

# Opening Keynote: Bank of America's Approach to Zero



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In early 2021, Bank of America committed to 2030 emission reduction targets for our operations and supply chain. In April 2022, we announced our first emission reduction targets for financing activities in the auto manufacturing, energy and power generation sectors. We also rolled out our Approach-to-Zero framework, which includes five key pillars.

The first pillar starts with assisting our clients and focuses on creating new products and services to help support them as they transition. The second, advocate, concerns our engagement with policymakers, particularly in driving some universal standards within our financial sector. Analyze, the third pillar, focuses on our commitment and efforts to bring in a variety of data points and transform those into decision-useful information or metrics. The fourth, align, is where we're going to be building our net-zero transition strategy with specific commitments to set milestone targets that align with the latest climate science. Finally, attest encompasses our commitment to disclosing our progress annually.

Diving into assisting our clients, in addition to our net-zero target for 2050, we also have a \$1.5-trillion target to mobilize capital towards the United Nations Sustainable Development Goals—\$1 trillion of that is specific to the environment. We tend to think about these goals as being supplemental to each other. We're also developing a variety of innovative climate solutions for our clients when it comes to products and services. We're beginning to invest more in some of those solutions like sustainable aviation fuel, renewables, carbon capture and hydrogen as well. We're a very large financial institution with thousands of bankers who are interacting with our clients every day, so

educating our bankers is really important to us and our success in reaching our net-zero target. We have developed an internal ESG college through which we continue to expand banker education and enable them to assist their clients.

Moving on to advocate, we are a global financial institution facing increasing regulatory requirements and expectations. Of course, we continue to engage with policymakers, but what I figured I would discuss with you today is what we're doing to drive some consistency and how we're thinking about requirements across the financial sector. Our bank has been calculating emissions and disclosing them for two decades now. Yet, across all three scopes, there hadn't been a methodology to calculate the emissions associated with our financing activities that was universally accepted within the financial sector. There had been attempts over the years, but nothing really came together until 2020. That's when the Partnership for Carbon Accounting Financials (PCAF) really gained traction. Now, more than 300 financial institutions have signed up to use the standard. We are a core member, so we've been able to help develop and shape the methodologies along the way. There are now methodologies for business loans, project finance, listed

equity and bonds, commercial and consumer real estate and auto loans. There is currently work underway to develop a methodology for capital market activities. From there, we established a standard to quantify emissions.

The next component is how to actually reduce those emissions. Last year, we helped found the Net-Zero Banking Alliance, which sits underneath the Glasgow Financial Alliance for Net Zero, an umbrella organization that unites

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all aspects of the financial sector. You have asset owners, asset managers and insurance and financial services providers. All of those are under one umbrella working towards similar, credible transition plans. The Net-Zero Banking Alliance provides various guidance for us as to how we should go about developing a net-zero plan. Also, our CEO co-chairs the Sustainable Markets Initiative alongside King Charles III. This group is not only focused on climate but also on nature and provides additional guidance for net-zero transition plans for our sector, as well as many others.

That's where we get into the third pillar, analyze. Everyone is familiar with greenhouse gas emissions. Bank of America achieved carbon neutrality for our operations in 2019 and we will continue to maintain that as we drive emission reductions. We've been setting targets for our operations for 15 years. We do have a 2030 target, and then you get to Scope 3. We've been calculating all the relevant emissions for us across all categories except for 15, which we typically refer to as financed emissions. The financial sector will be our largest category of emissions across all three scopes. We are in the process of building internal models to do these calculations. As you can imagine, there is a tremendous amount of rigor and governance that goes into building any kind of internal system.

We are following the PCAF methodology and have started with our business loan portfolio. The equation is specific to any general-purpose business loans we would provide for our clients. Absolute financed emissions are calculated by taking the client's utilized financing, which is the debt they are actually using from Bank of America, and dividing that by the client's enterprise value, including cash. This essentially includes their total capital stack or total debt - we're taking our attribution of that. Then we multiply that by their relevant emissions across all three scopes to come up with our total financed emissions number. And this is really important because our net zero 2050 target will be based on these absolute numbers. 🌍

