



# Bank of America

21 Mar 2005

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## Research Summary

[Corporate governance](#)  
[Board practice](#)

Some of the core governance elements  
Fails to separate Chair and Chief Executive roles

[Bribery & corruption](#)

No policy disclosed on bribery & corruption

[Codes of ethics](#)

Limited code of ethics  
No code of ethics system  
Has adopted a code of ethics

[Responsibility for stakeholders](#)  
[Women on the board](#)

No indication of stakeholder issues allocated at board level  
Between 20% and 33% of the directors are women  
At least one female director

[Environment](#)  
[Environmental policy](#)

Good environmental policy and commitment (medium imp)

[Environmental management](#)

Moderate environmental management system (medium imp)

[Environmental reporting](#)

Inadequate environmental reporting (medium impact)

[Environmental performance](#)

No data or inadequate data on environmental performance (medium impact)

[Financial institutions](#)

Bank

[Human rights](#)  
[Human rights overall](#)

0 countries of operation listed in Category A  
1 countries of operation listed in Category B

[Military production and sale](#)

Up to 1% of turnover from military sales  
General products or services for military users

[Stakeholder issues](#)  
[Stakeholder policy](#)

Basic policies towards stakeholders overall

<a href="#">Stakeholder systems</a>	Moderate systems for stakeholders overall
<a href="#">Stakeholder engagement</a>	Moderate disclosure of engagement with stakeholders
<a href="#">Stakeholder reporting</a>	Some quantitative disclosure on stakeholder relations
<a href="#">Employee issues</a>	
<a href="#">Equal opportunities</a>	Good policy on equal opportunities and diversity issues Clear evidence of systems to uphold equal opportunity/diversity
<a href="#">Health &amp; safety</a>	Some evidence of health & safety systems
<a href="#">Job creation and security</a>	Little or no evidence of systems/practices for job creation and security
<a href="#">Trade unions and employee participation</a>	Little or no evidence of systems for managing employee relations
<a href="#">Training</a>	Little or no evidence of systems to support training and development
<a href="#">Customers &amp; suppliers</a>	
<a href="#">Customer/supplier relations</a>	Clearly communicates policy on customers and/or suppliers Some evidence of systems to maintain customer/supplier relations
<a href="#">Community involvement</a>	Clear commitment to community or charitable work

## **Conclusions**

<i>Policy Name</i>	<i>Result</i>	<i>Score</i>	<i>User Decision</i>
Example policy	Acceptable	0	

## **Holdings**

<i>Portfolio Name</i>	<i>Holding Value</i>
Example policy Licensed Universe	£0

## **Business Details**

**Country:** USA  
**Sector:** Banks

### **Main Activities**

Bank of America Corporation. The principal activity of the Group is the provision of a diversified range of banking and certain nonbanking financial services and products through four business segments: CONSUMER BANKING provides comprehensive retail banking products and services to individuals and small businesses through multiple delivery channels; COMMERCIAL BANKING provides a wide range of commercial banking services for businesses with annual revenues of up to US\$500m; GLOBAL CORPORATE AND INVESTMENT BANKING provides a broad array of financial products such as investment banking, trade finance, treasury management, capital markets, leasing and financial advisory services to domestic and international corporations, financial institutions and government entities; and PRINCIPAL INVESTING AND ASSET MANAGEMENT includes direct equity investments in business and investments in general partnership funds, customized assets management, advisory, trust and brokerage services.

[Thomson Financial, 31/12/2000]

### **Sector Issues**

EIRIS environmental sector: Financials not elsewhere classified (assessment: **medium impact**)

Although the direct environmental impacts of **financial companies** such as banks, asset managers and insurance companies are limited to universal business environmental issues such as resource use, procurement in offices and business / staff travel, there is a general consensus that they have significant indirect impacts through their lending and investment activities. The sector is therefore classified as medium impact.

Bank of America is part of the FTSE Banks sector. Sustainability and responsibility challenges which generally face companies in this sector include:

- **Project Financing Impact Assessments** - Leading banks have begun incorporating assessments of environmental impacts and other social considerations in deciding who to lend to. Following major global controversies around projects such as dam-building, a number of leading banks (working with the IFC and World Bank) have adopted the Equator principles relating to the financing of development projects. Environmental and social impact assessments are required of higher risk projects. Possible questions include:
  - The bank's lending policy and what impact assessments are included
  - Projects where the Equator principles have been applied
  - The amounts and % of lending that assessed lending comprises
- **Environmental Credit Risk** - Banks may face a number of unexpected liabilities based on their holdings and their clients, both directly (such as cleanup of contaminated land taken as security) and indirectly (such as borrower unable to repay loan as a result of pollution incident). In some jurisdictions (such as the United States) banks may be liable, as lenders, for ecological damage caused by companies they finance. Possible questions include:
  - Are borrowers or assets assessed for potential environmental risks and liabilities?
- **Regulation and Money-Laundering** - A number of robust major anti-money-laundering (AML) initiatives are underway globally. Compliance is complex, essential for long-term licensing, and may be costly. Possible questions include:
  - The number of reports to the authorities, and how many of these have led to prosecutions, reprimands or similar.
  - An explanation of how AML system compares to others.
- **Customer Satisfaction** - Retail banks rely on satisfied customers. Possible questions include:
  - Trends emerging from in-house customer satisfaction monitoring.
  - Level and trend of customer complaints made (and upheld) by any relevant regulatory authority.
- **Financial Exclusion** - Retail banks are often criticised for not providing services to low income consumers, and for restricting lending to SMEs. Possible questions include:
  - The bank's lending profile including SME and low-income components.
  - Any specialist products tailored for these client categories.
  - Extent of lending to innovative environmental companies/projects.
- **International Impact** - Banks which lend to developing countries may need to justify their repayment policy, as a number of countries are unable to repay their debt. Defaults assume a political and ethical character. Some global initiatives, such as HIPC, exist to manage these situations. Other activities, such as currency trading, may also be closely scrutinised. Banks which are uncooperative or insensitive to the issue may face major reputational damage. Possible questions include:
  - Exposure and attitude towards poor country debt and debt default.
- **Equal Opportunities** - Parts of the banking sector have persistently been accused of discriminating against women and having a 'glass ceiling'. Some have faced litigation over this issue. Possible questions include:
  - Percentage of women in managerial and executive positions?
- **Ethical Policy** - Increasing numbers of banks offer the choice of ethical or sustainability funds to their clients. SRI is a growing share of the market and companies which do not have such projects may lose market share. Some banks also adopt an ethical policy regarding their holdings. Possible questions include:
  - Are any SRI funds offered?
  - Are clients easily able to attach sustainability and responsibility conditions to their investments?

### Country Issues

Bank of America is listed in **USA** where the following governance and social responsibility context applies:

A unitary board structure predominates comprising a supervisory function (independent and/ or non-executive directors) and a managerial function (executive directors).

Following the well publicised corporate governance scandals of Enron and Worldcom, Congress passed the Sarbanes-Oxley Act requiring greater independence of audit committees. The Corporate Governance Rule Proposals issued by the New York Stock Exchange (NYSE), published in August 2002, comprises both voluntary recommendations and regulatory listing requirements including the requirement of a code of ethics or a reasonable explanation for not having one. Initiatives giving shareholders greater influence in board elections, disclosure of code of ethics and shareholder activism may further support improvements.

In comparison to other OECD countries the corporate governance code is considered substantial and overall governance standards in practice perceived to be low.

In 2003, the socially responsible investment assets were estimated at USD 2.15 trillion with over 230 retail ethical or socially responsible funds available to investors.

*EIRIS assessments of US-listed companies make use of data and research provided by our research partner in the United States, the Investor Responsibility Research Center (IRRC).*

## [EIRIS Research](#)

### [Corporate governance](#)

#### [Board practice](#)

*How many of the core elements of corporate governance does the Company have?*

*Does the Company fail to separate the roles of Chair and Chief Executive?*

Bank of America indicates it **contains some** of the four global governance components monitored. The Company:

- has more than 33% of the board as independent non-executives - 12 of the 16 directors are considered independent
- has an audit committee, the majority of whose members are independent non-executives
- discloses the remuneration of company directors

The Company does not:

- have a separate chair and chief executive

[Company proxy statement, 30/04/2003]

### [Bribery & corruption](#)

*Does the company have policies and procedures on bribery and corruption?*

Bank of America has **not disclosed** a clear policy statement addressing the issue of bribery making it clear that it does not condone any form of corrupt behaviour in business dealings.

[Company website, 12/01/2004; Annual report, 31/12/2002; Company proxy statement, 31/12/2002]

## **Related News**

Date: 28 Apr 2002

Headline: Nine banks named in Enron fraud lawsuit

Issue: Bribery & Corruption

Nine investment banks have been named in a £21 billion class action lawsuit in relation to the Enron affair. Following the collapse of Enron, the company's shareholders are taking legal action against the banks they allege helped Enron to set up the off-balance-sheet partnerships by artificially inflating profits and hiding billions of dollars of debt from investors. The shareholders' lawyers allege there was a deliberate and systematic

conspiracy to keep the company afloat and deceive investors. The lead plaintiff is the University of California.

The banks named are Barclays, JP Morgan Chase, Citigroup, Merrill Lynch, Credit Suisse First Boston, Canadian Imperial Bank of Commerce, Bank America, Deutsche Bank and Lehman Brothers. Enron's law firms, Vinson & Elkins and Kirkland & Ellis, as well as 24 individuals at Andersen, have also been named.

The suit claims that Barclays loaned £7.8 million to two of Enron's "special purpose entities" (SPEs) in 1997 and that the SPEs used the loan to buy a three per cent stake in Chewco, an Enron subsidiary. It is claimed that this enabled Enron to keep Chewco off its balance sheet and the debts hidden in Chewco only became clear as Enron began to collapse. It is also claimed that the deal was flawed because the bank required £4.6m of cash collateral against the SPE loans. The University of California's complaint alleges that "while the money gave the appearance of outside investment in Chewco, Enron secretly subsidised the loans through a \$6.6 million cash deposit with Barclays."

Barclay's insiders are reported to have claimed that it was a straightforward loan and that the £4.6m was standard collateral. A spokesman said: "Barclays Capital does not believe there is a basis for a successful claim to be brought against it."

A Citigroup spokesman said: "We believe that our business dealings with Enron were entirely appropriate and, therefore, we think there is no merit to the lawsuit."

"There is no basis for this claim; we intend to fight it vigorously," Merrill Lynch said in a written statement.

The two law firms also intend to dispute the claims. Vinson & Elkins issued a statement saying it is "confident that there is no legitimate basis, either in the facts or in the law, to include Vinson & Elkins in this litigation."

## EIRIS Notes

Enron collapsed amid an accounting scandal on December 2, 2001, having been valued at more than £42 billion the year before. Attempts by shareholders to recover some of the money from Andersen, Enron's auditor, have faltered because the company is close to financial collapse.

The London offices of Andersen have already admitted shredding Enron-related documents although the firm has claimed this was undertaken only by employees on secondment from Andersen's Houston offices. In a separate development, the chief auditor for Arthur Andersen's Enron account in Houston has agreed to plead guilty and co-operate with U.S. prosecutors pursuing obstruction charges against Andersen.

Scotsman 9/4/02  
The Times 9/4/02  
Globe and Mail (Toronto) 9/4/02  
Independent 9/4/02  
Dallas Morning News 9/4/02  
Reuters News 8/4/02

## Codes of ethics

*Does the Company have a code of ethics and, if so, how comprehensive is it?*

*Does the Company have a system for implementing a code of ethics and, if so, how comprehensive is it?*

*Has the company adopted a code of ethics or business principles which it communicates to all employees?*

Bank of America has only a **limited** code of ethics. While it has indicated it has a code, no further details have been made available. Assessments are based on whether Companies have a public code and how detailed it is (including whether it prohibits bribery, deals with conflicts of interest, and covers donations to political parties/organisations).

Bank of America has **no** system for implementing its code of ethics. A company is assessed for evidence of a management system including employee training, compliance monitoring, provision of whistleblowing procedures, reporting of details of any breaches and enforcement, and whether the code is regularly reviewed. [Company website, 12/01/2004; Annual report, 31/12/2002; Company proxy statement, 31/12/2002]

## Responsibility for stakeholders

*How many stakeholder issues have been allocated to board members?*

Bank of America has given **no indication** that it has allocated board responsibility to specific board members for:

- employee-related issues
- external stakeholder issues
- environmental issues

[Company website, 12/01/2004; Company proxy statement, 31/12/2002]

### Women on the board

*How many of the Company's directors are women? (NEW)*

*Is there at least one female director on the board of the parent company ? (BEING WITHDRAWN)*

**Between 20% and 33%** of the board of Bank of America are women - 4 of the 16 board members are women. The board includes four women, all non-executive directors. [Company proxy statement, 31/12/2002]

### Environment

#### Environmental policy

*How does EIRIS rate the company's environmental policy and commitment (medium impact industries)?*

Assessment: Good

The Company has an environmental policy which includes the following elements:

- \* all key issues
- \* responsibility at Board or Environmental Department level
- \* commitment to continual improvement
- \* commitment to monitoring and auditing
- \* commitment to public reporting
- \* globally applicable corporate operating standards
- \* commitment to stakeholder involvement
- \* commitment to address product or service impact

In addition, the Company has signed or endorsed the following charters or other initiatives:

- \* the CERES Principles, which EIRIS grade as moderate

The additional inclusion of the following elements would result in a grade of 'Exceptional.'

- \* commitment to use of objectives and targets
- \* evidence of corporate level strategic moves toward sustainability

[Company website, 10/12/2003] [ Company environmental report, 31/12/2002]

#### Environmental management

*How does EIRIS rate the company's environmental management system (medium impact industries)?*

Assessment: Moderate

The Company has implemented an environmental management system which includes the following elements:

- \* environmental policy
- \* identification of significant aspects
- \* outline of processes and responsibilities, manuals, action plans, procedures
- \* internal system audits
- \* internal reporting and management review

The Company also undertakes supplier auditing.

In order to achieve a grading of 'good' objectives and targets should be set out in all key areas.

[Company website, 10/12/2003; Company environmental report, 31/12/2002]

## Environmental reporting

*How does EIRIS rate the company's environmental reporting (medium impact industries)?*

Assessment: Inadequate

The Company has published an Environmental Report which includes the following elements

- \* text of environmental policy
- \* description of main impacts
- \* outline of environmental management system
- \* financial dimensions
- \* stakeholder dialogue
- \* details of non-compliance, prosecutions, fines, accidents, etc

In order to meet the minimum grading requirements, an environmental report should include at least three of the following elements:

- \* text of environmental policy
- \* description of main impacts
- \* quantitative data for all key issues
- \* measurement of performance against targets

[Company website, 10/12/2003; Company environmental report, 31/12/2002]

## Environmental performance

*What level of improvements in environmental impact can the Company demonstrate (medium impact industries)?*

Bank of America has not provided adequate data for EIRIS to assess any improvement in environmental performance on the basis of the following key issues:

- No data on Climate Change (medium impact, weighted x3)
- No data on Water Consumption (low impact, weighted x1)
- No data on Waste (low impact, weighted x1)

The Company has not published or otherwise made available any quantitative environmental performance data.

## Financial institutions

*Is the company a bank?*

**Warning:** Bank of America's main activity is in the financial sector. The assessment of this Company may not capture all aspects of its activities, especially its investment activities.

## Human rights

### Human rights overall

*In how many countries listed in EIRIS Category A does the company have operations?*

*In how many countries listed in EIRIS Category B does the company have operations?*

Bank of America has a subsidiary or associate interest in Mexico which falls into the EIRIS category B, but not category A.

### Military production and sale

*What proportion of turnover can be estimated to relate to military sales? (NEW)*

Military sales have been estimated as being **less than 1%** of the company's total turnover.

*What is the nature of products or services sold to the military?*

Bank of America has promoted or sold products or services to military customers including some which EIRIS

has classified as general products or services. Examples are as follows:

### **General products or services**

- ◆ supply of banking and accountancy services to the US Army. [Investor Responsibility Research Center, 01/03/2002]
- ◆ maintenance and repair of office machines for the US Defense Logistics Agency. [Investor Responsibility Research Center, 31/12/2002]

### **Stakeholder issues**

#### **Stakeholder policy**

*How good are the company's policies towards its stakeholders overall?*

Bank of America has provided details of a basic level of overall stakeholder policy.

They have policies going beyond the minimum assessment level on community involvement & equal opportunities and diversity, but they have not provided evidence of policies on board level responsibility for stakeholders, bribery and corruption, employee training and development or job security and job creation.

#### **Stakeholder systems**

*How good are the company's management systems for stakeholders overall?*

Bank of America has provided details of a moderate level of overall stakeholder systems.

They have some management systems for customer or supplier relations & health and safety and management systems going beyond the minimum assessment level for community involvement & equal opportunities and diversity, but they have not provided evidence of management systems for bribery and corruption, employee consultation, employee training and development or job security and job creation.

#### **Stakeholder engagement**

*What level of engagement with stakeholders is disclosed by the company?*

Bank of America has provided **moderate** disclosure of its systems for engaging with its stakeholders.

The Company has disclosed:

- that it regularly surveys customers to assess customer satisfaction and details
- that it regularly surveys suppliers - the Company surveys supplier during the supplier registration process
- that it reviews the impact of their operations on communities

The Company has not disclosed:

- that it regularly surveys employees
- that a significant part of its engagement with stakeholders is independently verified / audited

The Company has won awards for:

- Working Mother Magazine's Top 10 Companies for Working Mothers
- Fortunes Magazine's 50 Best Companies for Minorities
- Hispanic Magazine's Corporate 100 list for providing the most opportunities for Hispanics and contributing to the advancement of the Hispanic community

[Company website, 12/01/2004][Annual report, 31/12/2002]

### **Stakeholder reporting**

*How good is the company's quantitative reporting on stakeholder relationships?*

Bank of America has disclosed **some** quantitative indicators to support social reporting. Those marked with an asterisk (\*) indicate that there is relevant quantitative data in the Company's publicly-available reports and/or

websites. Otherwise data should be assumed to come from communications or survey responses from the Company.

The Company has produced:

- a community involvement report giving details of projects supported

The Company has provided quantitative data in relation to:

- workforce composition\*

The Company has not produced or provided quantitative data in relation to:

- a social report
- health & safety
- training
- staff turnover and job security

Details are contained elsewhere in this Company profile. The Company has not indicated that any of this data is independently verified.

[Company website, 12/01/2004]

## [Employee issues](#)

### [Equal opportunities](#)

*How good is the company's policy on equal opportunity and diversity issues?*

Bank of America has an **advanced** commitment to promoting equal opportunities or diversity. The Company:

- has a non-discrimination policy going well beyond race and gender, including also religion, sexual orientation, age, national origin, ancestry, citizenship, veteran or disability status, or any factor prohibited by law
- has made clear that this policy is applicable to the Company's global operations
- supports wider business-focussed anti-discrimination initiatives, including The Robert F. Toigo Foundation, INROADS, Inc., National Association of Asian American Professionals, Sponsors for Educational Opportunities, National Black MBA Association, National Society of Hispanic MBA's, National Association of Black Accountants, Consortium for Graduate Study in Management Urban Financial Services, Coalition National Association for the Advancement of Colored People, National Urban League, and United States Hispanic Chamber of Commerce

[Company website, 12/01/2004]

*How clear is the evidence of systems and practices to support equal opportunities and diversity?*

Bank of America has disclosed **clear** evidence of systems for promoting equal opportunities or diversity.

The Company has:

- flexible (and family-friendly) work arrangements. These include flexitime, dependent care subsidies and career breaks for paternity, adoption, foster care, family care, and personal.
- a system for monitoring equal opportunities (as indicated by the figures below)
- a significant proportion of the management who are women (or from ethnic minorities)

The Company does not show evidence of:

- a senior person responsible for overseeing non-discrimination issues

Bank of America reports that:

70% of its home/main country workforce is female

54.84% of managerial grade employees are female (home/main country)

23.49% of managerial grade employees are from ethnic minorities (home/main country)

43.36% of its home/main country workforce are from ethnic minorities

[Company website, 12/01/2004]

## [Health & safety](#)

*How clear is the evidence of health & safety systems?*

Bank of America has provided **some** evidence of systems for managing health and safety policy. The Company has:

- confirmed involvement in health and safety training

The Company has not:

- provided details of awards won
- indicated a senior person is responsible for overseeing health and safety
- provided substantial quantitative data on its health and safety record

[Company website, 14/12/2003] [Social survey response, 31/12/2001]

### [Job creation and security](#)

*How clear is the evidence of systems and practices to advance job creation and security?*

Bank of America has disclosed **little or no evidence** of systems for advancing job creation and job security. Factors considered include rates of staff turnover and the percentage of the workforce on temporary contracts, any formal commitment to avoid compulsory redundancies, and the percentage of organic growth in jobs in the last three years.

[Company website, 12/01/2004; Annual report, 31/12/2002]

### [Trade unions and employee participation](#)

*How clear is the evidence of systems to manage employee relations?*

Bank of America has disclosed **little or no evidence** of systems for managing employee/union relations. Factors considered include the coverage of at least 25% of its global workforce by union recognition or collective agreements with trade unions, or other forms of consultative arrangements with the workforce.

[Company Form 10K, 31/12/2002]

### [Training](#)

*How clear is the evidence of systems to support employee training and development?*

Bank of America has disclosed **little or no evidence** of systems for promoting employee training and development.

Factors considered in assessing this question are the proportion of employees (over 25%) having a training or personal development review each year, and the ability of the company to provide relevant performance indicators (such as the average number of days training received per employee), including peer group comparisons.

The Company indicates that they offer tuition re-imbursment in the amount of \$2000 per year for undergraduate courses and \$4000 per year for graduate courses.

[Company website, 12/01/2004]

### [Customers & suppliers](#)

#### [Customer/supplier relations](#)

*Does the company have policies on maintaining good relations with customers and/or suppliers?*

Bank of America has **adopted and clearly communicates** a corporate policy statement setting out details of its policy for managing relationships with customers and/or suppliers.

In relation to suppliers, including the support of Competitive procurement activities and bid processes, Commitment to the growth and development of communities, Supplier diversity & development and Equal-opportunity employment.

In relation to customers, including community development, reducing environmental impact, and credit worthiness.

These policies are clearly communicated to both customers and suppliers.

[Company website, 12/01/2004]

*How clear is the evidence of systems to maintain good relations with customers and/or suppliers?*

Bank of America has provided **some** evidence of management systems for managing and improving relationships with customers and suppliers.

Bank of America indicates:

- the Company uses six sigma to improve quality and productivity
- that it systematically monitors relationships with customers - the Company surveys customer satisfaction rates
- that it systematically monitors relationships with suppliers - the Company surveys suppliers during the supplier registration process
- that it can supply evidence of improvements in its relationships with customers or suppliers - the number of customers rating their satisfaction as a nine or a ten (ten point scale), or those customers the Company refers to as delighted, increased by 10.4% in 2002

Bank of America has not indicated:

- that any significant part of its worldwide activities is covered by ISO9004 or TQM 9002/9003 (or similar)
- that it has a senior person responsible for this area

To improve its assessment Bank of America would need to provide more evidence of its systems or have a higher percentage of its operations certified.

[Company website, 12/01/2004; Annual report, 31/12/2002]

### Community involvement

*How clear is the company's commitment to community or charitable work?*

Bank of America has disclosed **clear** evidence of systems for promoting community involvement.

The Company has indicated:

- that it supports charitable / community involvement by its employees, including gifts in-kind, matching gifts, and employee volunteering.
- that its charitable donations exceed 0.5% of pre-tax profits
- that it has a report detailing community projects supported including community development banking, the Company's foundation activity, environmental initiatives, sponsorships and volunteering efforts.

Bank of America indicates:

GBP 45 million (US \$72.3 million) given to charitable causes (2002)

Charitable contributions as % of pre-tax profits = 0.6% (2002)

[Company website, 12/07/2003]

### Areas of no involvement for this company

Advertising complaints

Alcohol

Animal testing

Contraception / abortion / clinics

Core ILO standards

Directors' pay

Disclosure

Fur

Gambling

Genetic engineering

Greenhouse gases

Human rights policy

Human rights reporting  
Human rights systems  
Intensive farming and meat sale  
Mining and quarrying  
Nuclear power  
Ozone depleting chemicals  
Pesticides  
Political donations  
Pollution convictions  
Pornography and adult entertainment services  
Positive products and services  
PVC and phthalates  
Size  
Supply chain elements  
Supply chain overall  
Third world  
Tobacco  
Tropical hardwood  
Water pollution

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