In fact, when we work together with our clients, you often see requests for a proposal include several questions asking about how Bank of America is approaching ESG and what the ethos around ESG is within the firm.

Again, depending on the size of the company, it does take different shapes and different forms. But one thing is consistent, which is it's pretty much across the board now, a mainstream discussion topic with our corporate clients.

Amy Yes. Definitely things very important for companies to set a clear approach or goal. So in that process what would be the key considerations when they're creating an ESG strategy?

Henrik Right. This could include many different things. For example, corporates typically have an enterprise level ESG strategy defined, and then the various businesses and departments would be asked to contribute to those corporate level ESG causes. Where I spend most of my time is speaking with treasurers and CFOs of corporations, so I often get the question, "Okay, Henrik, we have our own corporate enterprise ESG policy here as a company. I'm being asked by the board or by the CFO how my treasury or finance operation can contribute to those ESG goals."

And then what we typically do, together with thoughts from Ashwani's team, for example, is sit down with corporate and then really try and dissect their own corporate ESG goals, and we're trying to align with our goals. For example, if they have specific goals around how much they would like to invest in—I don't know—an environmental project, then we can structure or help them come up with solutions to, for example, move away from paper and leverage more electronics or digital services.

We could also help them get more exposure to environmental type assets or investments. Or if they have, again, the objective of investing with minority depository institutions or if they would like to support minority suppliers, as I mentioned, we also have different layered solutions that we can help the treasurers achieve those goals.

It's very important, and I don't know, maybe Ashwani would like to just touch on that briefly, that ESG disclosures are also becoming a hot topic, and dependent on the jurisdiction there are different approaches. But I think across the board we're seeing many, many corporates making public disclosures with regard to their progress on ESG. So I think all of these initiatives are ultimately leading to the enterprise level regular

ESG disclosures that they often publish on their website and make available to investors.

Amy Thanks, Henrik. And yes, Ashwani, it would be great to hear your views on that as well.

Ashwani Sure. Yes. There are a number of different voluntary ESG disclosure frameworks out there. There's a Global Reporting Initiative, the Sustainability Accounting Standards Board. There are some that are more specifically focused on climate, like the Task Force on Climate-Related Financial Disclosures and CDP as well. And these are all great, and they definitely help companies to be able to structure and identify what are the key indicators that they should be measuring and managing and disclosing. I think there is this move to convergence of all of these different reporting frameworks because there's a recognition that there are quite a few out there and they might be causing some confusion amongst various stakeholders that look for this information. So there is this movement right now towards convergence of these different standards.

And then I think there are various entities, like the IFRS, that have stated their intention to create a sustainability standards board, so that we could be moving toward more of a mandated type of a disclosure, which is a direction I think in terms of integrating ESG and looking at the financial disclosures that companies are required to provide, and then layering that in integrating into various sustainability disclosures.

And then you're seeing in the US the SEC has also issued a consultation, they have a feedback period that's going on right now to get input on what types of disclosures and what the approach should be. So a lot of companies are engaging in that process as well.

So there's definitely been a lot of movement on the disclosure front. And I think we'll continue to see some convergence and possibly mandated disclosure sometime in the future.

Amy Yes. I think the market seems to definitely have taken note of the increasing requirements and variety of methods, and which companies can utilize to assist in contributing to their ESG goals. Ashwani, you touched earlier, but what are the types of products and tools available that companies can use in this respect?

Ashwani I think in terms of determining your goals, what a lot of companies are focusing on are the sustainable development goals because that really was developed with the input of governments, of the NGO, civil society, as well as the corporate sector in terms of these are the 17 global challenges that the world faces. And these are the goals and the various targets that we need to achieve in order to address those goals. So it provides a good sustainable framework for companies to look at and to be able to align their own objectives and their goals towards.

I think also, to Henrik's point earlier, it's looking at your own business activity and your own core values and what are the issues as a company that you would like that most integrate and align with your business and that you'd like to address? And establishing goals around those.

Amy Thanks for that. Henrik, when thinking about the various different options for investment, we touched on the sustainability deposit earlier, but how do you think the ESG deposit offerings fit into a corporate's approach to liquidity or cash management?

Henrik Yes, good question. We actually spend a lot of time with our clients talking about how they can incorporate ESG within their own liquidity strategy. There are a number of solutions available that are readily accessible to corporates. There are various off balance sheet or money market fund type solutions, either in the fixed NAV or in the floating net asset value space that allow corporates to invest in ESG-friendly money market funds.

There are also solutions that are available that banks offer. In fact, we are currently working on a new solution that will be available next month where clients can benefit from having exposure to the Bank of America sustainable asset portfolio, and we have a very broad portfolio of sustainable assets across education, affordable housing, health, economic inclusion, energy efficiency, renewable energy, and a whole range of sustainable development goal-aligned assets.

And that's another way for corporates to reallocate all of their cash or excess cash to ESG-friendly quarters.

And as we know, currently many of the corporate clients are running high cash positions on their balance sheet, so we're definitely getting more and more inquiries about that and having more conversations with clients.

One of the things that we thought about when we were designing or coming up with ideas for corporates, is we really wanted to come up with a solution that allows corporates to maintain access to liquidity. We think it's very important, especially given the current volatility and dynamic macro-environment, so the solution we have is for sustainability deposits that allows clients to invest or take money out of those accounts just as they would from their normal operating accounts, there's no restriction on taking money out, or there are no term commitments that they need to make. And that's again based on data feedback from our corporate clients.

The other important point was that increasingly hearing our clients wanting to have exposure, not just to green or environmentally focused assets, but they're looking at having a broader basket of SDGs that they would like exposure to. What do I mean by that? Because the assets that these deposits get allocated to go well beyond just the environmental space. As I mentioned, there are categories in there around education, affordable housing, health, economic inclusion, and especially given some of the events last year, we feel like there is an increasing sensitivity to the social aspect of that.

So it was very important for us to also recognize and include asset classes in this product that will satisfy clients' desire to get access to, not just environmental or green initiatives but also to use their all-cash to help social initiatives as well.

Amy Thanks, Henrik. Yes, that sounds like a really good opportunity for clients to put their short-term funds. Ashwani, would you have any final closing comments on what the future of ESG looks like before we close the call in a couple of minutes?

Ashwani Sure. Yes, I think that as more plans and more details are issued from, as we talked about earlier, various governments around their net zero goals, from companies that have issued their goals as well, and then I think this focus on inequality, I mean, there's a convergence between those two issues. But I think that you're going to see more companies focus on these areas and build programs and policies to address these issues, and you're going to see more government action and incentives to help companies achieve these goals.

And I think, again, the Sustainable Development Goals are a good framework for that, but I just think we're going to see a lot more activity in this space going forward.

Amy Yes. Thanks so much for that, and thanks for joining the call today. And then just back to Henrik for any closing comments.

Henrik Yes. Thank you, Amy, and thanks, Ashwani, for the very thoughtful comments. I would just want to say that one of the reasons why I'm passionate about ESG, especially when it comes to delivering solutions for our clients in this space, because we recognize how our efforts can really amplify if they start delivering solutions to our clients, right? So rather than just focusing on it ourselves, it really becomes a very powerful initiative if we can deliver solutions to our clients and we can help them and empower them to turn their own treasury departments into more sustainable operations. So that's why I think it's important that clients and bank providers work together to focus on these initiatives.

We have [indiscernible - 61:49], again, as you heard from Ashwani, internally, so I'd just encourage everybody on the call to reach out either to your country [ph.] sales offices, or to Amy, to myself if you would like to have a discussion about your own corporate ESG goals. And if you just need some advice in that respect or if you would like to talk about the various solutions that we have, not just within our global transaction services business, but really across our global banking and markets businesses, we have a whole range of interesting solutions that might help you run a more sustainable business.

So with that, I'll pass it back to Amy. Thank you.

Amy Thank you, Henrik. And thanks again, Ashwani, for your time today. And thank you to everyone for joining

the call. This is the end of the session, so we'll close now. Thanks.

Coordinator

Thank you very much. That concludes your conference call for today. You may now disconnect. Thanks for joining and have a very nice rest of the day.

*[END OF CALL]*

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