S&P Global
Ratings

Powered by **Shades of Green**

Second Party Opinion

Bank of America Corp.'s Sustainable Issuance Framework

Sept. 5, 2024

Primary contact

Erin Boeke Burke
New York
+1-212-438-1515
erin.boeke-burke
@spglobal.com

Location: United States	**Sector:** Financial Services

Alignment With Principles

Aligned = ✓ Conceptually aligned = O Not aligned = ✕

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Social Bond Principles, ICMA, 2023

✓ Sustainability Bond Guidelines ICMA, 2021

See Alignment Assessment for more detail.

Strengths

Bank of America Corp. (BAC) established a net-zero strategy and goal to mobilize and deploy $1.5 trillion by 2030 to accelerate the low-carbon transition and support other U.N. Sustainable Development Goals (SDGs). The bank set 2030 reduction targets that address its scope 1, 2, and 3 emissions, including targets for financing activities within certain sectors.

Most social projects in the framework are governed by regulatory frameworks, which increases comparability to other sustainable financing. The target populations are well defined, and in our view, regulations also help projects address the targeted social risks.

The exclusion list laid out in BAC's policies, along with additional consideration in due diligence for certain sectors, minimize the risk of emissions lock-in and financing activities that are not consistent with a low-carbon, climate-resilient (LCCR) future.

Weaknesses

No weaknesses to report.

Areas to watch

Broad eligibility criteria and limited quantitative thresholds may lead to selecting projects with uneven impact. The framework references thresholds for certain project categories, but not consistently across categories.

Funding or investments may indirectly support carbon-intensive or transition activities. For example, funding for certain projects, such heating, ventilation, and air conditioning (HVAC) and transport of sustainable fuel and biomass, may still involve fossil fuels.

Eligible Green Projects Assessment Summary

Eligible projects under issuer's sustainable issuance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.

Renewable Energy	**Dark to Medium green**
Renewable energy generation	
Equipment, technology, and infrastructure dedicated to the storage, transmission, or distribution of electricity from renewable energy generation	

Energy Efficiency	**Light green**
Energy efficient HVAC, lighting and other equipment/construction materials that result in at least 20% energy savings	
Projects that reduce transmission losses and improvements to transmission efficiency, including smart grids, battery technology, and demand response	
Digital controls and sensors for efficient energy management, including smart meters, load control systems, and other building information systems	

Clean Transportation	**Dark to Medium green**
Zero direct emissions vehicles, including cars, trucks, and buses	
Rolling stock, charging stations, and other infrastructure and equipment dedicated to electrified passenger transport	

Sustainable Water and Wastewater Management	**Light green**
Collection, treatment, recycling, or reuse of water or wastewater	
Infrastructure to increase water efficiency that results in at least 20% water savings	
Flood prevention, flood defense, or stormwater management	

Green Buildings	**Light green**
Financing for and investments in new or existing industrial, commercial, or residential buildings that have been or intend to be certified according to third-party verified green building standards	

Pollution Prevention and Control	**Medium to Light green**
Financing for and investments in facilities, systems or equipment that collect, sort, treat, recycle, or reuse waste, hazardous waste, or contaminated soil	

Financing for and investments in facilities, systems or equipment related to carbon capture and storage

Sustainable Fuels	**Medium to Light green**
Hydrogen and ammonia produced from renewable energy generation sources	
Renewable natural gas produced from waste biomass	
Sustainable aviation fuel and/or other biofuels that achieve a minimum 50% reduction in life-cycle greenhouse gas emissions compared to conventional fuel	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Bank of America Corp. (BAC) is a diversified financial services company operating across the U.S., its territories, and more than 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).

Material Sustainability Factors

Climate transition risk

Banks are highly exposed to climate transition risk as they finance economic activities, which affect the environment. Banks' direct environmental impact is small compared to financed emissions and stems mainly from power consumption (e.g. data centers). Policies and rules to reduce emissions could raise credit, legal, and reputational risks for banks with large exposures to high-emitting sectors, such as oil and gas, metals and mining, real estate, or transportation. These medium- to long-term risks are sizeable and will be proportional to the impact of climate change on the economy. Positively, financing the climate transition offers a growth avenue for banks through lending, debt structuring, and other capital market activities. The U.S. has committed to net zero emissions by 2050, along with a 2030 target to reduce emissions 50%–52% below 2005 levels. Globally, other major economies, too, have committed to net zero emission targets and implemented laws and policies to achieve those.

Physical climate risk

Physical climate risks will hinder many economic activities as climate change increases the frequency and severity of extreme weather events. Banks finance a wide array of business sectors exposed to physical climate risks, exposing banks through their financing activities. However, while climate change is a global issue, weather-related events are typically localized, so the magnitude of banks' exposure is linked to the geographical location of the activities and assets they finance. Similarly, banks' physical footprint (e.g. branches or ATMs) may also be exposed to physical risks, which may disrupt their ability to service clients during a natural catastrophe, amplifying the effect on communities. Banks may mitigate the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as investing in solutions that support business continuity in exposed geographies.

Access and affordability

The large effect banks have on society and the economy stems from their role in enabling access to financial services to individuals and businesses, as well as ensuring payment systems function, which are cornerstones of economic development and stability. In most countries, unbanked and underserved population segments are still meaningful, although the access gap is most acute in emerging economies. Market imperfections, such as low competition, incomplete information, and lack of financial literacy, often result in costly alternatives for small businesses and low-income populations, so ensuring affordable access to financial services, especially to the most vulnerable, remains a challenge for the banking industry. New technologies will, however, increasingly enable banks to close this gap through cost efficiencies and product innovation. While structural issues, such as poverty and lack of financial literacy, partly limit access to financial services, banks have large opportunities to support economic development through financial inclusion.

Biodiversity and resource use

Banks contribute to significant resource use and biodiversity impact through the activities they fund or invest in. For example, the construction sector--a major recipient of bank financing--is a large consumer of raw materials such as steel and cement. Similarly, bank-financed agricultural activities can impact biodiversity. Environmental risks around greenfield development, which requires clearing land, remain an important consideration for banks as they present potential disruption to natural ecosystems. Such projects should be carefully assessed to determine if biodiversity risks have been properly managed and negative impacts mitigated.

Issuer And Context Analysis

Most green project categories in the framework aim to address climate transition, and social project categories contribute to access and affordability, which are material sustainability factors for the bank. These projects advance the company's sustainability strategy. BAC set a goal to mobilize and deploy $1.5 trillion by 2030 to help accelerate the low-carbon transition and support other U.N. SDGs. So far, BAC has mobilized $560 billion toward sustainable activities, with more than 50% of the financing directed toward climate transition. As a global financier, BAC can support climate transition, social and financial inclusion, and equitable access to essential services.

BAC's sustainability strategy is primarily built around access to essential services and infrastructure, affordability, and the transition to cleaner-energy economy. The bank has adopted an environmental and social risk policy, with processes to identify, assess, and manage environmental and social risks, including roles and responsibilities. BAC's financing approach is developed in accordance with international frameworks, such as the Equator Principles, Glasgow Financial Alliance for Net Zero (GFANZ), Net-Zero Banking Alliance (NZBA), Partnership for Carbon Accounting Financials (PCAF), Task Force on Climate-Related Financial Disclosures (TCFD), and UN Guiding Principles on Business and Human Rights, to name a few.

BAC has emission-reduction targets, including a commitment and a strategy to net zero. BAC has established a three-prong climate transition strategy. First, minimize BAC's impact on the environment with net zero by 2050; second, support and enable clients to achieve net zero by 2050; and third, assess and manage climate-related risks. BAC has set 2030 emission-reduction targets that address its scope 1, 2 and 3 emissions, including targets for financing activities within certain sectors, such as auto manufacturing, energy, power generation, aviation, cement, iron and steel, and maritime shipping. BAC stated that it will continue to evolve its suite of 2030 financing activity targets and develop governance and strategy in line with best practices and the latest science. It may also expand the scope of these targets to other financing activities beyond lending activities.

The financing of transition and infrastructure projects could expose the bank to other environmental risks, such as physical climate, land use, resource, and biodiversity-related risks. Some of the projects included in the framework face such risks, which BAC assesses as a part of its due diligence of project appraisal. It then incorporates findings in decision making to mitigate such risks. Processes are laid out in its Environmental and Social Risk Policy Framework (ESRPF) and Forests Practices Policy (FPP). Concerning physical climate risk, BAC has developed methodologies to assess climate-related risks at the industry, country, and obligor level, including climate scenario stress test capabilities.

BAC has established several initiatives as part of the bank's focus on driving equitable and affordable access to economic and social progress for marginalized populations, which helps in empowering disadvantaged communities. BAC has in place a multi-year $15 billion Bank of America Community Homeownership Commitment which helps make homeownership affordable, including a low down payment mortgage, and down payment and closing cost grants. BAC partners with over 250 Community Development Financial Institutions (CDFIs) throughout the

U.S., investing more than $2 billion in such institutions to fund projects that strengthen businesses and communities in underserved areas. Through its Neighborhood Builders program, Bank of America has invested over $285 million in 93 communities across the U.S. and partnered with over 1,400 nonprofits to help promote economic advancement in underserved communities and helped 2,800 nonprofit leaders develop their leadership skills. Additionally, Bank of America offers education on personal finance topics, empowering individuals to make informed financial decisions. BAC is committed to complying with fair lending policies, and non-discriminatory access to credit products, terms and conditions, and services throughout the credit life cycle. All BAC employees participate in fair lending training; failure to comply with company policy may result in disciplinary action up to and including termination.

Alignment Assessment

This section provides an analysis of the framework's alignment to the Green and Social Bond principles and the Sustainability Bond Guidelines.

Alignment With Principles

Aligned = ✓ Conceptually aligned = O Not aligned = ✕

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Social Bond Principles, ICMA, 2023

✓ Sustainability Bond Guidelines ICMA, 2021

✓ Use of proceeds

BAC commits to allocating the net proceeds issued under the framework exclusively to eligible green and social projects, contributing to specific SDG targets and environmental and social goals. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the expected use of proceeds. The company will disclose the proportion of financing versus refinancing in its allocation reporting. The look-back period is 24 months; however, BAC may indicate a shorter look-back period in documentation. BAC has not used a look-back period in recent issuances.

✓ Process for project evaluation and selection

Representatives of BAC's Global Environmental Group and Global Sustainable Finance Group evaluate eligible assets and recommend how to allocate proceeds from each sustainable issuance. BAC officers then review and finalize this allocation. The company has processes to identify and manage environmental and social risks related to eligible projects: all projects adhere to BAC's Environmental and Social Risk Policy Framework, as well as its Human Rights Statement, Code of Conduct, and Supplier Code of Conduct. The framework has an exclusion list, such as the exploration, production, or transportation of oil and gas; coal mining or coal-fired power generation; and producing or marketing tobacco.

✓ Management of proceeds

BAC will track the proceeds through its internal systems and allocate them within 36 months after issuing a sustainable instrument, which we consider within market practice. Additionally, BAC commits to reallocate proceeds to new eligible assets, on a best-efforts basis, if the original assets are prepaid or mature. Pending allocation, proceeds will be managed according to BAC's normal liquidity practices. This includes investments in overnight or other high-quality financial instruments, as well as reductions, redemptions, repayments, or repurchases of outstanding indebtedness. In our view, the use of unallocated proceeds for debt repayment is not best practice.

✓ Reporting

BAC commits to reporting annually on its website how it allocates net proceeds and the financed projects' impact, until full allocation. Allocation reporting will use a bond-by-bond approach and include the amount assigned to each asset category and the unallocated balance. Additionally, BAC management will affirm the allocations and an independent third-party will review management's assertions. The issuer commits to publicly report, where feasible, environmental and social key performance indicators (KPIs) in line with the ICMA Harmonized Framework for Impact Reporting; KPIs may demonstrate the assets' actual impact, such as, annual greenhouse gas emissions reduced or avoided, reduction in water use, or number of affordable housing properties funded. Furthermore, the bank commits to disclosing the methodology and key assumptions used to calculate the metrics. Where feasible, BAC will also include case studies on individual investments, but it has not committed to external review of impact reporting.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments," as well as our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

BAC can issue green, social, and sustainability bonds with and without an Equality Progress label under the framework. The breakdown of the proceeds will vary based on the label chosen. BAC has not disclosed the proportion of funds that will be directed toward each project category. Among recent green, social, and sustainability issuance (2019-2023), over 95% of green project funding has gone to renewable energy projects and the remainder to clean transportation. Within social project categories, almost 90% has gone to affordable housing and the remainder to socioeconomic advancement and empowerment.

The issuer has not provided an estimate of the proportion of proceeds that will go to new projects versus refinancing.

Green project categories

Renewable energy

Assessment	Description
Dark to Medium green	Financing for and investments in construction, development, acquisition, maintenance, or operation of: • Renewable energy generation; and • Equipment, technology, and infrastructure dedicated to the storage, transmission, or distribution of electricity from renewable energy generation. Renewable energy generation sources: • Wind • Solar • Geothermal with life-cycle emissions less than 100 grams of carbon dioxide per kilowatt-hour (gCO2/kWh) • Small-scale hydropower, capacity of 25 megawatts (MW) or less, with power density greater than 5 watts per square meter (W/m2) • Tidal power • Waste biomass or other certified sustainable biomass feedstock

Analytical considerations

- Renewable energy addresses the environmental objective of climate change mitigation by enabling systemic decarbonization. However, this will happen only if life-cycle carbon emissions and other environmental considerations, including physical climate, biodiversity, and land use change risks, are carefully managed.
- Our assessment of renewable energy generation from wind, solar, geothermal, hydropower, and tidal power projects is Dark green. BAC references thresholds for life-cycle emissions, where possible. For geothermal energy generation, the life-cycle emissions threshold is less than 100 gC02/kWh; for hydropower projects, capacity is limited to 25 MW and power density greater than 5 W/m2, which are strengths. The framework includes an exclusion list that restricts BAC from allocating proceeds directly to projects that support the exploration, production, or transportation of oil and gas or coal mining or coal-fired power generation activities, which we view consider a benefit.

- We assess projects generating energy from waste- and sustainable- biomass feedstocks as Light green. Although biomass can replace fossil fuels in energy generation, these projects can yield a broad range of environmental and climate benefits depending on the types of feedstocks used, and they are exposed to sustainable sourcing risk. The framework references the use of waste biomass or other certified sustainable biomass feedstock for bio-energy generation, which we consider a positive; however, the framework does not include quantitative emission thresholds for bioenergy and waste-to-energy electricity, which is best practice as some types of biomass projects have high life-cycle emissions. Biomass projects, depending on feedstock sourcing, also carry risk of direct and indirect land use change, including deforestation and loss of biodiversity, and impacts on water and soil. These risks could be challenging to address given BAC's position as the financier.
- We assess equipment, technology, and infrastructure dedicated to the storage, transmission, or distribution of electricity as Dark green. BAC stated that these projects will exclusively support transmission, distribution, and storage of renewable energy, which we consider a positive. Such infrastructure supports deploying renewable energy in national grids, which reduces carbon emissions. Storage infrastructure could include battery technology and potentially hydrogen. That said, the raw materials sourcing, manufacture and development of these components may face supply-chain risk, be energy intensive and use fossil fuel, and have other environmental impacts including pollution.
- We view additional considerations for physical, land use change and biodiversity- and end-of-life waste-related risks as best practice. The framework does not explicitly include them for the renewable energy project category; however, BAC addresses such risks in its ESRPF and FPP.

Energy efficiency

Assessment	Description
Light green	Financing for and investments in facilities, systems, or equipment that reduce energy consumption or support energy conservation, including: • Energy efficient HVAC, lighting, and other equipment/construction materials that result in at least 20% energy savings; • Projects that reduce transmission losses and improvements to transmission efficiency, including smart grids, battery technology, and demand response; and • Digital controls and sensors for efficient energy management, including smart meters, load control systems, and other building information systems.

Analytical considerations

- Energy efficiency projects contribute to climate change mitigation by reducing energy use, and therefore, associated greenhouse gas emissions. Nevertheless, improved efficiency could drive more energy usage through rebound effects. Smart energy grids, as well as battery storage systems to meet peak energy demand, are critical in accelerating decarbonization pathways, particularly to increase the share of renewables in the energy supply mix. Smart meters and monitoring and control systems improve energy efficiency. Projects relating to end-user demand management contribute to systemic decarbonization because they aim to control electricity consumption, which reduces overall energy use.
- We assess energy efficiency projects as Light green. We expect these projects to reduce energy use through equipment, storage, and energy management control systems, as well as reduce energy loss and the consumption of fossil fuel and associated emissions. We view the inclusion of efficiency thresholds for equipment and construction materials as a strength, though the framework does not reference quantitative thresholds across all eligibility criteria, limiting comparability.
- BAC stated that financed equipment and infrastructure, such as HVAC, could be powered by fossil fuels or may include equipment drawing electricity from an electric grid that derives energy from fossil fuel sources.

Clean transportation

Assessment	Description
Dark to Medium green	Financing for and investments in construction, development, acquisition, maintenance, or operation of: • Zero direct emissions vehicles, including cars, trucks and buses; and • Rolling stock, charging stations, and other infrastructure and equipment dedicated to electrified passenger transport.

Analytical considerations

- Electric and alternative fuel vehicles are key to decarbonizing both the private and public transport sector. Infrastructures such as charging stations, rail and bus rapid transit infrastructure, and climate-smart technologies also contribute to the transition to a low-carbon economy. That said, there are indirect carbon emissions through the life cycle of such projects, such as from materials sourcing and manufacturing. While this infrastructure enables a LCCR future in our view, the use of proceeds could include manufacturing facilities for vehicles and supporting infrastructure, which have greater exposure to upstream environmental impacts and carbon emissions. According to studies by the International Energy Agency (IEA) and others, the embedded emissions in electrified transport are higher than in internal combustion engine vehicles (in contrast to their lower life-cycle emissions).
- We assess projects that finance vehicles with zero direct emissions, including cars, trucks, and buses, as Dark to Medium green. BAC stated that it may finance both manufacturing and purchasing activities for EVs and potentially hydrogen-powered transportation. That said, the framework does not include thresholds concerning life-cycle emissions. We believe there is more direct exposure to climate and environmental risks associated with industrial applications and environmentally intensive processes because manufacturing facilities may receive allocation.
- Sourcing materials for electric vehicle (EV) batteries can have sizeable emissions and other pollution risk. End-of-life battery recycling is also necessary to reduce pollution and enable a circular economy. Given BAC's status as a lender, there is limited visibility around supply-chain emissions, end-of-life, or use of clean transportation projects to transport fossil fuel, though BAC will follow due diligence processes laid out in its ESRPF.
- Our assessment of projects financing rolling stock and EV infrastructure, such as charging stations, is Dark green. BAC stated that rolling stock purchases are limited to fully electrified systems solely for passenger transit, which eliminates the risk of financed projects supporting transport of fossil fuel, which we view as a positive. EV charging infrastructure improves climate impact by facilitating adoption of EVs, though it also introduces the risk of such infrastructure drawing electricity from grids that may be fossil-fuel intensive.

Sustainable water and wastewater management

Assessment	Description
Light green	Financing for and investments in facilities, systems or equipment for water and wastewater management to improve water quality, water efficiency, or climate change resilience, including: • Collection, treatment, recycling, or reuse of water or wastewater; • Infrastructure to increase water efficiency that results in at least 20% water savings; and • Flood prevention, flood defense or stormwater management.

Analytical considerations

- Efficient water and wastewater activities, in terms of both energy and water, are generally positive from a climate resilience and pollution prevention perspective. In addition, flood prevention, flood defense, and stormwater management projects play an important role in protecting infrastructure against physical climate risks.

- The sustainable water and wastewater management projects receive a Light green shade. These sustainable water projects have environmental benefits, such as improving water quality, water efficiency, or climate change resilience. However, BAC does not have criteria related to waste management, operational emissions, or resource recovery practices of the water, wastewater, and stormwater systems, which we would view as a stronger practice.
- The water efficiency projects are generally tied to equipment (such as faucets, shower heads, toilets, etc.) for residential and commercial buildings. As a lender, BAC would not have visibility into the specific equipment the borrower uses to achieve the water-savings improvement of at least 20%. Generally, these water efficiency projects will be powered by electric pumps connected to the grid.
- As part of BAC's ESRPF, the bank would perform additional due diligence on these projects if the assets are in a water-stressed region.

Green buildings

Assessment	Description
Light green	Financing for and investments in new or existing industrial, commercial, or residential buildings that have been or intend to be certified according to the following third-party, verified green building standards: • LEED Gold or Platinum; or • BREEAM Excellent or Outstanding.

Analytical considerations

- The IEA emphasizes that reaching net zero emissions in buildings demands major strides in energy efficiency and abandoning fossil fuel. All properties must achieve high energy performance (renovating for energy savings is hence critical for existing properties), while new properties should additionally cut emissions from building materials and construction.
- The project category receives a Light green shade. We generally view buildings certified to the standards chosen in the framework as positive, although such certifications do not ensure that all relevant climate factors, such as embodied emissions and climate resilience, are incorporated. Certification alone, particularly those with points-based systems in which some categories may be optional at lower levels, also do not necessarily guarantee energy performance improvements beyond regulation. However, these certifications are specifically designed to have a lower impact on the environment, achieved through measures such as energy conservation, water management, waste reduction, and others.
- Due to the global nature of BAC's assets, there are many variations in building regulations, highlighting the importance of considering ambition and energy performance within each geographic context.
- Given the large climate impact associated with new construction projects, particularly in terms of embodied emissions, it is crucial to construct newer buildings with the aim of minimizing emissions from the materials. BAC has not disclosed the expected proportion of green building financing toward new construction, acquisition, and refurbishments. Additionally, there are no explicit exclusions for buildings with fossil fuel-based heating, cooling, or other systems, so these assets could be included in the eligible projects. BAC considers emissions reduction important for all of its clients, but as a lender, it would not mandate or manage the emissions associated with clients' construction activities.
- For new construction, BAC has not provided a breakdown of properties to be built on brownfield and greenfield land. Eligible projects could include greenfield construction projects that may include land use change and biodiversity risks. If BAC identifies biodiversity concerns, these issues are escalated for further review, per its ESRPF.

Pollution prevention and control

Assessment	Description
Medium to Light green	Financing for and investments in facilities, systems, or equipment that collect, sort, treat, recycle, or reuse waste, hazardous waste, or contaminated soil.

Financing for and investments in facilities, systems or equipment related to carbon capture and storage.

- Carbon capture and storage means capturing and sequestering greenhouse gases in secure geological storage such that the gas does not escape into the atmosphere, including storage at deep saline formations, oil and gas reservoirs, and unminable coal seams.

Analytical considerations

- Waste management is an important pollution prevention measure to avoid harming human health and local ecosystems. Facilitating the circular economy is key to a low-carbon future. Recycling, if done properly, increases the useful life of products and materials, reducing emissions, energy, and natural-resource use. Waste prevention and reuse solutions have the lowest negative impact, followed by recycling, energy recovery, and finally, disposal. Waste collection and sorting projects can increase the share of reuse and recycling rates, thus diverting waste from energy recovery and disposal solutions.
- Projects focused on collecting, sorting, treating, recycling, or reusing waste receive a Light green shade. All waste streams are in scope, including plastic waste, biodegradable waste, and hazardous waste. The end use of incoming waste flows at these projects is determined by the project/sponsor and could encompass reuse, recycling, and energy recovery. As a lender, the bank does not have visibility into the management of air pollution and other environmental risks, including energy source and if the projects could potentially be dependent on fossil fuel-based equipment or transport.
- Projects focused on collecting, sorting, treating, recycling, or reusing contaminated soil, receive a Medium green shade. Pollution remediation projects have direct benefits to local biodiversity and human health by reducing water and soil pollutant concentration. These projects meet or exceed relevant regulatory requirements; we view the projects that exceed relevant regulatory requirements as having greater environmental benefits.
- The carbon capture and storage projects receive a Light green shade. Carbon capture, utilization, and storage plays a critical role in a LCCR future. The applications for the carbon capture and storage projects could include a variety of projects; however, there is a clear exclusion for applications in new coal and enhanced oil recovery. Potential drawbacks include the risk of leaks during carbon dioxide transportation and the energy-intensive nature of the process. Therefore, it is important for these projects to have adequate leakage monitoring and detection systems and comprehensive life-cycle emissions assessments. Although these projects lack criteria related to life-cycle emissions reduction, which we view as a stronger practice, the bank's diligence process does include life-cycle emissions analysis. The gas must be sequestered in secure geological storage such that the gas does not escape into the atmosphere, including storage at deep saline formations, oil and gas reservoirs, and unminable coal seams, which we believe mitigates concerns about the permanence of the storage solution.
- The framework has an exclusion list that states that BAC will not knowingly allocate proceeds from any sustainable issuance related to the exploration, production, or transportation of oil and gas or coal mining or coal-fired power generation, which was an important consideration for all three subcategories. That said, there is potential for these projects to rely on equipment that runs on fossil fuels, or electric grids that are fossil-fuel intensive.

Sustainable fuels

Assessment	Description
Medium to Light green	Financing for and investments in construction, development, acquisition, maintenance, or operation of facilities, systems, or equipment dedicated to: • Hydrogen and ammonia produced from renewable energy generation sources; • Renewable natural gas produced from waste biomass; and • Sustainable aviation fuel and/or other biofuels that achieve a minimum 50% reduction in life-cycle greenhouse gas emissions compared to conventional fuel.

Analytical considerations

- Alternative and sustainable fuels are important to transition to a LCCR future due to their lower emissions and potential applications in industrial processes and transportation that are otherwise difficult to decarbonize. However, these projects yield a broad range of environmental and climate benefits depending on the type of fuel and feedstock used, and they can be exposed to sustainable sourcing risk and energy-intensive processes in production and transportation.

- The hydrogen and ammonia produced from renewable energy generation sources receive a Dark green shade. BAC defines eligible sources for hydrogen and ammonia in the framework's renewable energy category. Those sources are wind; solar; geothermal with life-cycle emissions less than 100 gCO2/kwh; small-scale hydropower with a capacity of 25 MW or less and power density greater than 5 W/m2; tidal power; and waste biomass or other certified sustainable biomass feedstock.
- The renewable natural gas projects produced from waste biomass receive a Medium green shade. Only waste feedstocks are eligible for these projects, presenting a more circular economy solution but still posing pollution and other environmental and climate risks. BAC believes that the most likely type of waste feedstock for these projects will be solid waste in landfills. BAC addresses biomass feedstock risks using its ESRPF.
- The sustainable aviation fuel and other biofuels projects receive a Light green shade. These projects must achieve a minimum 50% reduction in life-cycle greenhouse gas emissions compared to conventional fuel. For these projects, the feedstocks are fluid, and operators will manage their feedstock inputs based on what is economic. Despite the importance of sustainable aviation fuel and biofuels, land use and biodiversity risks are associated with some feedstocks, and fuel production could cause air pollution. If land use or biodiversity issues are identified, BAC will escalate for further review. BAC also uses the FPP to guide the bank's forestry practices.
- Transportation emissions could arise from these projects. As a lender, BAC would not have visibility into the mode of transportation of feedstocks or fuel, nor the end use of fuel. BAC considers emissions reduction important for all clients but does not manage clients' emissions reductions.

Social project categories

Access to essential services--health

Financing for and investments in facilities, services, systems, or equipment for, or that enhance access to public, not-for-profit, free, or subsidized essential services, including:

- Infrastructure for hospitals, clinics, telehealth, health care centers, childcare, elder care centers, laboratories, and medical and diagnostic equipment;
- Mental health services;
- Public health services, systems, and infrastructure that enhance emergency response and disease control services; and
- Medical training and research.

Analytical considerations

- The eligible projects aim to increase access to essential services relating to health. The projects include infrastructure for hospitals; mental health services; public health services; and medical training and research, among others. These projects increase access to essential health services and aim to improve the health and well-being of the target population. Access to affordable health care is associated with improved economic stability, community well-being, quality of life, and other benefits.
- The target population for these essential health services projects are individuals and communities that are considered low or moderate income, are in disadvantaged regions, or are underserved in quality access to essential health services.
- The requirement that these projects be public, not-for-profit, free, or subsidized supports affordability for the target populations.

Access to essential services--education

Financing for and investments in facilities, services, systems, or equipment for, or that enhance access to public, not-for-profit, free, or subsidized essential services, including in universities, colleges, schools, vocational training services, and online learning.

Analytical considerations

- These projects aim to increase access to essential services relating to education. Providing access to education can improve outcomes, particularly for students from low-income and underserved backgrounds. Increasing access to education at multiple levels, such as vocational training, school, university, and more, improves learning and economic development outcomes for the target population, and it provides broader community benefits.
- The target population for these projects include individuals and communities that are considered low- and moderate income, are in disadvantaged regions, or are underserved in quality access to essential education services.
- The requirement that these projects be public, not-for-profit, free, or subsidized supports affordability for the target populations.

Affordable housing

Financing and investments, including those which:

- Qualify under the Community Reinvestment Act (CRA) for the purchase, construction, maintenance, repair, and rehabilitation of single and multifamily housing;
- Qualify for the Low-Income Housing Tax Credit (LIHTC; created by the Tax Reform Act of 1986, as amended) to design, construct, build, expand, and renovate low- and moderate-income multifamily housing properties; or

- Qualify under other national/regional affordable housing definitions in the applicable jurisdiction.

Analytical considerations

- The eligible projects aim to improve housing conditions by providing equitable access to affordable housing. Low housing stock and lack of affordable options can severely influence people's livelihoods, especially vulnerable, low-income populations that can face homelessness. Access and affordability are especially important for residential tenants in areas where rent can account for a large percentage of residents' incomes.
- The target population for these projects include individuals and communities that are considered low or moderate income, are in disadvantaged regions, or are underserved in quality access to affordable housing. As financed projects are governed by regulatory frameworks, the criteria for the target population are well defined and will only include low- and moderate-income families, and address the management of associated social risks, such as maintaining affordability. Projects in this category could be financed globally, though prior allocations have been focused in the U.S.
- BAC will ensure the financing is provided for purchase, construction, maintenance, repair, and rehabilitation of single and multifamily housing that qualifies under the CRA or LIHTC in the U.S. BAC may also finance housing that qualifies under other national/regional affordable housing definitions in the applicable jurisdiction. BAC's Community Development Banking (CDB) team specializes in projects that serve a range of affordable housing needs, which we expect would help meet the criteria for target population and affordability.
- The financed assets could face various physical climate risks that damage properties, which could introduce tenant safety concerns.

Equality Progress--Social project categories

Affordable housing

Financing and investments, including those which:

- Qualify under the CRA for the purchase, construction, maintenance, repair, and rehabilitation of single and multifamily housing;
- Qualify for LIHTC (created by the Tax Reform Act of 1986, as amended) to design, construct, build, expand, and renovate low- and moderate-income multifamily housing properties; or
- Qualify under other national/regional affordable housing definitions in the applicable jurisdiction

Analytical considerations

- These projects aim to improve housing conditions by providing equitable access to affordable housing. Low housing stock and lack of affordable options can severely influence livelihoods, especially vulnerable, low-income populations that can face homelessness. Access and affordability is especially important for residential tenants in areas where rent can account for a large percentage of residents' incomes.
- The target population for these projects include underserved, excluded, or marginalized populations and communities, including but not limited to women and people of color, such Black, Hispanic, Asian American and Pacific Islander, and Indigenous people. As regulatory frameworks govern financed projects, the target population further narrows to only low- and moderate-income families within these communities. The bank will identify the financing and investments benefitting these target populations by locating borrowers/investees or projects in geographic areas with a larger proportion of individuals/communities of color than any other single demographic group (e.g., based on U.S. census tract data) or via the purpose or intention of the project to predominantly serve the target populations. The additional criteria to identify the target population, such as by gender and race, would ensure the objective of advancing equality and economic opportunities through these projects.
- BAC will ensure the financing is provided for purchase, construction, maintenance, repair, and rehabilitation of single and multifamily housing that qualify under the CRA or LIHTC in the U.S. BAC may also finance housing that qualifies under other national/regional affordable housing definitions in the applicable jurisdiction. We believe the regulatory frameworks around these programs also address the management of associated social risks, such as maintaining affordability, and we believe

BAC's CDB team that specializes in affordable housing would ensure that the criteria for affordability and target population are met. Projects in this category could be financed globally, though prior allocations have been focused in the U.S.

- The financed assets could face various physical climate risks that damage properties, which could introduce tenant safety concerns.

Socioeconomic advancement and empowerment

Financing and investments, including for:

- Medical professionals to create or expand medical, veterinary, and dental practices that qualify under the CRA;
- Supply chain finance (SCF) facilities offered directly to businesses identified by SCF buyers as minority/women-owned businesses;
- Certified minority/women-owned businesses;
- Organizations that self-identify as being minority/women-owned based on being at least 51% owned, operated, or controlled by members of minority groups or women;
- Minority Depository Institutions and Women's Depository Institutions, including deposits with a commitment to maintain the deposits for a minimum period of three years; and
- Venture capital funds and private equity funds that have a focus on investing in minority/women-owned businesses or supporting entrepreneurs of color or female entrepreneurs.

Analytical considerations

- BAC will support activities that contribute to equal access of capital to underserved and disadvantaged groups. Such projects would enhance access to opportunities or foster economic inclusion for underserved populations. Activities included in the framework aim to empower target groups and promote equitable economic growth and participation in the financial ecosystem. Investing in and supporting capacity building for businesses multiplies benefits for the broader community's economy. This greater access to capital supports scaling up businesses, which in turn promotes job creation, rising wages, and greater economic activity. These practices ultimately bring greater resilience to these communities.
- The target population for these projects include underserved, excluded, or marginalized populations and communities, including but not limited to women and people of color, including Black, Hispanic, AAPI, and Indigenous people. The bank may identify target populations through self-identification; census tract data regarding the location of the borrower, investee, or project; certifications or identified status from third-party sources, including business development programs, the Federal Deposit Insurance Corp. (FDIC), or the Office of the Comptroller of the Currency (OCC); or other methods. Some products--such as the medical practice loans--are only available to individuals that meet the low-income requirements under the CRA, as well as Equality Progress target population requirements. Projects in this category could be financed globally, though prior allocations have been focused in the U.S. where economic statistics show significantly weaker economic outcomes in terms of wealth, income, and access to venture capital among the target populations.
- Consumer banking products and services are subjected to a rigorous review process regarding cost and fair lending practices, and BAC solicits feedback on the relevant product offerings.

Access to essential services--health

Financing for and investments in facilities, services, systems, or equipment for, or that enhance access to public, not-for-profit, free, or subsidized essential services, including:

- Infrastructure for hospitals, clinics, telehealth, health care centers, childcare, elder care centers, laboratories, and medical and diagnostic equipment;
- Mental health services;

- Public health services, systems, and infrastructure that enhance emergency response and disease control services; and
- Medical training and research.

Analytical considerations

- These projects aim to increase access to health services for underserved, excluded, or marginalized populations and communities, including but not limited to people of color and women. Such projects aim to increase health and well-being, increase gender equality, and reduce health-related inequalities for the target population. Access to affordable health care is associated with improved economic stability, community well-being, quality of life, and other benefits.
- The target population for these essential health services projects include underserved, excluded or marginalized populations and communities, including but not limited to women and people of color, including Black, Hispanic, AAPI, and Indigenous people. The bank will identify the financing and investments benefitting these target populations via the location of borrowers/investees or projects in geographic areas with a larger proportion of individuals/communities of color than any other single demographic group (e.g., based on U.S. census tract data) or via the purpose or intention of the project to predominantly serve the target populations.
- The requirement that these projects be public, not-for-profit, free, or subsidized supports affordability for the target populations.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

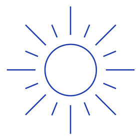
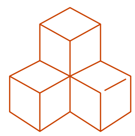
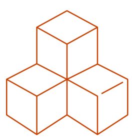
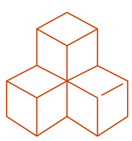
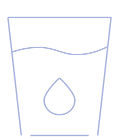
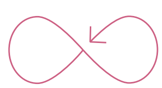
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

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

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This 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***
Pollution Prevention and Control	**11. Sustainable cities and communities*** **12. Responsible consumption and production***
Sustainable Fuels	**7. Affordable and clean energy**
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.

Related Research

- Analytical Approach: Second Party Opinions: Use of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022

Analytical Contacts

Primary contact

Erin Boeke Burke
New York
+1-212-438-1515
erin.boeke-burke
@spglobal.com

Secondary contacts

Michael Ferguson
New York
michael.ferguson
@spglobal.com

Jennifer Craft
Denver
jennifer.craft
@spglobal.com

Research contributor

Tanmay Kumbharkar
Mumbai