Bank of America embraces the Forum's metrics to streamline its ESG reporting

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Introduction

Bank of America is a leading global financial institution serving individual consumers, small and middle-market businesses, and large corporations with banking, investing, asset management and other financial and risk management products and services. The company serves 67 million consumer and small business clients in the United States. It is a global leader in wealth management, corporate and investment banking and trading throughout asset classes, serving corporations, governments, institutions and individuals worldwide. The company serves clients through operations in the US, its territories and approximately 35 countries.

Bank of America Chairman and Chief Executive Officer, Brian Moynihan, is also Chair of the International Business Council (IBC) of the World Economic Forum. In this capacity he has helped drive the Stakeholder Capitalism Metrics initiative since its inception and remains one of its most prominent and tireless standard-bearers.

We interviewed two of the company's leading lights on sustainability, both with first-hand experience of implementing the IBC's metrics: Lawrence Di Rita, President of Greater Washington DC and Head of Global Public Policy, who serves on the bank's executive ESG disclosure committee; and Ashwani Chowdary, Senior Vice-President, ESG.

Key takeaways

- Bank of America has reported in line with the full set of core SCM in its mainstream annual reports for FY20–21 and FY21–22
- The bank's motivation in reporting against the SCMs is to drive alignment between different ESG frameworks towards a single global standard – the metrics bring discipline to the bank's ESG reporting
- The SCMs have enhanced the bank's human capital reporting, including metrics on employee training and turnover, broken down by employee category, gender, age group and other indicators of diversity and region
- While climate change-related metrics are moving towards standardized formats of reporting, there is still a lot of interpretation and discrepancy in human capital reporting
- The company's first task was to build consensus among the organization's internal stakeholders – including ESG reporting, risk and finance teams – to help drive the adoption of the SCMs
- Bank of America now has an executive ESG disclosure committee that reviews all ESG reporting, co-chaired by the chief accounting officer (CAO) and the head of ESG
- The bank's advice for experienced ESG reporters is to use the core SCMs as a foundation for all non-financial reporting, integrating other industry-specific metrics with them

– The bank's advice for less experienced ESG reporters is that the SCMs are a great place to start, because: they distil from existing metrics the most material set of disclosures for businesses to demonstrate progress on the SDGs; they have the intellectual capital of the Big Four accounting firms behind them; they have been tested by 150 companies; and they offer transparency and comparability for investors and other stakeholders

> **Use the Stakeholder Capitalism Metrics as your foundation and build other industry-specific metrics onto that foundation.**
> Ashwani Chowdary, Senior Vice-President, ESG, Bank of America

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Rationale for reporting: adding backbone to existing ESG disclosures

Bank of America has reported its ESG disclosures to align with such frameworks as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) for many years, as well as the Task Force on Climate-Related Financial Disclosures (TCFD) more recently. But as one of the prime movers behind the World Economic Forum's SCM process, its main motivation has been to drive alignment between different ESG frameworks towards a single global standard. "The question we asked ourselves," says Lawrence Di Rita, "is how can we make the Stakeholder Capitalism Metrics the backbone for all our ESG reporting." Di Rita adds, "A lot of companies are doing a lot of reporting – the question is, can the Forum's metrics help discipline that reporting?"

As part of this streamlining process, the bank carried out a gap analysis and found the People and Prosperity pillars of the Forum's framework offered some new human capital metrics it hadn't previously been reporting on in its separate, annual 14-page human capital report. These included core metrics on employee training and turnover, broken down by employee category, gender, age group and other indicators of diversity and region. "We report a significant amount of human capital information already," says Di Rita, adding, "We worked with our global human resources team to harmonize our existing reporting with the Stakeholder Capitalism Metrics."

Digging into the diversity of human capital disclosures

"The People metrics really focus on what you're doing to ensure the organization is being inclusive and developing its employees," says Ashwani Chowdary, adding, "I don't think external frameworks brought the same focus to this issue, whereas the Forum's metrics really pull these elements into the reporting as a priority." Although the training metrics are drawn from existing GRI and SASB frameworks, the metric on the number and rate of employee turnover by different categories is adapted from a GRI standard by the Forum's team to include other indicators of diversity.

Bank of America has always prioritized the mental well-being of its employees, but the COVID-19 pandemic sharpened the focus on this issue across all industries. "Coming fresh from the shareholder engagement we just did during the proxy solicitation season, human capital is an area that got more attention," says Di Rita. The bank's own employees also value hard data on how well the company is looking after them. The Forum's expanded metrics under the People pillar include opportunities to report on the percentage of employees participating in "best practice" health and well-being programmes, as well as on absentee rates for all employees.

Whereas climate change-related metrics are moving towards standardized formats of reporting, such as Scope 1, 2 and 3 emissions, "human capital is an area where there is more variation around what's expected," says Di Rita, adding, "there's still a lot of interpretation". When it comes to shareholders, they tend to focus on compensation. The bank reports against the Forum's core metrics on pay equality by gender and ethnicity as well as wage levels relative to minimum wages and CEO compensation. It also aligns the compensation of leaders with ESG performance.

The bank did not face challenges in reporting on the core metrics, according to Chowdary, but "some of the expanded metrics really push companies to think about their value chains and impacts", she says. Some of the methodologies – for example, on biodiversity impacts – are "still a bit in development", so the bank is waiting to implement until more standardized methodologies emerge.

> **Human capital is an area where there is more variation around what's expected; there's still a lot of interpretation.**
> Lawrence Di Rita, President of Greater Washington DC and Head of Global Public Policy, Bank of America

Solutions: reporting process aligns finance and accounting more closely with ESG

Bank of America has reported disclosures aligned with the full set of core SCM in its mainstream annual reports for FY20–21 and FY21–22. As a result, it has some valuable insights and lessons learned on the reporting process.

In common with many other large public companies that take stakeholder capitalism seriously, the bank had an extensive network of internal individuals already focused on reporting ESG metrics, each with their own relationships with existing standard-setters, such as SASB, GRI and others. “The consensus building to just get that group of internal stakeholders to see the value of the Stakeholder Capitalism Metrics was an integral first layer of the work,” says Di Rita. This meant getting the bank’s internal ESG standards centres to work together with teams from policy, finance, risk and other departments. What helped engage and align these teams was the priority the Forum’s metrics place on converging all ESG disclosures into a single set of reporting.

The process of integrating the Forum’s metrics into the annual report has led to much closer engagement between ESG reporting functions and the finance and accounting functions of the bank. “That was really important for helping us to build discipline around how we report ESG information and establish processes and controls that will in time reach the same level as financial reporting,” says Chowdary.

Another important outcome is that the bank now has an executive ESG disclosure committee that reviews all ESG reporting. The committee is co-chaired by the bank’s chief accounting officer and its head of ESG, and its members include representatives from risk, legal and finance. “One of the most valuable things we learned is the importance of getting our chief accounting officer and his team involved in this from the beginning,” says Di Rita, himself a member of the executive ESG disclosure committee. “We now follow his lead,” says Di Rita, referring to the CAO taking responsibility for briefing on all of the bank’s non-financial disclosures, “that’s where you want these metrics.”

Spreading the word

Bank of America doesn’t just keep the ESG metrics conversation in-house, it takes it to clients, too. The client teams are engaged with each of the bank’s clients to discuss their own net-zero plans, and disclosure is part of that. “Net zero is coming your way, so let’s help you get there,” says Di Rita, characterizing the kinds of discussions his client teams are having. For example, a global US vehicle manufacturer recently announced it was going to tie executive remuneration to production of electric vehicles. That decision will affect every company in its supply chain, many of whom could be the bank’s clients. The SCM provide a useful framework for discussions on how best to disclose the impact of these changing supply-chain relationships.

CEO Brian Moynihan is personally involved in promoting the SCM. In advance of discussions he has with business groups, policy-makers, community groups and other stakeholders, he will often circulate the bank’s latest reporting on the metrics along with his shareholder letter.

> **Net zero is coming your way – let’s help you get there by developing a net-zero plan and choosing the right disclosure metrics.**
>
> Lawrence Di Rita

Impact, learning and advice

> **The Stakeholder Capitalism Metrics were the impetus for us to consolidate financial and non-financial disclosures into a single body of reporting – there’s no question about it.**
>
> Lawrence Di Rita

Bank of America had been including human capital metrics in its annual reports for some years, but when the SCM process took off, CEO Brian Moynihan made it clear that his goal was to harmonize all financial and non-financial reporting. For the bank, 200-page sustainability reports are rapidly becoming a thing of the past. “We’re still on that path to get it all consolidated into a single body of reporting in the annual report”, confirms Di Rita. The Forum’s metrics were the impetus for that, he says – “the metrics process has provided discipline to get it all moving in the right direction”. In addition, Di Rita highlights the important role played by the convergence movement across the ESG standards world, which the SCMs helped stimulate and catalyse.

The result for the bank has been a wholesale “internal re-engineering to get all of the processes aligned to a single reporting outcome”. Rather than driving ESG reporting centrally, the bank’s approach is to provide a forum through the executive ESG disclosure committee that allows the leaders of the bank’s eight lines of business to discuss how their business priorities align to drive ESG priorities. “Our success must be in ensuring that these businesses have a coherent approach to executing our ESG priorities”, says Di Rita, “so our job is to support the businesses in this work, as opposed to saying, ‘we’re going to go execute this thing and we need your support for that’.”

In terms of the impact that reporting against the Forum’s metrics has on the bank’s operations, Chowdary is quick to point out that “reporting is a reflection of our priorities, but doesn’t dictate our strategy”. The bank’s approach to its business, known as “Responsible Growth”, has long championed sustainability. Nevertheless, agrees Di Rita, what the metrics have brought is a level of coherence, transparency and comparability in terms of how stakeholders understand the bank’s performance on sustainability criteria.

> **If there’s a learning for other companies – get your CFO and your CAO into this work as early as you can.**
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> Lawrence Di Rita

Advice for experienced ESG reporters – use SCMs as the foundation for all of your non-financial reporting
If you’re an experienced reporter at a larger company such as Bank of America, the SCM give you a good opportunity to pause and stop having to react to the emergence of so many ESG frameworks, says Ashwani Chowdary, adding, “Use the SCMs as your foundation and build other industry-specific metrics onto that foundation.”

Advice for less-experienced ESG reporters – the SCMs are a great place to start
If you’re a less-experienced ESG reporter, the SCM process is a very good place to start, says Di Rita. “It’s been pressure-tested by more than 150 companies, and it has the intellectual capital of the Big Four behind it,” he explains. They have done the work to sample all relevant ESG standards and bring out the ones most material for business.

Regulation is coming, so start engaging finance and accounting partners in ESG reporting
“In terms of building your process,” Chowdary says, “it can’t be done in a silo – it’s critical to engage with your partners across the organization, especially in finance and accounting.” Regulation is here already or it’s coming, she adds, so this is a good time to prepare for what we know is coming. “Start building those partnerships,” she advises.

> **Our strong encouragement to all standard-setters and regulators is – get to a single global standard: the world is ready for it.**
>
> Lawrence Di Rita

Added value of the Forum’s Stakeholder Capitalism Metrics

> **The Stakeholder Capitalism Metrics take a lot of the mystery out of ESG reporting. They’ve been pressure-tested by more than 150 companies, and they have the Big Four’s intellectual capital behind them.**
>
> Lawrence Di Rita

Di Rita and Chowdary point to a number of key features that distinguish the SCM and enable them to add value in an already crowded marketplace:

– The metrics are not a new body of standards – they draw on existing ESG frameworks and distil the most material metrics to demonstrate long-term value creation

– The smaller companies to which the bank talks on a regular basis say the Forum’s metrics are a great place to start their ESG reporting journey

– The involvement of the accounting profession in evaluating and selecting the Forum’s standards is invaluable – as this is the profession that will have to audit both the financial and non-financial accounts

– The metrics are deliberately industry-agnostic, which allows for transparency and comparability across sectors and industries. This makes them uniquely valuable and accessible for investors and other stakeholders

– The SCM process offers companies a backbone for disciplining ESG reporting and aligning it in a way that can be integrated into annual reports

– The metrics are aligned with the SDGs and enable companies to track their contributions towards the achievement of those goals