How we live our purpose
Since the financial crisis, we have worked hard to transform our company by focusing on the needs of the customers and clients we serve. We recognize the important role of financial institutions in the economy, and understand our decisions and actions affect people’s lives every day. We’ve taken significant action to follow through on that responsibility.

In all we do, we are guided by a common purpose to make financial lives better by connecting our customers, clients, and communities with the resources they need to be successful.

Our Business Standards Report shows how our company today is more straightforward, less risky, and built on a stronger foundation that lives up to our purpose.

As part of our transformation, we’ve built our liquidity and capital to record levels, while relentlessly narrowing our focus to concentrate on the businesses and services that matter most to our customers and clients. This progress is the result of a strategy we set in motion several years ago to simplify the company, resolve mortgage-related and other issues from the crisis, rebuild our balance sheet, invest in our company and our capabilities, and pursue a straightforward model focused on responsible growth.

Our more than 200,000 teammates work every day to deliver on our strategy and bring our purpose to life — helping our customers and investing in our communities. We have a culture of teamwork and a passion to do what’s right to deliver for all those we serve — from individuals at every stage of their financial lives, to companies of every size, and in communities across the U.S. and around the globe.

While we have more work to do, we are pleased to detail our progress in this report.

Brian Moynihan
Chairman and Chief Executive Officer

Bank of America
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At Bank of America, we have a clear purpose to help make financial lives better through the power of every connection. We fulfill this purpose by executing a business strategy that is focused on serving the core financial needs of people, companies, and institutional investors by connecting them with capabilities across our eight lines of business.

In the years following the financial crisis, we’ve transformed and simplified our company. Today, we are a less complex company that manages risk more rigorously than ever. We’ve focused our business model on the core products and services our customers and clients need. We’ve built record capital and liquidity, sold or liquidated assets that didn’t serve our customer-focused strategy, and reduced expenses, while pursuing operational excellence.

We put in place several straightforward operating principles to ensure our global team is aligned around the work we do. These principles include being customer-driven in all we do, managing risk well, operational excellence, creating a great place to work for our employees, and delivering value for our shareholders.

All of the hard work to strengthen the focus and foundation of our company comes together as an engine for responsible growth.

What follows is a report on Bank of America’s business standards, our culture, and the work we do to drive our strategy of responsible growth, through the lens of the strategy’s four tenets:

- We must grow and win in the market.
- We must grow with our customer-focused strategy.
- We must grow within our Risk Framework.
- We must grow in a sustainable manner.

Throughout this report, we discuss how we live our purpose and how we fulfill our environmental, social, and governance (ESG) responsibilities. We look at the work we’ve done to strengthen our culture and bring together our employees through a common set of expectations. We provide information about our corporate governance, our risk management and control functions, and how our relationships with customers and key stakeholders are deepening in ways that are unique to Bank of America.

Our hope is that this report will help you better understand the work we’re doing and the ways we’ve changed to help make financial lives better for the people, companies, and institutions we serve.
CHAPTER 2: Our Values and Responsible Growth

What Guides Us
At Bank of America, our purpose, operating principles, and values form the foundation of our culture — a culture that is rooted in integrity, disciplined risk management, and delivering together as a team to better serve our clients, strengthen our communities, and deliver value to our shareholders.

Our culture is built on the tenets of responsible growth and serving our customers. It comes through in our commitment to ensuring that our policies, practices, products and programs all align to our purpose. Our Code of Conduct, which provides basic guidelines for our business practices and professional and personal conduct expectations, along with our Risk Framework, which describes our risk management approach and provides clear accountability for managing risk across the company, are foundational to our culture.

We seek to reflect what stakeholders expect of global companies today. At all times, we’re listening to and engaging with a diverse set of stakeholders — including our employees, stockholders, customers, clients, and community advocates — listening to their feedback to help inform our decisions. Through continual debate and dialogue — with internal and external stakeholders — we believe more informed, balanced decisions are made.

These efforts have allowed us to focus on our customers and clients with renewed clarity, and to deliver the full range and depth of our resources and global reach to help them achieve their goals. Through stronger connections with customers and clients, we’re building more financially secure communities — recognizing that we only succeed when our customers, clients, employees, and our communities thrive.

Our Values
We recognize that cultivating a strong culture is an ongoing effort, fostered day after day in both formal and informal ways. Building a unified culture requires thoughtful, purposeful action. This work helped us bring together all of our employees — from different businesses, companies, and countries — with a unifying idea of what it means to work for Bank of America.

Our values not only inform the way we conduct business and make decisions, they underscore who we are and what we believe as a company. For employees from Jersey City to Singapore, this builds an emotional connection and pride in the organization that can drive greater engagement. These values also define how our company invests in our employees around the globe who support customers and clients every day.

Our Chairman and CEO routinely discusses the company’s values with employees and external audiences, underscoring our commitment to doing business the right way: with honesty and integrity. Whatever path brought each of our employees to Bank of America, we are one company, with a common set of values to guide and inspire how we connect with customers, clients, communities, and each other:

We Deliver Together
We believe in the importance of treating each customer, client, and teammate as an individual, and in treating every moment as one that matters. We strive to go the distance to deliver, with discipline and passion. We believe in connecting with people person-to-person, with empathy and understanding. We believe everything we do for customers, clients, teammates, and the communities we serve is built on a solid business foundation that delivers for shareholders.
We Act Responsibly
We believe that integrity and the disciplined management of risk form the foundation of our business. We know our decisions and actions affect people’s lives every day.

We Realize the Power of our People
We strive to help our employees reach their full potential. We believe that diverse backgrounds and experiences make us stronger. We respect every individual and value our differences — in thought, style, culture, ethnicity, and experience.

We Trust the Team
We believe the best outcomes are achieved when people work together across the entire company. We believe great teams are built on mutual trust, shared ownership, and accountability. We act as one company and believe that when we work together, we best meet the full needs of our customers and clients.

Responsible Growth
When we look at where we stand today, our company is stronger, simpler, and better positioned to deliver long-term value to our shareholders, thanks to the straightforward way in which we serve our customers and clients. The path forward is clearly one of responsible growth.

Responsible growth has four pillars:

- We must grow and win in the market.
- We must grow with our customer-focused strategy. We aren’t going to grow by buying assets where we do not have an underlying relationship with the customer, such as mortgages originated by another company. Our growth will come through knowing our customers and clients, and being able to do more for them.
- We must grow within our Risk Framework. This is the foundation of everything we do.
- We must grow in a sustainable manner. This means having the right business model, ensuring rigorous governance practices are in place, making decisions that are right for the customer and which strengthen our brand, and treating our employees well.

We Must Grow and Win in the Market
We serve three groups of customers — people, companies, and institutional investors. In the U.S. we serve all three customer groups, and outside the U.S. we serve larger companies and institutional investors. This approach has helped simplify our operations and reduce our risk profile.

- **People**: For the people we serve, we believe we have the best consumer, small business, and wealth-management franchise in the country. We serve 47 million households, and every week we interact with customers more than 130 million times.
- **Companies**: For the companies we serve, our Global Banking business works with virtually every company in the S&P 500. In many products and geographies, Global Banking has greater market share than our consumer business, delivering solid and recurring profitability. Recognizing the businesses we serve are the engines of the economy, we bring the broadest array of solutions, both domestic and international, to our clients to help companies grow, improve cash flow and invest for the future.
- **Institutions**: Turning to the institutional investors we serve, our Global Markets business is one of the most capable platforms in the world. This business provides capital to companies necessary for growth, and serves many of the world’s largest institutional investors who manage savings and investments through pension and retirement funds. Our presence and global reach in fixed income and equity products allow us to provide them access to investment opportunities.
As we look across our businesses and the clients they serve, we have a leading set of capabilities in every area where we operate. That is the power of this company; that is the strength of the model and the balance we are striking to ensure we are doing all we can for our customers and clients, while optimizing our balance sheet to perform efficiently with the post-crisis regulations.

**We Must Grow With our Customer-Focused Strategy**

We have a simple goal. We need to do more with our customers by bringing them everything they need to live their financial lives.

One of the ways we drive our customer-focused strategy is through our business integration work. Several years ago, we embraced a local market-driven approach. We organized the United States into more than 90 market coverage areas.

At the local market level, our teams are working together to look at every customer and client relationship in their market and ask: are we doing all we can for them?

We have seen dramatic growth in the way we are referring existing clients to other teammates who may not yet have a relationship with those particular clients — from nearly 300,000 referrals five years ago to roughly 5 million in 2015.

Through this approach we are a global company that feels local.

**We Must Grow Within our Risk Framework**

As a financial services company, our business is to be the very best at managing all types of risk, and to do so in a responsible manner that serves our clients, shareholders, and communities, and helps the economy grow.

Whether investing in a small business, making a credit decision, or preventing fraud, nearly every aspect of our work calls for sound judgment and a commitment to doing what’s right for our customers, shareholders, and communities. Our culture emphasizes that we are one team, and we have a shared responsibility to manage risk well, act responsibly, have an ownership mindset, and escalate issues so they can be addressed proactively.

Our Risk Framework is foundational to our culture and describes our approach to managing risk well so we can run our business and grow responsibly. The Risk Framework is not a concept; it sets forth clear ownership and accountability for managing risk across the company to ensure that we maintain strong risk-management discipline.

We have invested heavily to improve our risk-management practices, and we are committed to having best-in-class risk-management capabilities, because we know that managing risk well is foundational to everything else we do.

**We Must Grow in a Sustainable Manner**

Building a sustainable company is about how, at the core of everything we do, we are guided by our principles to make the right decisions that will hold us in good stead today and in the future. We think about this in a variety of ways.

First, it’s important to maintain focus on operational excellence, and on the momentum we’ve built managing expenses. We’ve made significant improvement in decreasing our operating expenses, even while making investments to improve efficiency and grow our platform.

Sustainability also includes having the right governance. We have a diverse and experienced Board of Directors that provides independent oversight. Our Board constantly looks for ways to ensure its diversity and
strength, and monitors corporate governance best practices to adapt and improve when necessary.

This rigorous oversight extends across our businesses. For example, each line of business makes decisions through a governance process made up of business leaders and control partners who debate the issues — ensuring we are striking the right balance between risk, business opportunity, and customer focus. And, our Global Environmental, Social and Governance Committee (ESG Committee), led by Anne Finucane, Vice Chairman at Bank of America, with senior leaders from each business line, meets regularly to ensure we are looking at our progress through an environmental, social and governance lens. This committee is accountable to the CEO and reports at least annually to our Board’s Corporate Governance Committee.

Our approach to sustainability also comes through in our commitment to ensure our policies, practices, products, and programs all align to our purpose. We’ve done this in part by creating simple, safe, transparent, and easy-to-use financial solutions that give people greater control of their finances.

Another way we think about sustainability is the work we do to strengthen our local economies and invest in our communities.

- In 2015, this included increasing our environmental business initiative to $125 billion — one of the largest bank commitments to address climate change and demands on natural resources — through lending, investing, capital raising, and developing financial solutions for clients.
- We also extended more than $235 million to Community Development Financial Institutions (CDFIs) to support affordable housing, small business growth, and neighborhood stabilization.
- And, we extended more than $180 million in philanthropic investments, and our employees donated nearly 2 million hours of volunteer service to the causes they care about around the world.

Finally, to be a sustainable company, we must be a company that values our people and gives all employees the support they need to build their careers, achieve their goals, and have the resources they need to improve their lives and the lives of their families.

We have a diverse and inclusive workplace that reflects the diversity of the customers, clients, and communities we serve in more than 35 countries around the world. We provide resources and strategies to help employees develop no matter where they are in their careers. Through our recruitment programs and partnerships, we are investing in the future by bringing the best and brightest to work at Bank of America.

We’ve also made changes to our benefits, increasing our wellness offerings and other family support programs to reflect the needs of our workforce. Our health care benefit premiums are progressive, based on how much an employee earns. In 2011, for employees making less than $50,000 a year we reduced premiums by 50% and have kept those costs down. These employees have had the ability to keep premiums flat for the last four years. And we continue to invest in our wellness programs for all employees, to increase activity and improve overall health.

As we think about all the ways we pursue sustainability, our focus is to use our size and scale in ways that contribute positively to our communities, create opportunity for our customers and employees, and grow our company responsibly.
Case Study: Reinforcing Responsible Business Practices – Environmental, Social and Governance Committee

An important way we’ve cultivated and strengthened our culture of responsible business practices is through more focused oversight of environmental, social, and governance (ESG) issues. In 2014, Bank of America formed a Global Corporate Social Responsibility Governance (GCSR) Committee to provide oversight of our corporate responsibility strategy and initiatives, including community development, corporate philanthropy, volunteerism, the Community Reinvestment Act, and environmental efforts.

In February of 2016, we strengthened the Committee’s oversight of ESG issues by expanding its responsibilities to include more formal oversight governance activity. The Global Corporate Social Responsibility Committee was re-chartered as the Global Environmental, Social and Governance Committee to reflect this broadened set of responsibilities. In addition to providing broader strategic oversight, the Committee ensures that our environmental, social, and governance activity is in alignment with and supportive of our company’s responsible growth strategy, notably sustainable growth.

The ESG Committee and its teams provided important leadership over a number of significant initiatives, including:

The Signing of the United Nations-Supported Principles for Responsible Investment (PRI)

- In 2014, our Global Wealth and Investment Management division became the first wealth management firm to sign the U.N.-supported Principles for Responsible Investment on behalf of its discretionary asset-management business. The PRI initiative is an international network of investors working together to understand the implications of sustainability for investors, and support signatories in incorporating these issues into their investment decision-making and ownership practices.

The Formulation of a Human Rights Statement and Vendor Code of Conduct

- These two documents, developed by the GCSR Committee and their teams in 2014, demonstrate our effort to operate a responsible and transparent business. Our Human Rights Statement articulates the company’s commitment to supporting fundamental human rights, and demonstrates leadership in responsible workplace practices across our enterprise and in all regions where we conduct business. Our Vendor Code of Conduct outlines the standards we set for our vendors to demonstrate their commitment to basic working conditions and ethical business practices. The principles contained in the Human Rights Statement and the Vendor Code of Conduct are consistent with the United Nations Declaration of Human Rights and the International Labour Organization’s Fundamental Conventions. Our Human Rights Statement and Vendor Code of conduct can be found at www.bankofamerica.com.
CHAPTER 3: Governance and Leadership

Governance and Leadership
Cultivating and implementing the transformation underway at Bank of America requires strong governance and leadership. Changes are implemented across the company by a strong Board of Directors, skilled management, and clear and effective governance practices.

Board of Directors
Our 13-member Board of Directors brings a vital independent perspective based on their experience in different organizations and different industries in both the public and private sectors.

Among other things, the Board of Directors is responsible for ensuring that continued embedding of values and ethical conduct remains a sustained priority. Our Board and its committees oversee:

- Management’s identification of, management of, and planning for our company’s material risks, including operational, credit, market, interest rate, liquidity, reputational, capital management, liquidity planning, and legal and regulatory compliance risks.
- Our company’s maintenance of high ethical standards and effective policies and practices to protect our reputation, assets, and business.
- Management’s development and implementation of an annual financial plan and strategic business plans, and monitoring our progress against these financial and strategic plans.
- Our corporate audit function, our registered independent public accounting firm, and the integrity of our consolidated financial statements.
- Our company’s establishment, maintenance, and administration of appropriately designed compensation programs and plans.

Our Board is also responsible for:

- Reviewing, monitoring, and approving succession plans for the Chairman and the Lead Independent Director, and for our CEO, and other key executives to promote senior management continuity.
- Conducting an annual self-evaluation of our Board and its committees.
- Identifying and evaluating director nominees and nominating qualified individuals for election to serve on our Board.
- Reviewing our CEO’s performance and approving the total annual compensation for our CEO and other executive officers.

Board Oversight and Committee Structure
To support our corporate goals and objectives, risk appetite, and business and risk strategies, we maintain a governance structure that delineates the responsibilities for risk management activities, and the governance and oversight of those activities, by management and our Board.

Our Board has five active committees: Audit, Compensation and Benefits, Corporate Governance, Credit, and Enterprise Risk. These committees regularly make recommendations and report on their activities to the entire Board. Each committee may obtain advice from internal or external financial, legal, accounting, or other advisors as desired.

The Board is committed to strong, independent oversight of management and risk through this governance structure. Our Enterprise Risk Committee, Audit Committee, and Credit Committee have the principal responsibility for enterprise-wide oversight of our company’s risk management. Each of these
committees regularly receives updates on risk-related matters within the committee’s responsibilities, and reports on these updates to our Board. This process provides our Board with integrated, thorough insight about our enterprise risk management.

We believe this holistic Board and committee risk oversight process complements and remains consistent with our Board’s commitment to maintaining a strong, independent Board and committee leadership structure. More information on the role of the Board committees in oversight of risk structure can be found on p.25.

In addition, our Compensation and Benefits Committee oversees, among other things, our compensation policies and practices so that they don't encourage unnecessary or excessive risk-taking by our employees.

Our Corporate Governance Committee oversees our Board’s governance processes; identifies and reviews the qualifications of potential Board members; recommends nominees for election to our Board; recommends committee appointments for Board approval; reviews and reports to our Board on our environmental, social and governance activities; leads our Board and its committees in annual self-assessments; and reviews and assesses stockholder feedback and our stockholder engagement process.

The Board elected Brian T. Moynihan, our CEO, as Chairman of the Board, and the independent directors of the Board elected Jack O. Bovender, Jr. to serve in the newly established Lead Independent Director role. Our Board determined at that time and continues to believe that the leadership structure with Mr. Moynihan as Chairman and CEO and Mr. Bovender as Lead Independent Director is in the best interests of Bank of America and its stockholders based on the company’s present needs and circumstances.

Our Board's amendment of its Corporate Governance Guidelines codified a description of the duties and responsibilities it expects from either an independent Chairman of the Board or a Lead Independent Director, depending on which leadership structure is in place. This development documents the independent leadership that our Board expects, having not had such a documented role description previously. The duties and responsibilities include the following:

**Board Leadership**

- In the case of the Chairman, presiding at all meetings of our Board and, in the case of the Lead Independent Director, presiding at all meetings of our Board at which the Chairman is not present, including at executive sessions of the independent directors.
- Calling meetings of the independent directors, as appropriate.
- In the case of the Lead Independent Director, if the CEO of our company is also Chairman, providing Board leadership if the CEO/Chairman's role may be (or may be perceived to be) in conflict.

**Board Culture**

- Serving as a liaison between the CEO and the independent directors.
- Establishing a close relationship with the CEO, providing support, advice and feedback from our
Board while respecting executive responsibility.
- Acting as a "sounding board" and advisor to the CEO.

**Board Focus**
- **Board Focus**: In consultation with our Board and executive management, ensuring that our Board focuses on key issues and tasks facing our company and on topics of interest to our Board.
- **Corporate Governance**: Assisting our Board, the Corporate Governance Committee, and management in complying with our Corporate Governance Guidelines and promoting corporate governance best practices.
- **CEO Performance Review and Succession Planning**: Working with the Corporate Governance Committee, the Compensation and Benefits Committee, and members of our Board; contributing to the annual performance review of the CEO, and participating in CEO succession planning.

**Board Meetings**
- In coordination with the CEO and the other members of our Board, planning, reviewing, and approving meeting agendas for our Board.
- In coordination with the CEO and the other members of our Board, approving meeting schedules to assure that there is sufficient time for discussion of all agenda items.
- Advising the CEO of the information needs of our Board, and approving information sent to our Board.
- Developing topics of discussion for executive sessions of our Board.

**Board Performance and Development**
- **Board Performance**: Together with the CEO and the other members of our Board, ensuring the efficient and effective performance and functioning of our Board.
- **Board Assessment**: Consulting with the Corporate Governance Committee on our Board’s annual self-assessment.
- **Director Development**: Providing guidance on the ongoing development of directors.
- **Director Assessment/Nomination**: With the Corporate Governance Committee and the CEO, consulting in the identification and evaluation of director candidates’ qualifications (including candidates recommended by directors, management, third-party search firms, and stockholders) and consulting on committee membership and committee chairs.

**Stockholders and Other Stakeholders**
- Being available for consultation and direct communication, to the extent requested by major stockholders.
- Having regular communication with primary bank regulators (with or without management present) to discuss the appropriateness of our Board’s oversight of management and our company.

**Board Qualifications**
Our directors bring varied and unique experiences and attributes to their service on our Board. Our Board considers the following qualifications, attributes and skills important for our directors:
- Our directors are seasoned leaders, and the majority serve or have served as chief executive officers.
- Our directors bring to our Board a vast depth and diversity of public company, financial services, private company, public sector, academic, nonprofit, and other domestic and international business experience.
- Our directors have held leadership positions in complex financial services organizations and with our primary regulator, and management roles in the areas of risk, operations, finance, technology, and human resources.
• Our directors represent diverse viewpoints and bring a blend of historical and new perspectives about our company as a result of their varied lengths of tenure as our directors. Seven of the Board’s 13 current members have joined since 2012.

Our Board believes that this mix of attributes among the directors enhances our Board’s independent leadership and effectiveness. Our Corporate Governance Guidelines further provide director nomination standards, including the requirements that director candidates:
• Have the desire to represent the interests of all stockholders.
• Be capable of working in a collegial manner with persons of diverse educational, business and cultural backgrounds, and possess skills and expertise that complement the attributes of the existing directors.
• Be capable of constructively challenging the Chairman and CEO and other senior executives, as appropriate.
• Represent a diversity of viewpoints, backgrounds, experiences, and other demographics.
• Demonstrate notable or significant achievement and possess senior-level business, management, or regulatory experience that would benefit our company.
• Be individuals of the highest character and integrity.
• Be free of conflicts of interest that would interfere with their ability to discharge their duties or that would violate any applicable laws or regulations.
• Be capable of devoting the necessary time to discharge their duties, taking into account memberships on other Boards and other responsibilities.

**Current Composition of the Board**

Our directors possess backgrounds, qualifications, attributes and skills that, when taken together, provide our company with a broad range of experience in large, complex organizations; regulated industries; consumer, commercial and corporate businesses; and international organizations.

Of our directors, seven have international experience, nine have CEO experience, one has deep experience in cyber-security, two are African-American and four are women, one of whom is Hispanic. Our directors also have experience in financial and regulatory oversight, risk management, strategic planning, and technology. They bring depth and breadth of financial, operational, risk, and other areas of expertise relevant to our company; through their varied lengths of tenure, they bring a blend of historical and new perspectives about our company.

**Director Independence**

While the New York Stock Exchange listing standards require a majority of our directors to be independent, our Corporate Governance Guidelines go even further and require a substantial majority of our directors to be independent. Eleven of our 13 current directors and each member of our Audit, Compensation and Benefits, and Corporate Governance committees are independent.

The independent and non-management directors bring a caliber and diversity of expertise, experience, and leadership, and are a testament to the Board’s commitment to self-evaluations, continuous refreshment and rigorous, independent oversight.

The Board’s commitment to independent oversight of management is augmented by federal banking regulatory requirements, including the Federal Reserve Board and the Office of the Comptroller of the Currency. Our company is strenuously regulated, and our Board must contain members who have experience that meets certain regulatory requirements, including: independence; financial literacy and expertise;
experience in identifying, assessing, and managing risk exposures of large, complex financial firms; and/or understanding of risk management principles, policies, and practices relevant to our company or a comparably sized company.

In furtherance of those and other regulatory requirements, members of our Board and the independent committee chairs (including our Lead Independent Director) frequently meet with our regulatory authorities without management present.

Our Corporate Governance Guidelines require that the non-management directors meet in executive session at each regularly scheduled Board meeting at the direction of the Lead Independent Director (when the Chairman is not present), with the Lead Independent Director presiding. The Lead Independent Director also plays a central role in the Board’s stockholder engagement program, and is available to communicate with stockholders and other parties. In addition, the Lead Independent Director may serve on committees of the Board, and Mr. Bovender currently serves on the Board’s Corporate Governance Committee.

**Ongoing Stockholder Engagement Program**

The Board and management are committed to engaging with the company’s stockholders and soliciting their views and feedback on important performance, governance, compensation, and other matters. We review our stockholder engagement practices regularly with an eye towards continual improvement.

Our corporate secretary and investor relations teams, together with relevant executive management members and directors, conduct stockholder outreach throughout the year, and inform our management and the Board about the issues that our stockholders tell us matter most to them.

Stockholder feedback is shared with the Board and its committees to enhance our governance practices, to facilitate a dialogue between stockholders and the Board, and to provide transparency of those practices to our stockholders through enhanced disclosure.

We review the voting results of our most recent annual meeting of stockholders, the stockholder feedback received through our engagement process, the governance practices of our peers and other large companies, and current trends in governance as we consistently consider enhancements to our governance practices and disclosure.

**Enhancements in Response to Stockholder Feedback**

The Board has demonstrated a record of independent oversight, actively engaging and maintaining a robust and regular dialogue with management. Since 2009, the Board has enacted significant governance changes in response to stockholder engagement and feedback.

After considering feedback received from our stockholders, our company:

- Adopted an enhanced stockholder engagement program that includes the active involvement of our Lead Independent Director and other independent directors.
- Adopted a proxy access right to permit a stockholder, or a group of up to 20 stockholders, owning continuously for at least three years shares of our company representing an aggregate of at least 3 percent of the voting power entitled to vote in the election of directors, to nominate and include in our proxy materials director nominees constituting up to 20 percent of the Board, provided that the stockholder(s) and the nominee(s) satisfy the requirements in our bylaws.
- Implemented the right permitting stockholders holding at least 10 percent of our outstanding common shares to convene a special meeting, provided that the stockholders satisfy the requirements in our bylaws.
Bank of America Business Standards Report

- Implemented leading incentive compensation recoupment policies and committed to disclose certain forfeitures under these policies.
- Implemented progressive stock ownership guidelines for senior management and our directors.
- Gathered additional information regarding significant investors’ voting policies and procedures on key governance matters and shared that information with the Board and Corporate Governance Committee.
- Enhanced our disclosures relating to a number of matters, including greenhouse gas emissions from our own operations and our U.S. utility portfolio, and published a new coal policy, which helps ensure that we play a continued role in promoting the responsible use of coal and other energy sources, while balancing the risks and opportunities to our shareholders and the communities we serve.
- Enhanced our political activities disclosure to include:
  - A more detailed discussion of our participation in the political process;
  - Current and historical reports of our Political Action Committee (PAC) contributions;
  - A list of trade associations to which we paid more than a deminimis amount;
  - A list of tax-exempt organizations organized under Section 527 of the U.S. Internal Revenue Code to which we made contributions;
  - Information regarding the management, compliance, and monitoring of our political activities, including our Corporate Governance Committee’s oversight of our significant policies and practices (see the “Political Activities” page of our Investor Relations website at http://investor.bankofamerica.com).
- Enhanced our proxy statement disclosure regarding our Board leadership structure, including a discussion of the robust and transparent independent Board leader duties.
- After consultation with many of our significant stockholders on the Board’s leadership structure, the Lead Independent Director’s role and responsibilities, and the process the Board undertook to effect the bylaw amendment, held a special meeting seeking stockholder ratification of the amendment of our bylaws to provide the Board flexibility in determining its appropriate leadership structure.
- Committed that we would produce this Business Standards Report to increase transparency around our processes and standards, corporate culture, governance, and business practices.

We also have provided the following stockholder rights:
- There are no super majority amendment provisions in our Certificate of Incorporation or our bylaws.
- Our directors are elected annually by a majority voting standard in uncontested elections.
- Our Corporate Governance Committee considers director candidates recommended by stockholders.
- We do not have a “poison pill” in effect.

Management

Management Team Structure
Management team members are the standard-bearers for our business practices and our culture throughout the organization. Therefore, ensuring the right management team is in place is critical to the success of our entire enterprise.

The team is led by Brian Moynihan, our company’s Chairman and CEO, who, in his more than 20 years at Bank of America, has run each of the major customer and client businesses — consumer and small business banking, wealth management, and corporate and investment banking. Since assuming the CEO position, Mr. Moynihan has made clear and purposeful changes to resolve legacy issues and ensure that the management team and the company can execute our responsible growth strategy.
The management team Mr. Moynihan has built and cultivated demonstrates both depth of knowledge in each line of business, as well as broad industry experience. The team further understands and values the journey that our company is on and the cultural change happening throughout the bank.

We have a strong performance management process in place that evaluates management team member performance against each of our operating principles, and holds individual team members accountable for delivering on our commitments and embodying our values. As of the end of 2015, the average tenure among management team members is 29 years in the financial services industry.

The future of our management team is frequently discussed with our Board of Directors, and we have a well-developed succession and development-planning process in place to identify and develop the next generation of leaders.
Case Study: New Product Launch – A Governance Structure

When we look to bring a new product to market, that product must go through an extensive review and approval process to ensure that it meets the needs of our customers and clients, and is aligned with the company’s goals and risk appetite. Products must serve the interests of our customers and clients, and comply with applicable laws and regulations in the jurisdiction where they will be offered.

Our New Product Review and Approval Policy sets requirements designed to manage risk and ensure the product is consistent with the bank’s risk appetite. It’s a strong example of the transformations underway at Bank of America. As part of the process, lines of business are required to follow a new product review and approval process, which includes, but is not limited to, the following:

**Business Governance**
- Each business has a committee of senior executives with designated responsibility for reviewing and approving new products. Membership includes representation from within the business and the control functions that support it. At a minimum, approval must be granted from a committee with representatives from the line of business, as well as Compliance, Legal, Risk, Finance, and Global Technology and Operations. Additionally, Corporate Tax, Corporate Treasury, Balance Sheet and Capital Management, operational risk, market risk, and credit risk are all consulted in the approval process.
- Depending on the product, there may be an additional layer of approvals required, as determined by the business risk team. These approvals could include internal committees, such as the International Governance & Control Committee, Global Marketing & Corporate Affairs or the Management Risk Committee.

**Enterprise Governance**
- The Enterprise New Product Pipeline Review identifies potential impacts a new product could have on business or control functions. Each new product undergoes a risk assessment, which considers the following factors: general information, compliance, legal, operational risk, market risk, credit risk, finance, global technology and operations, corporate tax, balance sheet and capital management, corporate treasury and resolution risk.

All new products working through the review process must be properly documented, including the analysis of the relevant risk factors. Additionally, the policy includes robust monitoring, reporting and escalation processes throughout.
Part 1: Responsible Growth: Winning in the Market

Overview
As you will read throughout this report, our purpose is to make financial lives better for our customers, our clients, and our communities by connecting them to the resources they need to be successful. That purpose has guided us over the past several years to change and make our company simpler, more straightforward, stronger, and better.

Today …
- We’re a simpler company to navigate and to do business with because of the thousands of ideas our employees have generated to streamline, simplify, save money, and cut the red tape.
- We’re a more straightforward company because we’ve exited businesses and sold assets that didn’t fit our customer- and client-focused strategy, and put most of our legacy issues behind us.
- We’re a stronger, sounder company because we’ve built record levels of capital and liquidity, and strengthened our risk-management practices.
- We have leading capabilities across all our businesses, and a strategy that is focused on connecting our capabilities to deliver for our customers and clients.

All of this comes together as an engine for responsible growth. Across our businesses, you can see the progress of this strategy and our teams’ focus on growing the right way. Responsible growth is growth that is customer-focused, within our Risk Framework, and sustainable.

Winning in the Market
The first pillar of responsible growth is a strong business and a winning mindset. Simply put, this is how we can best grow responsibly — by being a profitable business and by competing in the market.

How does this happen? Within the company, we’ve determined that we must continue to grow our business with more customer-facing teammates and more customer-friendly products, services, and technology. In this report, we’ll discuss our Simplify and Improve initiative, which is driven by feedback from customers and employees, and focuses on ways we can make it easier to do business with Bank of America. We’ll also discuss the modernization of our technology platforms, which has made banking easier for customers and clients in many different ways.

To compete in the market, Bank of America must also have the very best people in each of our disciplines. We must invest in our talent and in training, so our people can grow business relationships thoughtfully and meaningfully where it makes the most sense for customers and clients. Later in this report, we’ll discuss the ways we’re helping our people grow in their roles with the company while achieving their highest professional aspirations.

For Bank of America to grow in the market, we must put the full capabilities of our whole team at the service of customers and clients. This is what we mean when we talk about the power of connection and of delivering one company. If we can help customers and clients take advantage of everything the company has to offer, we’re confident we can help improve their financial lives. This is at the heart of our work in recent years.
Part 2: Responsible Growth: Focusing on Customers

Overview
As you have read throughout this report, we’ve undertaken significant efforts over the past several years to make Bank of America simpler, more straightforward, stronger, and better. At the heart of these efforts is a clear focus on customers and clients, and making their financial lives better.

This customer focus, and the efforts we’ve made to deepen our relationships on every level, is the second pillar of our responsible growth strategy.

We recognize that our customers’ needs may be very different. Whether they’re individual consumers or families, small business owners, or large multinational companies, we know that we succeed only when our customers and clients are thriving. That’s why our operating principles and responsible growth strategy are focused clearly on the customer.

Our customers and clients have told us what they expect from us, and we intend to live up to those expectations. By listening, we take into account their preferences, concerns and goals, and we deliver what they need.

All these efforts have allowed us to focus on our customers and clients, and to deliver the full power of our resources and global reach to help them achieve their goals.

- Families can have the tools and support they need to live more successful financial lives, including saving for a home, college tuition, and a secure retirement.
- Neighborhoods can be built on a solid foundation of responsible home lending and economic development investments that help them grow and thrive.
- Small businesses can be connected to the capital they need to invest and create jobs.
- Organizations, nonprofits, and companies solving society’s toughest problems have the resources and expertise of our bank and the volunteer efforts of our employees behind them.

Throughout this chapter, you’ll find examples of the many ways we’re transforming our company to be even more customer-driven.

People
We serve individuals, families, and small businesses through our Retail Banking, Preferred and Small Business Banking, Merrill Lynch Wealth Management, and U.S. Trust businesses. Our products and services range from basic banking to meeting specialized financial needs – developing responsible products, services, and practices that lead to better financial decisions, a stronger company, and a healthier economy.

Simplifying Banking and Investing for Our Customers
The people we serve have changed the way they bank, so we’ve changed to meet their needs. While we continue to serve these customers and clients across the country, we’re doing it differently than before.

First and foremost, we’ve simplified products and reduced fees. We’ve also listened to customers, clients, and employees, and made changes based on their feedback that make it easier for customers to work with us, so we can help them take advantage of what the company has to offer – and ultimately improve their financial lives. We focus on understanding the unique needs of our customers so we can build better, more personal relationships and do more for and with them.
What our customers told us is clear: Don’t let me spend money I don’t have; give me the tools to do the simple things myself and at my own convenience; help make investing easier; and please recognize my loyalty. These insights led to:

- **Simplified Products in Consumer Banking:** Instead of a long list of complicated options, we’ve simplified our offerings to three core products that, between them, serve the full spectrum of customer needs — from basic banking to more extensive capabilities.
  - Bank of America Core Checking® is our most popular account and provides all the benefits of a checking account with easy ways to qualify for monthly fee waivers.
  - Bank of America Interest Checking® is interest-bearing for customers with more extensive needs and larger balances.
  - SafeBalance Banking® is an alternative option for our customers who want more predictability in the way they bank, protection from overdrafts, and the ability to manage their finances without using paper checks.
- **Increased Transparency:** We’ve continued to simplify the disclosures across all our products to ensure that they’re straightforward and easy to understand. Our goal is to ensure that our customers clearly understand all the features, requirements, and benefits of our products.
- **More Ways to do Business With us:** Customers can bank with us when and where it’s most convenient for them, whether depositing a check with their mobile phone, paying bills through online banking, making purchases with a digital wallet, speaking with a teller, or using one of our ATMs with Teller Assist®. Our online and mobile Bank by Appointment tool allows customers to schedule same-day financial center appointments with specialists, and mobile users can add the appointments directly to their calendar.

Our customers now schedule more than 15,000 appointments each week, and these improvements will make it even easier to get connected to all that Bank of America offers to improve their financial lives. And as technology advances, so do we.

- **More Accessible Expertise:** We want to be a trusted partner for our customers and clients when they’re making their most important financial decisions. These are often occasions that require more specialized capabilities, like buying a house, opening a small business, or investing for the future. We do all this through our relationship managers and a network of dedicated specialists in our financial centers. They stand ready to help whenever our customers and clients need more personalized service.
- **Easy Ways to Invest for the Future:** We want to talk to clients about the many ways we can help them think about and manage their money.
  - Life Priorities – We’ve worked to better connect people’s lives to their finances through broader, more personally meaningful conversations with a financial advisor about their life priorities. This effort is designed to ensure clients can pursue what’s most important to them to achieve peace of mind and prepare for the future.
  - Merrill Edge® – We offer self-directed online investment options that combine investment insights from Merrill Lynch with the ease and convenience of a robust online platform. Customers have easy access to investment research and one-on-one guidance from financial solutions advisors, together with intuitive tools that make it easy to invest and track their progress.
  - Merrill Lynch Wealth Management – We’ve changed the dialogue with our clients, talking to them about their money in simple language. We’ve also developed solutions that are focused on their personal goals and on achieving outcomes that are meaningful to them.
As part of our ongoing product development process, in 2013, we conducted research with customers in their homes to better understand their habits and beliefs about their financial lives. We also sought feedback from representatives on our National Community Advisory Council, a council of civil rights, consumer advocacy and community development leaders from across the country.

During our research, we gave customers a series of activities designed to explore their relationships with money from every angle — from simple everyday transactions like buying a cup of coffee, to more philosophical questions about money as a source of happiness, stress, or distress.

We learned how people make emotional connections to the various tools of finance, including the credit cards they carry in their wallets.

These customers told us that if an account could prevent transactions from going through when there is not enough money in the account, it would help them gain better control of their spending.

Based on that research and following considerable conversations with and feedback from leaders on our National Community Advisory Council, in early 2014, we launched a low-fee banking account called SafeBalance Banking™.

Developed as an alternative option for customers who want more predictability in the way they bank, the new account prevents them from incurring overdraft fees by allowing transactions only when they have enough money in their accounts. SafeBalance Banking also eliminates the uncertainty created by check writing by eliminating this activity altogether.

Since its launch, SafeBalance Banking has received praise from consumer advocates and civil rights organizations as a leading example of how we’ve focused on providing customers with banking solutions that effectively address their everyday challenges while helping them build better money habits.
Helping Customers Advance Better Money Habits

For each person, feeling in control of their money and making finances simpler and easier to manage means something different. For some, it’s all about more predictability in their everyday finances; for others, it’s getting useful information in moments that matter. Here are some of the ways we’re helping people manage their finances:

- **Alerts**: We have a range of proactive alerts that customers can set up to be notified of account activity.

- **Policy on overdrafts**: We don’t let debit card customers overdraft at the point of sale. As part of our commitment to providing more clarity and transparency for customers, in 2010, we made the decision to only allow debit card transaction at the point of sale if a customer has enough money in his or her account. Customers also cannot overdraw their account at the ATM, unless they proactively agree that they understand a fee will be charged. This change helped customers by reducing the likelihood they may inadvertently overdraw their account and incur unexpected overdraft fees on those transactions.

- **Better Balance Rewards™ credit card**: To underscore the importance of building better credit habits, we offer a credit card that rewards responsible credit behavior. With this card, customers who pay more than their minimum payment on time each month receive a $25 credit in their statements each quarter.

- **BetterMoneyHabits.com**: Developed in partnership with nonprofit Khan Academy, this online education resource — free, objective, and open for all — is part of our commitment to helping everyone understand more about their finances, one decision at a time. This partnership is described in greater detail later in the report. BetterMoneyHabits.com pairs Khan Academy’s expertise in online learning with our financial know-how to deliver simple, easy-to-understand information on a wide range of personal finance topics.
We recognize that Bank of America has an important role to play in helping people feel financially confident, so we offer free and unbiased financial education through BetterMoneyHabits.com and within our financial centers.

Better Money Habits is an online financial education resource that we developed in partnership with Khan Academy, a nonprofit organization whose mission is to provide a free world-class education for anyone, anywhere. The Better Money Habits site is free, objective, and available to everyone, and it pairs Khan Academy’s expertise in online learning with our financial know-how to deliver simple, easy-to-understand information on a wide range of personal finance topics, including saving, budgeting, building credit, paying down debt, paying for college, and buying a house.

Since the site launched in 2013, we’ve connected millions of people to information that can help them make better financial decisions. As of December 31, 2015, over 11 million people have visited the site, and our content has been viewed more than 92 million times.

We also use the simple, easy-to-understand information provided through Better Money Habits within our financial centers. Our employees talk with customers about their financial needs and show them how to access this free information to help them address a particular need or to build their general financial know-how.

We began training our associates with the launch of BetterMoneyHabits.com in 2013 and continue to invest in their training. Currently, any one of our financial center associates can pull up materials to print and share with customers, and we have tablets in more than 2,000 financial centers to walk customers through the resources in real time. For example, if a customer is applying for a credit card but doesn’t have a good credit history, our personal bankers can show them information on how to improve their credit score.

Approximately 5,200 financial center associates have participated in the Better Money Habits Recognition Program training as of December 31, 2015. We’re currently working to identify opportunities to include this topic in customer engagement training so our teammates can point to the resources in their everyday sales and service conversations. Better Money Habits is also included in our relationship banker training and will be included in the relationship manager training as it is developed. We’re also working to include appropriate links in servicing communications that go out to customers regarding events like overdrafts and name changes. Regular internal communications direct employees to these resources and share success stories to increase engagement and encourage employees to make Better Money Habits a part of every customer conversation.
A Strong Culture of Serving Retail Banking Customers

We have instituted processes and provided training so our associates clearly understand our values and operating principles. We set clear expectations of behavior for customer interactions, and our employees spend time in training and skill-building activities in person, on the job, and online. We provide continuing education and support through each of our communications channels as employees progress in their careers.

These key strategic communications channels include an interactive Intranet, where consumer banking employees find tools, training, job aids, and leader messages. We also publish “The Water Cooler,” a blog that enables front-line employees to interact with each other, leaders, and business experts. Employees stay connected with our culture through local leadership engagement, daily guidance from financial center managers through a routine called the “Daily Huddle,” and continual feedback and coaching.

Several times each year, employees in our financial centers and call centers participate in “focus weeks,” which provide intense grounding in key elements of their work. For the past several years, employees have participated in activities and learning opportunities during the first week of October, which marks a national focus on customer service. Called “My Customer Week,” the full slate of activities includes videos, role playing, coaching, and exercises that teach employees how to make customer interactions easier and more personal.

Our New Playbook for Customer and Client Engagement

Strengthening our company culture has involved the full commitment and engagement of our managers and leaders as well as the front-line associates. Our Customer Engagement Playbook outlines the core behaviors and expectations of our financial center associates and enables our leaders to manage and coach them based on business needs, staffing models, and local market conditions. When core behaviors and expectations are consistently met, we show our customers how we’re committed to being better, one connection at a time.

The Playbook covers essential elements, such as how we engage customers, build relationships, and solve problems, and it describes foundational expectations and behaviors. Employees are asked to make a personal pledge to embrace the Customer Experience Commitments:

- Make interactions easier by making it simple for customers to do business with us.
- Make expertise more accessible by partnering with our experts as one team to help our customers.
- Make relationships more human by caring for customers and treating them with respect.
- Share our success by doing the right thing for customers, teammates, and the community.

To enable us to meet our customer satisfaction goals, we publish and use a series of job aides, which help employees understand how to more fully connect and interact with customers:

- Our Customer Experience Guide provides details on behaviors that contribute to our unique customer experience.
- Our Customer Indicators Reference Guide provides an overview of the customer indicators and how customer- and client-facing employees can better use them during various interactions.
- Our Driving Success in Customer Satisfaction Leader Toolkit is designed to help managers and leaders demonstrate and coach associates to achieve better connections with our customers and improve performance in key areas impacting customer experience.
Focusing on Our Clients – Global Wealth and Investment Management

The Global Wealth and Investment Management (GWIM) business of Bank of America – comprised of Merrill Lynch Wealth Management, Global Wealth and Retirement Solutions, and U.S. Trust – is focused on leading the financial industry away from a traditional top-down, one-size-fits-all approach, in favor of a new dialogue. We engage in conversations with clients and prospects so that we can understand what matters most to them and their families, and then tailor advice to help them pursue their goals.

Our GWIM businesses are supported by over 15,700 client-facing advisors, who manage $2.38 trillion in client assets in over 800 offices around the world. GWIM provides a high-touch client experience through a network of financial advisors who are focused on meeting our clients’ needs. Our specialists support our advisors and clients in delivering personalized guidance, solutions, and thought leadership to help meet our clients’ needs in investments, banking, and retirement planning. Our vast resources and customized solutions include wealth structuring, investment management, brokerage products, banking and credit needs, financial and succession planning, philanthropic and specialty asset management, family office services, custom credit solutions, trusts and banking, specialty asset management services, financial administration, and family trust stewardship.

First and foremost, we are client advocates. We stress to clients and prospects that our business is not about selling products or investments, but looking for ways to make their financial lives better. This is why each client relationship is grounded in a dialogue focusing on that individual’s priorities and objectives. With that understanding, we can discuss how to best use our broad capabilities to make their experience a positive one.

The people of GWIM serve our clients with enormous dedication and talent. Merrill Lynch and U.S. Trust draw upon a combined heritage of more than 250 years of wealth management and private banking leadership, serving generations of individuals and families. They are recognized today for their industry-leading service and innovation in meeting the needs of our clients.

A Culture that Sets Us Apart in Global Wealth and Investment Management

Merrill Lynch and U.S. Trust also share the belief that we serve our clients best through the combined efforts of a team of people working together toward a common objective. Dedicated individuals contribute their talents and expertise to develop customized strategies for each client. For their part, clients can be confident their advisor teams stand ready to respond promptly to their questions and requests, to regularly review their progress, and be fully transparent about risks or fees.

Our advisors have the ability to align the company’s broad resources and expertise to a client’s financial needs. It could be a young couple’s desire to save and invest for their first home, their children’s education, and a secure retirement. It could be the capital a small business seeks to develop new technologies or create jobs in struggling communities, provided by individuals investing with a social purpose. It could be the advice and guidance sought by high net worth clients for wealth structuring, trusts and banking, and for help leaving legacies to their loved ones and gifts to their favored charities.

In each instance, GWIM can meet our clients’ needs with teamwork that delivers solutions to provide greater value to our clients. As an example, Merrill Lynch and U.S. Trust teams are collaborating side-by-side to provide industry-leading trust capabilities to their
clients, bringing together advisors and specialists to develop comprehensive plans, execute as one team and review the results, so they can continue to improve.

**Developing Our Global Wealth and Investment Management Advisor Force**

We recognize the importance of developing and enhancing the knowledge and skills our GWIM advisors need to provide a client-centered approach. This is why, even as the advisor population is shrinking across our industry, GWIM’s advisor numbers continue to rise, thanks to the success of our recruiting and our commitment to investing in identifying and developing new advisors.

We employ various methods to train our experienced advisor force to ensure they remain current on topics that impact their business, and enable them to leverage their expertise for the benefit of our clients. We also have several formal programs to develop new talent. For example, front-line advisors who rise through the Merrill Lynch Practice Management Development (PMD) program graduate from the most rigorous training program in the industry. Over a three-year period, we provide our advisors the knowledge and discipline they need to build their practices and portfolios and serve and deliver goals-based financial guidance to clients. In 2015, the PMD program was awarded a gold medal in the Brandon Hall Group Excellence in Sales and Performance Awards for the third consecutive year.

After graduating from the PMD program, advisors continue to refresh and expand their knowledge, and GWIM encourages advisors to gain additional certifications, with Certified Financial Planner® among the most popular. In today’s environment of rapid change, there’s also unrelenting pressure to stay current on market events, new products, and benefits available to their clients, enhancements to our advisory platform, and regulatory requirements that will affect our advisors’ practices and clients.

Our Global Wealth and Investment Management business runs two additional formal training programs. The first recruits college graduates and trains them to contribute as members of Financial Advisor teams. The second prepares candidates to become Financial Advisors within our banking financial centers, where they offer traditional banking and investment solutions to prospective wealth management clients.

U.S. Trust’s Private Client Advisor (PCA) Development program is a world-class training program unique in the industry. Associates are equipped over an 18-month period with the training and experiences necessary to build a sustainable business and serve many types of clients, from families managing wealth across multiple generations, to business owners, corporate executives, nonprofit organizations, and foundations. Upon successful completion of the program, associates will transition into a PCA role and have access to the full complement of U.S. Trust’s advisor-training continuum, which is designed to familiarize them with the broad array of solutions and capabilities available to clients and to deepen their business acumen and client-facing skills. U.S. Trust also partners with providers such as the Wharton School at the University of Pennsylvania for select executive education programs, and associates are encouraged to obtain professional designations such as Chartered Financial Analyst®.

**Helping Our Clients Manage Risk**

As clients have seen increasing volatility in markets during the past decade, they’re seeking assurances that financial firms like ours are fully committed to helping them identify and avoid unnecessary risks.

Our commitment to a strong culture focused on managing risk has impacted the discipline we employ in how we bring products and services to market, and also the steps we take to inform and educate our clients about risk, so that the appropriate choices are made. Our thinking and our actions with clients are guided
by this culture of risk mitigation and transparency. By asking the right questions and addressing concerns proactively, we’re providing both a higher level of service and greater confidence in their financial strategy.

Companies and Institutions
Our Global Banking and Markets (GBAM) business delivers Business Banking, Global Commercial Banking, Global Corporate and Investment Banking, and Global Markets services for companies and institutions across the globe. We provide institutional clients worldwide access to our leading sales and trading and research franchises, investment banking services, global client relationships, and product innovation.

Our Global Banking business works with virtually every company in the S&P 500. Through our platform, we’re building long-standing relationships with institutional, corporate, and commercial clients in the U.S. and internationally, focused first on understanding each client’s specific strategic needs, and then on creating opportunities and solutions by delivering our full range of investment banking and asset management products and services.

Sales and Trading Practices
In 2014, Global Markets launched an initiative to analyze and, where necessary, further enhance our sales and trading market practices. This initiative focused on market conduct and how that conduct is reflected in fair, well-functioning and transparent markets.

Throughout our sales and trading practices, we’ve taken steps to mitigate conduct risk through preventive and detective measures. Senior managers are engaged in the implementation and oversight of practices and controls to ensure that employees uphold the company’s conduct expectations. Salient aspects of the control framework are outlined below:

- Enhanced routines to hold employees and managers accountable for conduct incidents which may result in outcomes ranging from verbal coaching up to termination of employment and/or claw-back of compensation in the most serious cases.
- Business and desk heads have conducted multiple conduct-focused training sessions across the globe for all sales and trading employees, emphasizing our culture of compliance; additionally, new-hire orientation and newly promoted employee sessions focus on conduct and culture expectations.
- Business controls and compliance teams have conducted specific line-of-business training covering acceptable versus unacceptable employee market conduct.
- Access to customer order information and potential resulting conflicts have been further limited through information-security controls designed to restrict access to only those who need to know the information for legitimate business purposes.
- Multi-user chats have been prohibited for two or more banks and/or dealers, are limited to those who have a business purpose, and are closely monitored.
- E-communication reviews have been significantly enhanced, and efforts continue to correlate trading behavior to e-communications and voice communications.
- Sales and trading supervisors are required to review their employee’s e-communications, including chats, and escalate potentially problematic communications.
- Supervisory and surveillance capabilities have been improved and continue to be enhanced, and additional compliance testing reviews have been recently added to complement traditional surveillance capabilities.
- These policies and procedures continue to be assessed for further improvement.
Additionally, conduct incidents including policy violations, unprofessional and problematic e-communications and matters identified through supervisory, compliance, human resources, and risk management processes are aggregated globally and incorporated into performance management and compensation decisions. In addition, conduct incidents are reviewed by the Conduct Review Forum, which includes senior business, compliance, human resources, and risk managers to determine if heightened supervisory requirements should be imposed.

**Enhanced Controls for Payday Lending/Predatory Lending**

**Prohibited Client Relationships and Transactions**
Due to inherent, legal, reputational, or financial risk issues, we deem certain extensions of credit as prohibited – which means that relationships or transactions with those specific clients or industries are unacceptable under any circumstances, no exceptions permitted. Under this framework, relationships or transactions that are in violation of Office of Foreign Assets Control sanctions, speculative in nature and purpose, in support of predatory lending practices, or designed to facilitate illegal or improper activities such as unlawful internet gambling are not permissible. Business unit risk teams ensure that these transactions or relationships are prohibited through review of credit approval documentation. In addition, training on prohibited transactions, clients, and industries is conducted as part of the company’s overall credit risk governance, as part of general training on core credit policy.

**Higher Risk Transactions, Client Types, and Industries**
Higher risk transactions, client types and industries present heightened reputation, regulatory, money laundering, and financial risk. Higher risk transactions, client types and industries require a higher level of scrutiny and may warrant enhanced due diligence, elevated approvals and adherence to monitoring standards. Through proactive and rigorous client selection processes, we have simplified and de-risked our portfolio, including exiting certain businesses that were perceived to engage in unfair, deceptive, or abusive acts or practices. For example, our Commercial and Corporate Banking groups do not actively do business with payday or car title lenders.

**Part 3: Responsible Growth: Managing Risk**

**Overview**
As a financial institution, risk is inherent in all of our business activities. Managing risk well is foundational to our business and our ability to deliver responsible growth. It contributes to the strength and sustainability of our company for the future, and supports the work we do today to serve our customers, clients, community, shareholders, and employees. We invested heavily after the financial crisis to improve our risk management practices and are committed to having best-in-class risk management capabilities.

Key components of our risk management approach include our Code of Conduct, Risk Framework, culture, risk appetite, risk management processes, and three lines of defense, each of which is discussed in detail below.

**Code of Conduct and Risk Framework**
Our Code of Conduct and Risk Framework are foundational to our culture. Our Code of Conduct provides basic guidelines for our business practices and professional and personal conduct that all employees are expected to follow. Our Risk Framework describes our risk management approach and provides for the clear ownership and accountability for managing risk across our three lines of defense – the front line units, independent risk management, and Corporate
Audit. Our Global Risk Management group performs the function of independent risk management, the second line of defense.

**Culture**
Managing risk well is a key operating principle that is fundamental to our culture and critical to our success. Our values require us to act responsibly, and our operating principles compel us to take ownership of managing risk. At our company, everyone has a role to play in managing risk. We encourage employees to take personal ownership of, and continuously focus on, risk management as an integral part of our business practices and activities. Our approach to risk management is intended to reinforce a culture of personal integrity and accountability where risks are promptly identified, escalated, and debated, thereby benefiting the overall performance of our company.

We’ve worked to cultivate a culture and create an environment in which employees discuss risks openly, and exchange insights that help in day-to-day decision-making and strategic planning. Our focus on creating a diverse and inclusive culture further enhances our risk management, as employees feel valued and empowered to share their various perspectives on how we run our businesses. We discuss this in more detail on p. 40. Additionally, our company’s ongoing formal and informal training and communications help sustain a shared understanding of risk management and build risk skills throughout our company.

Sustaining and continually strengthening our culture rooted in disciplined risk management is a clear expectation of executive management and the Board of Directors. Our leadership and risk governance routines consistently reinforce this message.

**Principles of Managing Risk**
The following form the foundation of our operating principle of managing risk well:

- Integrity is required and employees are expected to be honest, ethical, and trustworthy.
- Managing risk well protects our company and enables us to deliver on our purpose and strategy.
- We treat customers fairly, act with integrity and conduct ourselves properly to support the long-term interests of our employees, customers, and shareholders, and the financial markets.
- Individual accountability and an ownership mindset are the cornerstones of our Code of Conduct and are at the heart of managing risk well.
- All employees are responsible for proactively managing risk as part of their day-to-day activities through the prompt identification, escalation, and debate of risks.
- While we employ models and methods to assess risk and better inform our decisions, proactive debate and discussion lead to the best outcomes.
- Our lines of business are first and foremost responsible for managing all risks in their businesses.
- Independent risk management provides independent oversight, while Corporate Audit provides independent assessment and validation.
- We strive to be best-in-class by continually working to improve our risk management practices and capabilities.

**Managing Risk in Practice**
Key to managing risk well is our philosophy that all employees take the initiative to identify, escalate, and debate risk issues across our enterprise.

- **Identify:** We foster a culture where employees are encouraged to proactively identify risks, including emerging risks, in all of our activities and in every part of the company. We believe that it’s important to identify risks regardless of their probability of occurrence at any given point in time, as probabilities continually change, and paradigm shifts in economies and markets can dramatically alter probabilities.
• **Escalate:** We require employees to be diligent, and escalate risks at the point of discovery. We expect employees to notify their managers immediately when they have identified a potential risk. They’re also encouraged to share any risk-related concerns with their manager’s manager or with partners in Global Risk Management or Corporate Audit. We expect managers to create an environment in which everyone is encouraged to ask questions, raise concerns, and challenge others constructively.

• **Debate:** We promote frank dialogue and the deliberation of risks and, consequently, seek to create and maintain an environment that promotes open debate, challenge, and resolution of risk-related issues. We encourage our employees to be intellectually curious, and require them to both initiate and participate in a thorough, dispassionate, and objective challenge process where they can discuss risks, issues, and concerns openly in order to arrive at the best possible outcome.

**Ongoing Efforts to Strengthen Managing Risk**

Since the financial crisis, we’ve worked diligently to enhance and embed routines into our daily operations that support a sound culture rooted in disciplined risk management. In 2014, we surveyed employees to establish a baseline for our risk management practices that support our culture and identify strengths and opportunities for improvement. We launched various initiatives based on those survey results, and we continue to incorporate lessons learned into our practices, and tailor these practices to the dynamic business environment. This enables us to sustain high risk management standards and continuously strengthen our culture as part of our commitment to build leading risk management capabilities.

Recent initiatives to strengthen our culture and risk management practices include the following:

**“Tone From the Top” and Leading by Example**

The Board and executive management set our core values and drive our culture of risk management through setting the tone from the top and leading by example. The Board and executive management team reset our company’s direction in 2010 by carefully articulating our purpose and strategy, and clearly describing our operating principles and values. Since then, we’ve continued to make significant strides to instill a sound culture consistent with this direction. For example, our CEO has led numerous global town halls discussing our values and operating principles and emphasizing responsible growth. In addition, members of senior management have participated in discussions where they’ve shared their insights on how to build a strong culture of risk management. They’ve also reinforced the importance of each employee’s role in managing risk at all-hands meetings and town halls, through executive communications, and by personal acknowledgment of employees who have demonstrated exemplary risk management practices.

**Performance Management, Compensation, and Recruiting**

Risk and controls are an important part of our performance management, compensation, and recruiting processes. Our compensation policies and practices encourage responsible risk-taking consistent with the Risk Framework and risk appetite. Over the past several years, we’ve aligned performance plans and compensation with risk management tools and enhanced promotion and reward practices to reinforce the importance of delivering results over both the short and long term. Our performance management and compensation practices are designed to reward employees who conduct business and achieve results in the right manner. Compensation can be influenced not only by what the employee achieves, but how the employee achieves it, and while employees have the opportunity to earn increased compensation for strong
performance, some may receive a decreased amount, or no incentive at all, if performance has not met expectations. Career advancement and job promotion opportunities are tied to overall employee performance, including adoption of our culture, and adherence to our Risk Framework and the company’s core values. For our leaders, we incorporated objectives about risk into their assessment process, and we enhanced our expectations for leaders by adding desired behaviors to their performance goals, which are aligned with our culture. More information about our compensation practices can be found on p. 44.

**Building Skills and Capabilities**

Recruiting highly skilled and experienced personnel is critical to our success and to the continual enhancement of our skills, capabilities, and culture. Our employees are our most important resource, and we strive to hire the best people. Over the past several years, we’ve focused on hiring highly skilled and experienced personnel for Global Risk Management, including in the areas of Global Compliance, global risk analytics, and model risk management.

Training helps sustain our culture. All new employees are provided training and information during on-boarding to help acclimate them with our values, risk framework, and risk management practices. We also require employees to take annual training on our Code of Conduct, which provides basic guidelines for business practices and professional and personal conduct which employees are expected to follow. We provide role-based training for certain priority compliance topics, such as the Servicemembers Civil Relief Act, Regulation W, and the Volcker Rule. We incorporate training on risk management into specialized development training for employees, such as our Manager Excellence training, a training series for managers, and our “Risk Minute Video” training. In addition, certain lines of business develop and conduct their own tailored trainings to address risks specific to their operations.

**Communications**

We have a comprehensive communications strategy that articulates key messages across the company about our values and operating principles. We continuously drive home key messages, such as: we all have a role in risk management, and managing risk well is everyone’s job. We’ve executed a campaign to encourage employees to be intellectually curious and “use their voices” to proactively raise issues and provide effective challenges. We also carried out an enterprise-wide “risk week” program aimed at creating greater awareness of and attention to risk management and culture, and over the past several years, we’ve worked to enhance the company’s intranet site with additional tools and resources on risk management practices. We recognize that creating and maintaining a strong culture requires vigilance and a steadfast commitment to a robust communications strategy, and we continue to focus on this by identifying enhancements to our communications strategy.

**Providing Role Clarity**

We carefully articulate responsibility and accountability for managing risk at each level of the company – the Board of Directors, executive management, managers and employees. In addition, we’ve implemented fundamental changes over the past several years to enhance the governance and oversight of our control environment. We have clear ownership and accountability for managing risk across our three lines of defense: front line units, independent risk management, and Corporate Audit. Front line units are first and foremost responsible for managing all risks of their businesses.

This past year we reorganized our global risk management operating model to make the group a more efficient and effective second line of defense. As part of this reorganization, we established front-line unit risk teams that face our eight lines of business and have primary responsibility for providing strategic,
holistic, and independent oversight across all risks within a business; and enterprise risk teams that have deep subject matter expertise for a given risk type, product or capability with end-to-end enterprise-wide responsibility.

This operating model will further drive proactive management of all types of risk across the company, increase our effectiveness at managing risk, and facilitate more holistic thinking about risk and the interplay between risk types.

Reinforcing Our Culture With Formal Processes
The company’s governance framework provides structure and robustness to our risk management activities and reinforces our culture focused on managing risk. Components include our Board of Directors, Board committees, management committees, and their related risk management routines. Policies, standards, procedures, and processes further reinforce our culture.

An overarching theme of our efforts to enhance our culture is simplification. Among other things, we’ve streamlined our governance structure and operating model, clarified roles and responsibilities, simplified processes and reporting, and reduced bureaucracy and complexity. Our risk governance and controls are supported by policies, standards, procedures, and processes that provide consistency and clarity on requirements for managing risk and how these requirements must be addressed, and also help streamline and simplify governance practices.

Risk Appetite
Our risk appetite establishes guidelines and parameters around the amount of capital and earnings we’re willing to put at risk to achieve our strategic objectives and business plans. The risk appetite is reviewed and approved by our Board of Directors at least annually.

In addition, management and certain committees of the Board monitor risk metrics relative to our risk appetite limits and take action as necessary to proactively and effectively manage risk.

Our risk appetite is rooted in several principles, including:

- **Overall risk capacity**: Our overall capacity to take risk is limited, so we prioritize the risks we are willing to assume. Our risk capacity informs our risk appetite.
- **Financial strength to absorb adverse outcomes**: Our objective is to maintain a strong and flexible financial position so we can weather challenging economic times and take advantage of organic opportunities for growth.
- **Acceptable risks**: We consider all types of risk, including those that are difficult to quantify. Qualitative guidance in our risk appetite statements helps us manage risks that are hard to quantify in a manner consistent with our culture. We seek to assume only those risks that we have the skills and capabilities to identify, measure, monitor, and control.

Risk Management Processes
Risk management is an essential component of our daily business activities. We employ an effective risk management process that involves identifying, measuring, monitoring, and controlling risk as part of our daily activities.

Risk considerations are also of paramount importance when establishing our strategic and financial plans. Our strategic planning process consists of a top-down approach based on our risk appetite, financial considerations, strategic themes, and economic assumptions, integrated with a bottom-up approach driven by our lines of business. Our risk appetite, and capital and liquidity considerations are integral parts of our strategic planning process. We consider them
throughout the process in order to make the strategy of each line of business align with our company’s overall appetite for risk and financial resources.

In addition, we employ key processes, such as stress testing, capital adequacy assessments and recovery, and resolution planning, to help us make sound business-planning decisions. We conduct companywide stress tests on a periodic basis to better understand balance sheet, earnings, capital, and liquidity sensitivities to certain economic and business scenarios, including conditions that are more severe than anticipated. We’ve developed and maintain contingency plans that are designed to outline in advance how we will respond in the event of potential adverse outcomes. These contingency planning routines include capital contingency planning, liquidity contingency funding plans, and recovery planning. Contingency response plans, are designed to enable us to increase capital, access funding sources, and reduce risk through consideration of potential actions that include asset sales, business sales, capital or debt issuances, and other de-risking strategies.

The Three Lines of Defense
The three lines of defense consist of front-line units, independent risk management, and Corporate Audit.

Front-Line Units
Front-line units, which include our eight lines of business, are organizational units or functions that engage in activities designed to generate revenue or reduce expenses, provide operational support or servicing to any organizational unit or function in the delivery of products and services to customers, or provide technology services to any such organizational unit or function. Front-line units are our first line of defense in managing risk and are held accountable by the CEO and the Board for appropriately assessing and effectively managing all the risks associated with their activities.

Independent Risk Management
Our Global Risk Management group performs the function of independent risk management, the second line of defense, and is responsible for independently assessing the risks associated with our company’s domestic and international business activities – providing effective challenge and overseeing risk. Global Risk Management establishes policies and procedures that outline how our aggregate risks are identified, measured, monitored, and controlled. It also escalates material risks that it identifies, as appropriate, to our executive officers, Board, and relevant committees. Global Risk Management oversees all types of risk, including compliance risk.

Global Risk Management is led by the Chief Risk Officer, who reports directly to both the Enterprise Risk Committee and the CEO and is responsible for the development and implementation of our Risk Framework. Global Risk Management is organized into enterprise risk teams and front-line unit risk teams that work collaboratively in executing their respective duties. Enterprise risk teams establish and assess adherence to policies and standards, provide company-level risk oversight, and monitor and report on risks. These teams also ensure that risk profiles remain within specified limits and align with our risk appetite. Front-line unit risk teams oversee the risk management governance structure for the lines of business and other front-line units.

Global Compliance is led by the company’s global compliance executive, who maintains the authority for oversight of compliance risk and compliance-related matters. Global Compliance has responsibility for the overall identification, management, escalation and objective independent oversight of compliance risks and compliance-related matters across the company.
Corporate Audit
Corporate Audit is the third line of defense. Corporate Audit, led by the corporate general auditor, maintains its independence from the front-line units, independent risk management, and other control functions by reporting directly to the Audit Committee of the Board. The corporate general auditor administratively reports to the CEO. Corporate Audit provides independent assessment and validation through testing of our key processes and controls across the company.

Key Risk Types
We have defined seven key types of risk: strategic risk, credit risk, market risk, liquidity risk, operational risk, compliance risk, and reputational risk.

Strategic Risk
Strategic risk is the risk resulting from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic, or competitive environments. We continually face strategic risks due to the changing regulatory and competitive environments in which we operate, in addition to the development of new products and technologies in the financial services industry.

We proactively consider strategic risk throughout the strategic planning process. Our Board reviews and approves our strategic plans after considering strategic risks in addition to other types of risk. In addition, we set strategies within the context of our overall risk appetite, and track the performance of our strategic plan to proactively manage our risks.

We have been working since the financial crisis to enhance the management of strategic risk, and are continuing to do so, by:

- Working closely with front-line units to verify the appropriateness of line-of-business risk appetites within the company’s overall risk appetite.
- Assessing line-of-business strategies to ensure consistency with the company’s overall strategic direction and financial and capital plans.
- Strengthening our forward-looking analytics and stress-testing tools.
- Performing analysis, including stress testing, on portfolios to understand risk due to changes in macroeconomic or geopolitical conditions.
- Conducting deep dives on exposures and activities in different countries or sectors to ensure consistency with our overall business strategy and risk appetite.

Credit Risk
Credit risk is the potential loss due to a borrower’s or counterparty’s future inability or failure to repay their contractual obligations to us, and it can significantly impact earnings. Credit risk is created each time we commit to or enter into an agreement with a borrower or counterparty.

We manage credit risk to borrowers and counterparties based on their risk profile, which includes assessing repayment sources, underlying collateral, and the expected impact of the current and forward-looking economic environment on borrowers and counterparties. Underwriting, credit management, and credit risk limits are proactively reassessed as a borrower’s or counterparty’s risk profile changes. In addition, we employ collection and loan modification programs, as well as customer assistance infrastructure, to mitigate our exposure to credit risk. In our lines of business, we utilize various methods to mitigate losses, including increased portfolio monitoring for moderate-to-weak risk profiles and hedging.

Initiatives to improve our management of credit risk that were undertaken over the course of the several years following the financial crisis include:

- Transforming from a product-focused to a customer-focused strategy for extensions of credit, thereby improving the overall quality of our credit portfolio.
• Establishing risk appetite statements and limits at legal entity, line of business, and business unit levels to better manage and control the level of risk. This has helped us enhance our monitoring and measuring of credit risk by improving analytics and adding granular and dynamic credit risk limits, to better control and manage credit risk within our risk appetite.

• Continuously enhancing our loss modeling and stress-testing capabilities to improve our ability to measure the performance of our credit portfolios under various stress scenarios.

• Better measuring our key vulnerabilities and concentrations (e.g., to residential and commercial real estate).

• Changing our loan underwriting criteria (e.g., max loan to value, minimum FICO) and actively monitoring our performance against those standards.

Recent enhancements to our market risk management practices, which were motivated in part by regulations promulgated subsequent to the financial crisis, include:

• Increasing the frequency and granularity of market risk data reconciliation efforts.

• Enhancing daily reconciliation processes.

**Market Risk**

Market risk is the risk that changes in market conditions, and which may adversely impact the value of our assets or liabilities or otherwise negatively impact our earnings. Market risk is inherent in financial instruments to which we have exposure through our operations and activities, including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives.

Market risk management ensures that the front-line units remain within the company’s stated market risk appetite. We manage this primarily through establishing and monitoring a set of market risk limits. These limits have thresholds that may not be exceeded without executive and risk management approvals. In addition to limit monitoring, the market risk teams assist the lines of business with understanding, measuring, and monitoring the market risk in their portfolio and advising on risk reward or hedging decisions. Market risk management also has responsibility for setting enterprise policy and process standards.

Recent improvements to our management of liquidity risk include:

• Strengthening our absolute levels of liquidity across all risk measures.

• Hiring additional personnel to support expanded liquidity risk management coverage.

**Liquidity Risk**

Liquidity risk is our potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support our businesses and customers. Many of our operations and activities impact our liquidity risk profile, and liquidity risk is present in each of our major business lines and enterprise activities. Our liquidity risk profile is also impacted by corporate activities, such as strategic funding decisions, tax planning, and litigation settlements.

Understanding our liquidity risk profile in aggregate and on a granular basis is fundamental to managing liquidity risk across our enterprise. We employ liquidity measures to ensure the appropriate composition, maturity profile, amount of funding, and liquidity of assets. We also employ limits to control the amount of certain types of assets and liabilities within our liquidity risk appetite. In addition, we have developed certain funding and liquidity risk management practices which include: maintaining excess liquidity at the parent company and selected subsidiaries; determining what amounts of excess liquidity are appropriate for these entities based on analysis of debt maturities and other potential cash outflows, including those that we may experience during stressed market conditions; diversifying funding sources, considering our asset profile and legal entity structure; and performing contingency planning.
Operational Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. We manage operational risk by designing and implementing internal controls to identify, measure, monitor, and control risks. We have quality assurance controls in place within processes to consistently assess controls and benchmark their effectiveness and efficiency across multiple business processes. We also rely on all employees to conduct themselves properly, contribute to an effective internal control environment, and manage operational risk within their roles.

Our recent enhancements to strengthen operational risk management include:
- Developing and implementing governance routines to prioritize and coordinate risk management improvement opportunities.
- Adopting consistent processes to ensure business-led risk management forums are run with the necessary rigor, and provide the appropriate environment to effectively escalate and debate key issues.
- Developing and implementing an enterprise-wide control framework to govern, control, and mitigate risks associated with spreadsheets throughout their lifecycle.
- Enhancing our commercial and consumer loss forecasting capabilities.
- Improving counterparty risk management practices.

Our operational risk management efforts include the management of model risk. Model risk refers to the potential for adverse consequences from decisions based on incorrect or misused model results.

Our recent enhancements to strengthen the model risk management function include:
- Increasing accountability for model risk management by line-of-business and control functions to ensure model risk is managed consistently with other major risk categories.
- Strengthening model risk management practices, procedures, and systems.
- Revising the model risk policy and enterprise-wide standards for review and challenge of models across the company.
- Continuing to build out the risk appetite framework for model risk with enhanced metrics and monitoring.

Compliance Risk
Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the company arising from the failure of the company to comply with the requirements of applicable laws, rules, regulations, and related self-regulatory organizations’ standards, and codes of conduct.

We manage compliance risk through an integrated set of controls and processes to address external and internal risks, including a complex and dynamic regulatory environment and the evolving products, services, and strategies of the front-line units and control functions.

Our recent enhancements to strengthen our global compliance program include:
- Creating a new centralized testing function to enhance compliance-testing capabilities and test design, as well as documenting consistent and efficient procedures. This new function enables stronger, independent testing capabilities for the company and brings together testing expertise across all groups.
- Improving our compliance risk assessment approach to more clearly focus on business and control functions, assessing the inherent
compliance risk of activities and the effectiveness of controls, and determining control weaknesses to be strengthened and enhanced.

- Enhancing our compliance reporting to provide an independent view of compliance risk across the company and support transparent communication and management awareness of compliance risk. This reporting brings together a comprehensive and independent view of compliance risks and themes across the company.
- Instituting a new compliance policy that establishes clear roles and responsibilities for the management of compliance risk, and drives more consistent execution by clarifying roles across Global Compliance and front-line units.

**Reputational Risk**

Reputational risk is the risk that negative perceptions of our company’s conduct or business practices will adversely affect us and our business by, among other things, not being able to establish new or maintain existing customer relationships. Many of our business activities expose us to reputational risk, and we evaluate the potential impact to our reputation across a broad spectrum of activities and risks. We manage reputational risk by establishing policies and controls in our business and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

Over the past several years, we’ve taken steps to strengthen our management of reputational risk, including:

- Updating and enhancing our policies and guidance for our reputational risk committees, including explicit inclusion of environmental and social issues.
- Improving our reporting on reputational risk.

**Part 4:**

**Responsible Growth: Growing in a Sustainable Manner**

**Sustainable Responsible Growth**

We are invested in the company’s long-term sustainable growth, and the fourth pillar of our responsible growth strategy emphasizes the importance of this commitment.

We understand that we must sustain operational excellence in all our functions, as well as continue to be innovative in how we deliver end services to our customers and clients. Later in this chapter, you’ll read how we’ve focused resources and expertise on lower-fee products, mobile banking, and financial education, and how we’re ensuring enhanced security throughout the banking process.

Sustainable responsible growth also means that we’re able to attract and retain great people, in all our business disciplines, and be viewed by our own people and by people within our industry as a great place to work. Sustaining this broad support and engagement starts with a culture of shared success.

We’ve made significant investments in the health and wellness of our people, and in deepening the principles of inclusiveness and diversity across the company. We’ve built the core principles of corporate social responsibility into our strategy, and we’re guided by these principles across our entire business.

**Operational Excellence**

Sound day-to-day operations within an organization like ours are most clearly felt by customers and clients. Throughout the company, we continue to reduce expenses and reduce volatility in risk and quality, and we already are setting the standard for operational excellence in several measures within our industry. The ongoing goal of operational excellence remains one of our key operating principles.
Simplifying and Strengthening the Company
In response to today’s economic realities and to the evolution of our own business model, we’ve made important changes to every facet of our operations, including how the company is capitalized and structured.

Financial Strengthening
Since 2009, Bank of America has reduced risk and decreased the size of its balance sheet while substantially strengthening capital and liquidity. Our company’s post-crisis strategy has been clear: to deliver the full breadth of the franchise to three customer groups while building and maintaining a strong and secure balance sheet. This transformation has emphasized both increasing available financial resources (capital and liquidity) and reducing and better managing risk across businesses. Specifically, the company has accomplished the following:

- Increased capital levels by $43 billion, or 36%, since the end of 2009 to $162 billion at the end of 2015 (Tangible Common Equity), while materially reducing the company’s risk profile.
- Built record levels of excess liquidity — $504 billion at the end of 2015 — more than double the end of 2009.
- Significantly reduced the total long-term debt footprint, from $523 billion in the fourth quarter of 2009 to $237 billion at the end 2015.
- Lowered refinancing risk by reducing, extending, and smoothing the maturity profile for parent long-term debt, as demonstrated by a reduction in near-term, annual long-term debt maturities from over $50 billion to approximately $20-25 billion per year.
- Concurrently maintained strong parent liquidity, with 39 months’ coverage of maturities, versus 27 months’ coverage of maturities in 2009.
- Eliminated both parent commercial paper and broker-dealer master notes, resulting in an 86 percent reduction since 2008 in total outstanding commercial paper and short-term borrowings.
- Further moderated short-term liquidity risk in non-traditional repo, as 79 percent of the overall portfolio now has a term of greater than one month, up from 55 percent in 2010.
- Focused the franchise on serving core customers and eliminated proprietary or non-core activities, including $73 billion in divestitures.

Structural Simplification
As part of the company’s transformation since the financial crisis, simplifying the legal entity structure has been a priority. A few key actions taken include:

- The number of legal entities has been reduced by roughly 45 percent since 2011.
- A number of internal mergers have simplified the organizational structure, reducing complexity and interconnectedness:
  - Merrill Lynch & Co., Inc. was merged into Bank of America Corporation on October 1, 2013.
  - Two smaller banks, Bank of America Rhode Island, N.A., and Bank of America Oregon, N.A., were merged into Bank of America, National Association (BANA) in 2013.
  - FIA Card Services, National Association was merged into Bank of America, National Association (BANA) as of October 1, 2014.

The simplification of the legal entity structure over the past several years has been coupled with a strengthening of the oversight of the company’s legal entities. The company developed a Subsidiary Governance Policy in 2010 that included tiering the entire population of legal entities, setting minimum legal entity reporting requirements and designating representatives from the businesses, finance, and risk as formal legal entity designees. A Legal Entity executive, or LEE, was formally named in 2011 with the responsibility to oversee the Subsidiary Governance
Policy. The LEE ensures that the legal entity structure is measured against the formal set of criteria as part of business processes and routines.

**Simplify and Improve Initiative**
In addition to financial and legal entity structural changes, we’ve asked our teammates for ways we can improve operations within the company. We call this process at the bank “Simplify and Improve,” or SIM, and it’s a key part of our strategy to grow Bank of America sustainably. The SIM initiative has become an idea generator throughout our organization.

We launched SIM in 2014 in response to feedback from employees, customers, and clients who said we could make it easier to do business with Bank of America. Even before SIM was implemented, we looked for ways to optimize the processes at the heart of our business. With this in mind, our SIM team started collecting ideas from employees across the company. At the same time, dedicated teams in each area of the company precisely mapped our current processes behind the bank’s core functions — including ATM security, loan approvals, and investment analysis and advice — to better understand how those functions can be improved.

This work has resulted in nearly 1,000 ideas that have been approved or implemented in the first year of SIM. We anticipate these ideas will deliver a higher level of service and security to our customers and clients while generating significant savings and revenue for the company. And there are thousands of other ideas within our SIM pipeline that continue to be reviewed. Here are just a few examples:

- **Streamline approvals:** In the past, the credit process in Business Banking has been time consuming because of the many approvals required. The SIM team has streamlined the approval process, reducing the Business Banking approval grid from 24 to four pages and making requirements clearer and more consistent for customers.

- **Consolidate tools and systems:** Our SIM team within Enterprise Business and Community Engagement consolidated more than 100 data elements from 35 systems into one tool. In addition, the reporting that was done manually is now automated, which will save the thousands of hours it took to compile it previously.

- **Move in real time:** Recently, the SIM team within Merrill Lynch Wealth Management consolidated the view of customer data in the Client Wellness Dashboard, reducing the number of clicks it takes to locate the data from over 70 to just one. This provides managers access to real-time analytics to enable them to more effectively coach advisors on growth opportunities and risk management.

- **Make authentication easier:** With the rise of calls from mobile phones, we’re developing a “click to dial” solution that will allow clients to call us by using a “contact us” button within the mobile app to authenticate directly. By having mobile numbers on file, clients will not have to re-authenticate once connected with customer service specialists.

- **Deliver one company:** We want to improve the Home Loans experience by allowing our client-facing employees to access client documents and accounts that are currently part of their overall Bank of America relationship, including Retail Banking, Preferred, and Small Business, Merrill Lynch and U.S. Trust. For the customer, this creates a more streamlined and efficient home loan process.

- **Speed decision-making:** We are simplifying our operations in Consumer Lending by increasing automation for new account acquisition and credit line increases while remaining within our risk parameters. This will increase our consistency, and provide customers with quicker decisions. We are also consolidating technology platforms to reduce operational complexity and operational risk.
Addressing Customer Concerns
How we resolve customer complaints through operational excellence presents one of the greatest opportunities we have to strengthen our relationship with customers. Quite simply, it can make or break their connection with the bank.

Formed in 2014, the Enterprise Customer Care Resolution (ECCR) team brings together groups responsible for resolving customer concerns across card, deposits, and mortgage areas. The team also includes groups that work with lines of business to ensure customers receive consistent, fair, and responsive treatment when their concerns are resolved and remediated.

Reducing the number of people the customer has to deal with is one of the most important challenges of this initiative. The ECCR team members work with experts in all areas of the bank, but operationally, we want just one person to be the customer’s point of contact until we resolve the issue.

In 2015, the team developed training, coaching exercises, role-playing activities, and online resources to help ECCR teammates refine their skills at resolving and preventing customer issues. Call-quality measurement and policy and procedure updates are already improving the customer experience. Alignment with enterprise initiatives, such as call monitoring and customer authentication, will also build competitive advantage, as customers who have a positive service recovery experience should be more receptive to speaking with a company representative about deepening their banking relationship.

Technology Simplification and Modernization
Global Technology and Operations (GT&O) is the functional organization within Bank of America responsible for managing the company’s global infrastructure, technology, and operations to meet client needs with appropriate controls and testing to ensure operational risks are mitigated.

Over the past several years, we’ve invested in the modernization of our platforms, resulting in less complexity through the retirement of applications and the simplification of technology environments. Efforts span from the consolidation of platforms – such as reducing three deposit platforms to one – to broader transformational programs that are eliminating duplicate systems of record, automating manual processes, significantly increasing processing capacity, and delivering more resilient hardware and software.

In partnership with front-line units and control functions, GT&O develops strategic plans that provide roadmaps for technology capabilities and foundational architecture. These plans address:

- What is possible and proven in technology today.
- Use of scale to change the way infrastructure is deployed.
- Digitization of platforms and operating processes.

Our work to simplify and modernize our systems over the past several years is making banking easier for customers, clients, and employees. For example:

- **Consumer Deposits platform:** Converting to a single national deposits platform from three platforms enabled us to offer all customers a consistent coast-to-coast sales and service experience.

- **Merrill Lynch One®:** The integration of five separately managed Merrill Lynch platforms into one offers a single view of a client’s holdings across all of their accounts, providing financial advisors a clearer understanding of how different investment portfolios align to client goals.
• **CashPro®**: Our consolidated client treasury services platform for Corporate and Commercial Banking clients provides access to comprehensive cash flow information on accounts worldwide.

• **Credit card processing platform**: This has been the largest domestic platform conversion in the credit card-serving industry. We converted approximately 86 million consumer credit card accounts, updated 2,500 operational procedures to reflect process changes, and trained 17,000 employees for the conversion. We completed this conversion to better integrate our systems, improve efficiency and customer service, and help us customize products based on customer and client needs.

In addition, operational risk has been reduced through improved platform stability – enabled by simplification and modernization efforts – and the management of operational performance through strict governance over error analysis, root cause discovery, and disciplined mitigation programs. Operational risk has also been reduced through the monitoring and management of high-risk processes and identification of key controls for these processes.

**Resolution Readiness**

During crisis situations, it’s crucial for our company to function properly, and operations are a key part of this. Bank of America takes very seriously our role in the global financial system, and we’re committed to exemplary recovery and resolution preparedness. We have a responsibility to operate our businesses not only to serve our customers and clients and benefit our shareholders but also in a manner that limits the possibility that severe financial stress at the company could cause harm to customers, employees, U.S. taxpayers, or the overall economy or financial system. We’re focused on limiting this possibility, and we’ve embedded the consideration of enhancing resolvability in many of our strategic decisions.

Since 2009, we’ve made significant strides to enhance our resiliency and our preparedness for crisis situations through a combination of increased financial strength, reduced risk profile, simplified company structure and operations, and well-developed crisis-management protocols. We’re committed to identifying additional opportunities to improve our resiliency and crisis preparedness.

**Enhancing Resolvability**

Bank of America is committed to improving resolvability by identifying and mitigating risks. To ensure that impediments are identified and mitigated on an ongoing basis, the company has incorporated the identification of resolvability risks into its business routines. Since submitting its first Resolution Plan in 2012, Bank of America has completed over 20 projects to enhance resolvability. We’ve aligned the completed resolvability enhancements and the actions underway into four primary areas of resolution preparedness:

- **Financial preparedness**: The framework for and placement of capital and liquidity necessary to execute the resolution strategies for the material entities.
- **Structural preparedness**: The continued rationalization of the company’s legal entity structure and business practices for enhanced recoverability and resolvability.
- **Decision-making preparedness**: The formalization of overarching event management governance to guide Board and management decisions during times of severe financial stress.
- **Operational preparedness**: The further build-out of executable operational continuity capabilities.
Case Study: Our Environmental Operations

Today, the bank’s operations are on a path to be more environmentally sustainable. Efforts such as reducing greenhouse gas (GHG) emissions, paper and water consumption, diverting more waste from landfills through recycling and composting, and occupying buildings that are LEED-certified are all initiatives that reduce costs while reinforcing responsible operations and environmental stewardship throughout our organization.

Since 2010, we have made significant progress towards our global operational environmental goals:
- Greenhouse gas emissions reduced by 26%
- Paper usage reduced by 29%
- Water consumption reduced by 28%
- 19% of our workplace is LEED-certified

In 2011, Bank of America set a goal to reduce our absolute greenhouse gas emissions by 15 percent by 2015. The goal spans our global operations in more than 35 countries, and builds on our previous GHG reduction of 18 percent from 2004 to 2009 in our U.S. portfolio. We will far exceed this goal.

Data centers are essential to our business. As our data centers account for 20-25 percent of our GHG emissions, our goal is to significantly increase the efficiency of our overall data center footprint. Since 2010, we’ve exited more than 30 data centers, consolidating our computing operations into significantly fewer buildings and reducing our energy usage in this area. We will continue to emphasize efficiency in our data centers in the coming years, to help simplify our operations, reduce costs, and lower emissions.

Water is essential to our operations, and we take very seriously our responsibility to carefully manage our water resources. We’ve significantly reduced our water usage through the installation of many types of water-saving fixtures, and we’ve recycled or reused more than 23 million gallons of water throughout our facilities. Today, we use a billion fewer gallons of water annually than we did in 2010.

We report annually on our greenhouse gas emissions and water usage to CDP. In 2015, we received a perfect score of 100 for disclosure and an A for performance from CDP, and were listed on the CDP Climate A List and the Climate Disclosure Leadership Index (CDLI) for the sixth consecutive year.

Paper is a significant contributor to our environmental footprint. We have three paper-usage goals we’ve worked to achieve by 2015: decrease our overall paper use by 20 percent; use an average of 20 percent post-consumer recycled content by weight; and use only paper sourced from certified forests. Throughout 2014 and 2015, we continued to focus on transitioning customers to online banking, reducing employee printing, and increasing the digital delivery of key documents. Since 2010, we’ve reduced our paper use by 29 percent, and we are on track to reach our goal of having 100 percent of our paper sourced from certified forests.

We plan to announce the results of our 2015 global operations’ environmental goals in Spring 2016, when we will also announce our new suite of environmental goals.
Great Place to Work
Based in more than 35 countries, our employees represent the diversity of the communities we serve — in thought, style, experience, culture, race, ethnicity, gender identity, and sexual orientation. Their unique perspectives help us make financial lives better for people, companies, and institutions around the world.

As we strive to make Bank of America a great place to work, we listen to our employees to build on our programs and resources to enhance their employee experience, help them become better in their jobs, and further their careers with us. Through their feedback, we’ve learned that the needs of our employees are changing as today’s workforce is changing. Many employees are raising children, supporting aging parents, staying in the workforce longer, and changing their career paths to pursue personal goals. To support these diverse needs and drive our culture of making financial lives better, we focus our efforts on several key areas:

- Growing our diverse and inclusive workforce.
- Empowering professional growth and development.
- Rewarding performance that balances risk and reward.
- Investing in health, emotional, and financial wellness.

Growing our Diverse and Inclusive Workforce
We are a diverse and inclusive company where our employees are actively encouraged to bring their full selves to work, and are empowered to share their perspectives on how we run our company and support one another. The diversity of our employees — in thought, style, sexual orientation, gender identity, race, ethnicity, culture, and experience — is essential to our ability to meet the needs of our diverse customers and clients. Today, more than half of our global workforce is female, and more than 40 percent of our U.S. workforce is racially and ethnically diverse. Our senior leadership is equally diverse, with six of our CEO’s direct reports and six of our 13 Board of Director members being female and/or persons of color.

We have a disciplined approach to maintaining and continuing to improve our diversity. Our Global Diversity and Inclusion Council, chaired by Brian Moynihan and comprised of senior leaders from around the company, is responsible for setting diversity and inclusion goals and practices. Our Global Diversity and Inclusion Organization is a team of employees whose full-time responsibility is to partner with every business and region to develop diversity and inclusion strategies, recruit diverse talent, manage partnerships and alliances focused on diversity, and actively engage our employees. Each member of our management team, including the CEO, has diversity and inclusion metrics incorporated into their business goals, and that focus is expected for all managers across the company. In fact, each of our lines of business have councils charged with planning and implementing diversity strategies and meeting their targeted goals and metrics. To support these efforts, we have recruiting programs specifically designed to identify qualified diverse candidates, including partnering with more than 200 schools, colleges, universities, and external organizations.

Through our far-reaching recruitment programs and partnerships, we’re bringing the best and brightest from around the world to Bank of America. In order to build the next generation of leaders, we have campus staff dedicated to recruiting and retaining talent, and aligned with top diverse external organizations and conferences in order to build a more diverse workforce. Our most recent campus recruiting class was more than 50 percent diverse.

We have many programs in place to help develop high-performing, diverse employees, and prepare them for the next level of their career. Programs like our Global Women’s Conference, Black Executive Leadership...
Summit, and Hispanic Latino Leadership Summit connect employees to senior leaders, outside experts, and to guidance on how to differentiate themselves and achieve their career goals. We also have 12 employee networks, which are comprised of more than 200 chapters and over 70,000 members around the world, for women, black/African-American, Hispanic/Latino, military, LGBT, and employees with disabilities. These networks provide employees with opportunities to connect to develop leadership skills, build strong ties with the communities we serve, and bring lasting value to our business strategies.

All of these programs and efforts were created based on the feedback we receive from our teammates. They are at the heart of all of our efforts in creating an inclusive workplace. After each Employee Engagement Survey, the management team, as well as every line of business, reviews the results to evaluate ongoing efforts to improve the employee experience. Employee satisfaction action teams are formed to gain a deeper understanding of the survey results, prioritize issues and concerns, and develop solutions. These action teams are also a vehicle to gather employee feedback on an ongoing basis, on both the issues and the solutions.

In addition to surveys, employees are encouraged to share their feedback in many other ways – through direct feedback with their managers, regular employee town hall meetings, line-of-business meetings, and Flagscape, our intranet for employees. Through Flagscape, we run a program called “Speak Up!” that encourages all employees to share feedback, ideas, questions, and success stories with management. In 2015, employees posted almost 18,000 submissions through the program. We also offer employees direct mechanisms to:

- Contact the Global Human Resources Service Center with HR-related questions.
- Report ethical concerns or violations.
- Contact the Employee Banking and Investments team for confidential solutions for our credit products.
- Leverage bank assistance on behalf of family members and friends (U.S. only).

The conversation with our employees about their experience at Bank of America never ends. We’ll continue to learn from their diverse perspectives, and together, we’ll work to make our company an even greater place to work.

Empowering Professional Growth and Development

Our employees’ career growth and professional development is a top priority. The primary goal of our development and career management programs and tools is to help employees be effective and grow in their roles, while achieving their highest professional aspirations. We know that people learn best in a variety of ways, so the learning options we make available range from instructor-led learning and web-based training to eBooks and videos — ensuring our employees can access what they need when they need it to grow skills and expertise to better do their jobs and serve our customers and clients. We also encourage our employees to explore external opportunities for learning, and in the U.S., we offer a tuition reimbursement program that provides thousands of employees up to $5,250 per year for courses related to a current or future role at the company.

Manager Effectiveness

Our managers are critical to influencing our company culture and supporting employees in their career development. To help them be more effective in managing and leading their teams, we launched an innovative development program called Manager Excellence. Our audience benefits from access to experienced senior leaders, industry experts, and peers,
providing diverse points of view and valuable lessons learned. Topics are determined by leader feedback and support company priorities, giving leaders insights and practical tips on a variety of managerial, business, and professional subjects. In 2015 we had over 60,000 leaders (both managers and non-managers) who participated in Manager Development, including Manager Excellence. Our leadership programs connect employees, executives, and thought leaders across the organization. We provide access to leadership and opportunities for our key talent to advance their careers through programs such as Know Your Talent. It connects top-talent employees in Global Banking and Markets with HR professionals for career conversations and ongoing development and support. Through our Women's Leadership Program, female managers hear from faculty from Columbia Business School and University of North Carolina at Chapel Hill Kenan-Flagler Business School to enhance their skills and prepare them for leadership roles. Women who attend this program are seven times more likely than their peers to be promoted.

We also continued training for employees and managers around how unconscious bias can affect how we run our businesses, reaching nearly 24,000 employees since 2013. Unconscious bias is an automatic positive or negative belief we are unaware we hold. Recognizing unconscious bias can help us become more effective at retaining our best employees and developing their careers. Additionally, we launched inclusive leadership training for managers. Inclusion focuses on how everyone can bring their whole self to work. We are continuing to integrate this message in all our leader programs.

We know that when we invest in these leaders and managers and they’re effective in leading their teams, we see strong work performance from employees, we identify risks and opportunities more effectively, and we retain top talent.

**Career Growth**

In the last couple of years, we made great progress to help all employees achieve their personal career goals and better support our customers and clients. We developed a career tool called myCareer — a new internal careers site that offers enhanced job search capabilities and career planning tools. It’s simple to navigate, and packed with resources to help employees explore career options and find opportunities that fit their skills and interests. Since its launch in 2014, employees have signed up for more than 32,000 job alerts, giving them immediate access to roles that fit their skills and interests. Making it easier for our employees to grow and continue their careers at the company allows us to retain great talent and institutional knowledge, which drives stability across all we do for customers, clients, and each other.

In addition to myCareer, we also developed the Career Path tool to better enable career planning for select financial center roles. This new tool was designed to help employees, including tellers, identify potential next roles based on how they want to expand their career. The tool asks employees a series of questions about how they want to support customers and interact with their teams. From those responses, the tool suggests possible next roles and outlines the skills and experience needed to get there. In 2015, the Career Path tool received more than 43,000 page views, and as a result of the favorable feedback we’ve received from employees, we’re expanding the tool to include more roles across the company.

**Rewarding Performance That Balances Risk and Reward**

Our Pay for Performance philosophy connects an employee’s pay to company, line-of-business, and individual performance results.
Performance
Through our performance management process, employees understand expectations for their role through ongoing dialogue with their manager. Employees have a performance plan that helps them focus on specific goals in their role with the company, and each plan has actionable goals with a focus on supporting our culture.

A Culture of Risk Management
As we mentioned earlier in this report, responsible growth is critical to how we run the company and we’ve been more deliberate over the past several years to make sure strong risk management is woven throughout our performance management process, so that our business and performance activities are sustainable and disciplined. Throughout the year, employees receive coaching on their performance and opportunities for development, and, ultimately, they receive a rating for their full-year performance based upon their achievement of goals for their job.

Over the last few years, we’ve enhanced the training and development we provide to not only help employees achieve their own professional goals, but also help them be more effective at managing risk well. In 2015, our employees logged more than 9.5 million training hours, taking advantage of thousands of courses offered through our employee learning curriculum. Courses span our business practices, regulatory matters, and risk management.

All employees are required to partake in annual training on our Code of Conduct, which outlines business practices and professional and personal conduct that everyone is expected to follow. The Code, which is grounded in our values, guides how we meet our responsibilities and manage risk for customers, clients, shareholders, and each other.

Our Ethics and Compliance (E&C) Hotline, established in 2004, enables and encourages employees who witness unethical activities to report them in a confidential manner. In addition to financial improprieties or fraud, unethical activities can also include Code of Conduct infractions, sexual harassment, discriminatory practices, retaliation, and conflict of interest. Complaints or possible violations can be submitted anonymously and in complete confidence to the E&C Hotline.

We will not retaliate, and we prohibit employees from retaliating against any employee who in good faith reports suspected unethical conduct or violations of laws, regulations, or company policies. We will not terminate employment, demote, or otherwise discriminate against an employee for calling attention to suspected unethical acts, including providing information related to an investigation. Allegations of retaliation are investigated, and anyone found responsible for retaliating against an employee who reported to the E&C Hotline is subject to disciplinary action, up to and including termination of employment and possible legal action.

Each E&C Hotline complaint is assigned to an internal group who is responsible for determining the appropriate course of action and resolving the reported issue. Our Ethics Oversight Committee and Board of Directors are regularly updated regarding whistleblower-related matters and Code of Conduct violations.

Control Function Feedback
To further support the company’s Risk Framework, we review annually those senior leaders and employees who have the ability to expose the company to material risk. We review their roles against components of our Risk Framework to determine those who take and control material risk for the company. We call these individuals “covered employees,” and we created a
rigorous performance review process for them called Control Function Feedback. Over the last few years, this review process has been enhanced, and each of these leaders and employees receives direct feedback and evaluations from their independent control partners, such as finance, risk, audit, legal, human resources, and compliance, on their ability to drive results for their customers and clients in a way that supports effective risk management for the company. Control Function Feedback is separate from, but included within, the overall performance management process we described in the Performance section of this report. We’ve increased the number of covered employees who are now part of this control function review process, including many traders and sales personnel. Since inception in 2010, the number of senior leaders and employees who have been identified as covered employees has doubled, and most recently increased 30 percent from 2014. Since 2010, we have also applied claw-back features to deferred incentive awards, which allow the company to review for detrimental conduct or financial loss on an individual basis.

All these efforts at Bank of America help manage a strong top-down culture, and promote effective risk management transparency throughout our business. The added rigor around managing our most senior employees helps ensure we drive the right risk focus and balance when it comes to making performance and pay decisions.

We also have increased our focus on expectations around conduct and behavior as we continue to improve business operations. For example, Global Banking and Markets employees took additional training in 2015 to help them better understand elements of the Code of Conduct, including customer privacy, expense requirements, media engagement and appropriate use of email. This provided a consistent understanding of conduct and behavior, whether an employee is based in Houston or Hong Kong.

Compensation

Bank of America has a well-governed pay-for-performance program that rewards long-term, sustainable results that are aligned with stockholder interests.

Compensation ties pay to performance while balancing rewards with prudent business decisions and sound risk management. Compensation is comprised of an appropriate mix of salary, benefits, and incentives paid over time that properly aligns employee and stockholder interests. Criteria for payment of incentive compensation takes into account company-wide, business unit, and individual factors. Compensation is determined on the basis of a combination of financial and non-financial factors that reflect both the current period and a longer period.

Compensation Plan Review

Our compensation programs incorporate significant governance processes and procedures. In order to ensure that the design of our incentive plans appropriately balances risks with compensation outcomes, we have a compensation governance structure and an annual incentive design process that is conducted in partnership with the independent control functions (finance, risk, audit, legal, human resources, and compliance). Additionally, all of our approximately 25 compensation plans are reviewed and certified annually by the risk management function, and corporate audit assesses our plans on a scheduled basis. Each year, we continue to strengthen the governance and controls around compensation. For example, we recently reviewed the risk, operations, and controls metrics that are part of the compensation plan in our consumer business.

In our financial centers, incentive awards are determined by a mix of sales, operational excellence, customer experience, and compliance-based metrics. For employees who are part of our Merrill Edge plans, incentive awards are determined by sales metrics, client experience results, and behavior and conduct considerations.
In our Global Wealth and Investment Management business, Financial Advisors are subject to a supervisory structure, and advisors not in good standing are ineligible to participate in certain business and compensation programs.

Across our Global Banking and Markets business, we’ve adjusted compensation arrangements to ensure that we don’t reward imprudent risk taking. We provide employees and managers additional structure by pre-loading guiding questions within the performance management tool. The questions cover such topics as financial and risk metrics, collaboration with support and control partners, professional conduct, diversity, and personal and team development.

**Hourly Wage Strategy**
We’re committed to paying all of our employees competitive wages, and we invest considerable time in educating and supporting our managers to make sound and market-informed pay decisions. In particular, we monitor the compensation of employees who are paid hourly to ensure their wages are competitive with industry trends. To that end, we pay our U.S. employees significantly higher than federal, state, and local minimum wage requirements. We will continue to focus on this topic as we stay committed to paying competitive wages.

**Compensation at Senior Levels**
All senior business heads and control function heads meet with the Board of Directors’ Compensation and Benefits Committee individually as part of the process of reviewing and approving the company’s bonus pools; discussions center on culture, risk management, and talent. The company’s CEO and the CEO’s direct reports receive a majority of their total compensation in variable, performance-based pay. Half of those equity-based awards are structured as performance units that will be awarded only if the bank meets specific performance goals over a three-year period. All awards are subject to claw-back policies.

**Investing in Health, Emotional and Financial Wellness**
We know that supporting the physical, financial, and emotional wellness of our employees in their personal life also supports them in their work life, so they can be the best at work and at home.

**Health and Wellness**
Our approach to health is built on the things we can do together with our employees to manage health care costs: focusing on wellness, providing education and support, and partnering with efficient and accountable health care providers. We offer all employees who work 20 hours or more per week health and insurance coverage.

Over the last few years, we’ve increased our focus on health and wellness by providing opportunities for employees to become more knowledgeable about their health, and help them save money on future health care expenses. Eighty seven percent of employees, spouses, and partners completed voluntary health screenings and assessments in 2015, while 74,000 employees have engaged a health coach or nurse to help manage chronic conditions, improve nutrition, reduce stress, or provide other wellness support and guidance.

By completing two voluntary wellness activities — a health screening and health questionnaire — U.S.-based employees maintain a $500 credit toward their annual medical plan premium. If a covered spouse or partner also completes both activities, the total credit is $1,000. Our goal with these activities is to actively address health risks by helping employees take advantage of available resources, and learn more about their health so they can prevent and address health issues.

As a direct result of the wellness assessment, the company identified some common health-
lifestyle-related concerns. Employees were concerned about not getting enough physical activity during the week, making poor diet choices and coping with stress. Following the success of the wellness activities, in 2013 the company further increased its wellness focus in two key areas — launching an activity-based program and expanding the wellness activities.

Get Active!
To complement its wellness activities and respond directly to employee feedback about getting engaged in more physical activity, the company introduced Get Active! in October 2013. This voluntary program uses team-based activity challenges to help employees improve their overall health. Employees use the program’s website to log their steps or exercise minutes, view team standings and show support for teammates. In the eight-week challenge, participants could earn a reward by walking 56,000 steps per week.

In 2015, a remarkable 80,000 employees took part in our Get Active! global challenge, forming more than 12,000 teams - surpassing initial expectations. Senior leaders were active participants and program champions. Progress of top teams was highlighted at divisional town halls; managers led by example by wearing their pedometers; teams were praised at department meetings; and there was an overall healthy spirit of competition, collaboration and fun. As a result, employees took more than 28 billion steps in the global challenge - equal to 568 trips around the world.

Alignment of Health Care Costs and Compensation
We continue to align the cost of health care with compensation. Our health benefit premiums are progressive based on how much an employee earns; the more our employees earn in yearly pay, the more they contribute overall to the cost of their health benefits. In 2011, for employees making less than $50,000, we reduced their premiums by 50 percent. We’ve kept those costs down, giving these employees the ability to keep premiums flat for the last four years. For 2015 and 2016, we offered all employees a medical option with no premium increases.

Regardless of how much an employee earns, we continue to cover the majority of costs for employees’ medical coverage and offer health care savings accounts to help employees manage their annual out-of-pocket expenses. On average, we pay approximately 65 percent of all our employees’ health care costs, totaling billions of dollars each year.

Work-Life Benefits
In addition to our focus on health and wellness, we offer a variety of support to working families with benefits like back-up child care, back-up elder care, elder care resources (including up to six hours of in-person assistance with a professional care manager per year at no cost), discounts on certain child care center fees and tuition, reimbursement of up to $240 per month per child for eligible employees’ child care expenses, and more.

We offer a range of paid and unpaid leave options to enable employees to take time away from work. Parental leave policies differ from country to country. In the U.S., we provide 100 percent paid time off — up to 12 weeks for adoption, maternity and paternity leave — for eligible employees to care for a new child. An employee can take up to 26 weeks total of paid and unpaid leave.

We support employees who are new parents to help balance work with family life by offering a number of programs and benefits to help them make the transition back to work. In 2015, more than 8,000 employees took parental leave. Approximately 93 percent of women and 98 percent of men returned to work after their leave.
Eligible employees in the U.S. can also take advantage of opportunities that encourage flexibility. These options include flex time and compressed workweeks, reduced hours, and alternative work locations.

**Emotional Wellness Support**

We recognize that emotional wellness is as important as physical wellness. Stress caused by factors at home or at work can have an impact on our employees’ quality of life and their ability to do their job well. That is why one of the most important things we do is provide support to our employees during major life events that impact their personal and professional lives. Our current employees, and the people who have retired from our company after years of dedicated service, deserve our focused attention during the moments in their lives that matter the most.

One of most impactful improvements we’ve made is establishing a dedicated Life Event Services team. The team assists our U.S. employees who need support during major life events, which may include taking a leave of absence, facing a terminal illness, retiring from the company, or undergoing a gender transition while working for Bank of America. The team also supports employees and retirees when a dependent passes, and their families when our employees and retirees pass. In all cases, Life Event Services specialists ensure they are able to provide timely, holistic support for the financial and emotional wellness of their clients.

The Life Event Services team is comprised of employees with special training and backgrounds that enable us to make the process as easy as possible and to ensure those involved can take advantage of all of our available resources and support.

In addition, our Employee Assistance Program provides employees access to free and confidential counseling and resources for addressing personal and emotional issues, including parental advice, legal services, financial counseling, and domestic violence support. We’ve also created an internal Domestic Violence Taskforce to further educate our employees about this serious issue, and the variety of resources we have available to employees and their families.

The work of these teams has made a dramatic impact on our entire company. In 2015 alone, the Life Events Services team extended support to over 10,000 employees, retirees, and family members. The powerful feedback from our employees, retirees, and their families about the support they have received and the difference these teams make in their lives is a constant reminder that we have made the right decision by making an investment in these areas.

**Financial Wellness**

We believe that the more informed people are about their money, the clearer their financial outlook can be. This applies not just to our customers, but to our employees as well. That’s why we offer competitive financial benefits that help employees prepare for retirement and protect their family in the long term.

**401(k) – Automatic Enrollment**

Our competitive 401(k) benefits help employees increase their savings for retirement through company-matched contributions of up to 5 percent of eligible pay, and an additional 2 to 3 percent automatic company contribution, starting after one year of service. In 2015 we saw a steady growth in the voluntary level of participation in our 401(k) plan, with 89 percent of employees participating in a retirement account. In 2016, we implemented automatic enrollment at 1 percent to the 401(k) plans, as well as a Welcome employer contribution of $50 to all newly hired employees to help promote 401(k) savings. We believe this will help individuals who may have postponed joining the plan get a jump-start on saving for their retirement. Employees can opt out of participating in the 401(k) plan, if they choose.
Employees receive up to one time their annual base pay in life insurance from the company at no cost. They have the option to purchase additional insurance for themselves, as well as certain coverage for their spouse/partner and children. To offer income protection in case of a prolonged illness or injury, employees receive long-term disability insurance of up to 50 percent of their annual base pay from the company at no cost.

Our health care accounts offer employees a beneficial, tax-advantaged resource to manage their health care expenses — thus helping to reduce financial stress. Over the past two years, we increased our communications and education efforts so that employees can better understand their features and purpose. HSAs offer employees a valuable way to save for future medical care, while paying for current expenses. Further, employees can use the guidance and advisory resources available through our financial wellness programs to create an investment strategy for their HSA that complements their investment direction for their 401(k), etc.

We offer a variety of financial education resources to encourage employees to save for a healthier future and that meet a variety of financial objectives. Our Benefits Education and Planning Center provides free personalized guidance for budgeting, debt management, retirement planning and more, while our Employee Banking and Investments group provides access to a full range of discounted banking and investing products and services to help employees pursue their short- and long-term financial goals.

Through our partnership with non-profit online education innovator Khan Academy, we provide Better Money Habits®, a free education resource available to anyone, anywhere. For our employees, we worked with founder and CEO Sal Khan to create two videos — one about maximizing the 401k match, and the other about rollovers. Better Money Habits empowers our employees, their families, and the general public with educational tools on complex money topics, so they can be more confident in their financial decision-making.

**Delivering for Shareholders and Other Stakeholders**

Through our work, we seek to reflect what stakeholders — including our stockholders — expect of global companies today. At all times, we’re listening to and engaging with a diverse set of stakeholders who are interested in or directly affected by our company’s business. As part of our stakeholder engagement process, including our stockholder engagement, we listen to the feedback of our constituents to help inform our decisions. Through continual debate and dialogue with all of these groups, we believe better informed, more balanced decisions are made.

We have a variety of ways in which we engage our shareholders, customers, clients and employees, and have described many of these methods in previous chapters of this report. The information that follows outlines several of the ways in which we engage and listen to other key stakeholders.

**Regulators**

Our Code of Conduct, which translates our values into the actions we should take as representatives of the company, includes respect for laws and regulations, and fair and honest communications. All employees have a duty to fully cooperate with any regulatory examination or request for information.

The Global Regulatory Relations team, in place for more than 10 years, is available to assist regulatory agencies as needed. The team also provides guidance and training to employees so that regulatory interactions are efficient and that regulators receive information needed in a timely manner. We also have specialized Regulatory Relations teams that support individual
businesses and help drive transparent, responsive interactions with our regulators around the world.

**Senior Leadership Engagement and Regulatory Interaction**

Our senior executives meet regularly with our regulators. These sessions help us gain insight regarding the focus and concerns of our regulators, and provide a forum for us to keep regulators updated about our business activities. We discuss key regulatory matters and business updates in multiple forums, including Board of Director and senior management meetings.

Our businesses and control functions engage regulators through exams, ongoing supervision, regular meetings and ad hoc inquiries for information. We also provide scheduled reports to regulators. Throughout these engagements, we seek to confirm that regulators are getting the information they need in a timely manner.

**Lobbying and Political Activities**

Bank of America often shares interests with groups that advocate and shape public policy positions on issues that are important to the financial services industry and the global business community. We believe that we’re better when we work with others to bring about consensus and advocate for issues of importance to us, our customers and clients, and the communities we serve.

We have a Corporate Political Contributions Policy Statement that sets forth basic principles concerning the company’s stance on political contributions and activities. Together with our other policies and procedures included in our Code of Conduct and Political Action Committee (PAC) governance documents, it guides our company’s and associates’ approach to political involvement. As a global financial services company, Bank of America is committed to participating in the political process in a manner that is consistent with solid corporate governance practices and complies with legal requirements. It’s in this spirit that we encourage our employees to be active in our democratic society and provide opportunities to do so through the PAC program and voluntary community service-oriented activities.

In 2014, our company’s Public Policy group and the Office of the Corporate Secretary worked together to improve our political activities public disclosure in the following ways:

- Changed the overall focus of the political activities on http://investor.bankofamerica.com to include all of Bank of America’s political activities.
- Included reports of PAC contributions, in addition to links to each state’s reporting website.
- Included a list of trade associations of which Bank of America is an active member and pays more than $25,000 in dues.
- Included a list of 527 organizations to which Bank of America contributed.
- Stated that Bank of America does not make corporate contributions to candidates for public office, political parties, or PACs.
- Stated that Bank of America may support 501(c) (4) groups on public policy matters, but does not support the election of specific candidates or funding of specific expenditures.
- Stated that when Bank of America PACs make political contributions, they do so to promote the interests of the company, without regard to the private political preferences of its executives.
- Included information regarding the management, compliance, and monitoring of Bank of America’s political activities, including the Corporate Governance Committee’s oversight of significant policies and practices.
Memberships and Contributions
Trade associations in which Bank of America is an active member and which received more than $25,000 in annual dues are listed on the company’s website. When we make payments to these organizations, including membership fees and dues, we restrict the organization from using the funds for any election-related activity at the federal, state, or local level, including contributions and expenditures (including independent expenditures) in support of or opposition to any candidate for any office, ballot initiative campaign, political party committee, or PAC. Payment of dues or other contributions to a trade association does not mean that Bank of America agrees with every policy position the organization may adopt based on the consensus of their membership or otherwise.

Bank of America and its affiliates do not make corporate contributions to candidates for public office, political parties, or PACs. In appropriate circumstances, however, we may make contributions to non-candidate organizations, such as political convention host committees, organizations organized under Section 527 of the Internal Revenue Code, or presidential inaugural committees, to the extent permitted by applicable law.

While we don’t use corporate funds to make independent political expenditures, we may, from time to time, use corporate or PAC funds to support or oppose state or local ballot initiatives that affect the business environment. These contributions are reported in accordance with any applicable laws or regulations.

Consideration is given to entities that support policies and initiatives that are important to the company. Our policy forbids the use of our facilities, equipment, or other assets for political purposes without consent and to the extent prohibited by applicable law.

Bank of America encourages informed participation in the democratic process. We also respect the rights of our employees to support issues and candidates of their choosing, and employees may elect to make personal political contributions, either directly or through company-sponsored or other political committees as permitted by applicable local, state, and federal laws, as well as the laws of any applicable jurisdiction outside of the United States. Employee contributions are not reimbursed by Bank of America.

Additionally, employees are encouraged to participate in political activities on their own time and in accordance with their individual desires and political preferences. When engaging in political activities, apart from Bank of America responsibilities, employees are expected to make it clear that they are acting as an individual and not as a representative of the company. Employees who wish to accept an appointment to public office or file as a candidate for election must first obtain approval consistent with Bank of America policy to avoid any conflict of interest.

Stakeholder Engagement
We listen to many stakeholders, including our shareholders, customers, and employees. We also actively engage our community leaders to receive feedback and input on our business.

Market Presidents
Each of our local markets is led by a Market President. The Market President’s role is to work with our different lines of business within the company, sometimes with individual employees, so that customers and clients get the benefit of everything we have to offer them. They work to make sure our customers have a positive and consistent experience with Bank of America, regardless of how they do business with us.

The Market President is also the voice for the company in that community. They guide our efforts to be a responsible corporate citizen, whether through our day-to-day business activities, our employee volunteer programs, or our philanthropic support for organizations that make a positive impact.
As part of this role, they regularly engage with local influencers, including civic leaders and policy makers, to solicit their feedback and engage them on pressing issues in the community. They also regularly speak with our customers and clients in the local community to field questions and listen to feedback.

**National Community Advisory Council**

Our National Community Advisory Council (NCAC) is a prime example of an engagement process that is designed to drive change. Created in 2005, this 31-member council is comprised of prominent community development leaders from across the U.S. The NCAC addresses critical issues affecting affordable homeownership and economic development in some of our nation’s distressed and underserved communities. It joins public and private sector leaders to provide an external perspective and work with the company on the programs and services that will keep us on the forefront of community revitalization.

Members of the NCAC include:
- Aeris
- Brookings Institution
- Beulac Associates, LLC
- CATO Institute
- CDC Small Business Finance
- Center for Financial Services Innovation
- Ceres
- Chicago Community Loan Fund
- Consumer Federation of America
- Clean Air Task Force
- C2ES
- Enterprise Community Partners, Inc.
- Greenlining Institute
- Harvard Kennedy School’s Corporate Social Responsibility Initiative
- The Leadership Conference on Human Rights
- Local Initiatives Support Corporation (LISC)
- Low Income Investment Fund
- National Association for the Advancement of Colored People
- National Coalition for Asian Pacific American Community Development
- National Community Reinvestment Coalition
- National Council of La Raza
- National Foundation for Credit Counseling
- The National Urban League
- Nature Conservancy
- NeighborWorks
- Opportunity Finance Network
- The Pew Charitable Trusts
- Self-Help Venture Funds
- Urban Institute
- U.S. Green Building Council
- World Resources Institute
Investing in Our Communities

Our expertise, reach and resources provide us the opportunity to play an important role in helping build thriving economies around the world.

We are deeply involved in community development work related to affordable housing, small business lending and neighborhood revitalization, and have been for years. We’ve worked to create sustainable community and local economic development through public-private partnerships around the world. Whether we’re helping a small business get off the ground, or leveraging our relationships with community development financial institutions to connect people and communities to the capital they need, our longstanding commitment to investing in local economies helps our communities and their stakeholders prosper. Below are more examples of our investment in the economic development of our communities.

Supplier Diversity

We’re supporting the growth of diverse businesses through our profitable vendor relationships with minorities, individuals with disabilities, and businesses owned by veterans, women, and the LGBT community through our Supplier Diversity program. In August 2014, Bank of America became the first Financial Services Institution to ever be inducted into the Billion Dollar Roundtable, a nationally recognized organization created to recognize and celebrate corporations that achieved spending of at least $1 billion with minority-owned and women-owned suppliers. Since the 2001 establishment of the organization, no other corporation in the Financial Services sector has achieved $1B in direct minority-owned and women-owned business spend. 2015 marked the 25th anniversary of Bank of America’s Supplier Diversity and Development Program, and we launched a number of initiatives to commemorate the event, including the following:

- Awarded close to $1MM in scholarships to diverse business owners for capacity building education.
- Hosted an Inaugural Bank of America Capacity Building Forum, bringing together current and high-potential Bank of America Tier I / II diverse vendors with Bank of America leadership and Procurement Executives
- Re-launched the formal Supplier Diversity and Development Mentoring Program
- Re-launched the Supplier Diversity and Development Small Business Institute

Community Development Financial Institutions (CDFI)

CDFIs are private-sector local loan centers that offer financing for small businesses, affordable housing, and other economic revitalization projects, primarily within low- and moderate-income communities. CDFIs are often a good source of capital for those who may not qualify for a traditional bank loan, and through 2015 we’ve invested $1.2 billion in more than 240 CDFI partners. To further our impact, in 2015, we developed an online U.S. CDFI directory to connect small businesses to more capital. The directory will allow entrepreneurs and small business owners to find a CDFI in their community to help access the funding they need to grow their business.

Supporting Communities Around the Globe

We’re investing in building leadership and increasing the impact of high-performing U.S. nonprofits through our Neighborhood Builders® program and fostering the next generation through our Student Leaders® program. Over the course of more than 10 years with $190 million invested, we’ve recognized more than 800 nonprofits, provided leadership training to nearly 2,000 nonprofit leaders, and connected more than 2,100 students to employment and service opportunities.
We’re supporting local communities through capital investments in many cities. Through these projects, we help revitalize neighborhoods by creating jobs and building or renovating buildings, land, and infrastructure to drive and enrich local economies and communities.

We’ve created philanthropic partnerships with global organizations such as (RED) and Special Olympics that go beyond giving money to offering our time, expertise, talents, and the use of our connections to customers and communities, bringing beneficial change to communities around the world.

Last year alone, our employees volunteered approximately 2 million hours in a variety of ways, including mentoring young people, feeding the hungry, and supporting the needs of veterans. In partnership with Habitat for Humanity, we launched the first global, multicity build, taking place during one week in 36 communities around the world. The initiative, which we repeated in 2015, was part of a $6 million investment in local Habitat affiliates across the globe, as part of our commitment to revitalizing local communities and creating affordable housing.

**Impact Investing**

Bank of America is committed to meeting client demand and working to build a commercially viable market for impact investing. We know that structuring portfolios to help foster good corporate practices has enormous potential to change investments, lives, and communities.

- **Social impact bonds:** In December 2013, Bank of America worked with New York State and Social Finance Inc. to offer a social impact bond aimed at reducing recidivism. Through this partnership, $13.5 million in capital was raised to finance a 5 1/2-year pay-for-success program that provided re-entry employment services to 2,000 formerly incarcerated individuals in New York City and Rochester, N.Y.

In April 2014, Bank of America Foundation commissioned a four-month feasibility study by nonprofit Social Finance to assess the use of social impact bonds and other pay-for-success programs to address critical shortfalls in the funding of effective reintegration and ongoing support services for military veterans. The study was designed to assess how new financial instruments and programs could help, how they would be funded, and how their success might be measured.

- **Environmental, Social, and Governance (ESG) Training in Wealth Management Business:** Across our wealth management businesses, we provide ESG/Impact Investing training and education programs for advisors, each one tailored to the clients those advisors serve. For example, both U.S. Trust and Merrill Lynch offer their own versions of in-person training programs that dive deeply into the history of impact investing, the landscape of preferred and best practice approaches and strategies, common concerns to foster better understanding of our ESG/Impact Investing offerings, and how to best serve our clients. Additionally, Merrill Lynch financial advisors attend training through breakout sessions at national Advanced Education Symposium events and regional Strategic Solutions Symposiums held throughout the year. Merrill Edge delivered ESG/Impact Investing training in 2015 Outlook workshops, including in-person presentations and conference calls for Merrill Edge advisors. Non-advisor employees had opportunities to be educated about ESG/Impact Investing through employee town halls and Diversity & Inclusion forums. Finally, thought leadership on ESG/Impact Investing from our Chief Investment Office has been shared with Merrill Lynch advisors in an implementation guide and a white paper.
$125 Billion Transformational Finance Commitment and Green Bonds

We recognize the crucial role of large financial institutions in driving the global transition to a low-carbon economy. This is why Bank of America in 2015 pledged to increase the company’s current environmental business initiative from $50 billion to $125 billion by 2025 to address climate change and demands on natural resources through lending, investing, capital raising, advisory services, and developing financing solutions for clients around the world.

The commitment was announced in July 2015 at the White House’s American Business Act on Climate Pledge event, which recognized corporations for their support of action to address climate change. To meet this commitment, we will continue to lend, invest, and deploy innovative capital markets solutions designed to accelerate the funding of low-carbon projects, focusing in particular on financial innovation, such as expanding our Catalytic Finance Initiative (CFI) and developing the green bond market.

The CFI is designed to stimulate at least $10 billion of new investment into high-impact clean energy projects. A key component of the CFI is the development of innovative financing structures that reduce investment risk to attract a broader range of institutional investors. Through the CFI, we’re helping to make clean energy investments more financeable — especially in emerging markets, where the benefits of such projects are amplified by their positive impact on health, education, and job creation in the communities nearby.

In addition, Bank of America has played a leading role in the development of the rapidly expanding green bond market, issuing the first benchmark-sized corporate green bond in 2013 — a $500 million offering — followed by a second green bond for $600 million in the spring of 2015.

Green bonds play an important role in moving capital to renewable energy, energy efficiency and other low-carbon sectors. We believe that corporate issuers of green bonds, ourselves included, have the potential to be a key driver of growth in this market. In 2014, we collaborated with financial industry peers to develop the Green Bond Principles, providing much-needed guidance on the issuance process for green bonds. Bank of America was the No. 1 underwriter of green bond issuances in 2014 and 2015.
Our Transformation Continues

Bank of America in 2016 is an organization that continues to evolve and improve. We have a solid foundation to build upon, and a legacy of more than 200 years of banking and community building across the U.S. and around the world. The changes we’ve made have simplified and strengthened our organization and enriched our culture, and they build on our company’s very best qualities.

This significant investment of time and effort is making a difference. As you’ve read in these pages, we’ve created a foundation for responsible growth and the disciplined management of risk that permeates our entire organization.

The decisions we make at Bank of America are supported by a system of strong internal governance, which we’ve enhanced with a network of external experts and leaders from public, private, and nonprofit sectors. Together, these stakeholders align our decisions and actions with the commitment we share to build thriving economies — families secure in their own homes, successful small businesses, and nonprofits and companies solving tough problems.

This approach ensures that decisions we make as an organization are clear, fair, and grounded in the principles of shared success, responsible citizenship, and community building. As we continue on this path and channel investment and deploy capital responsibly and sustainably, Bank of America acts as an engine to help our overall economy grow.

The culture we’ve developed, nurtured, and encouraged across the company is built on this atmosphere of mutual trust and the knowledge that when we work together, we can fully meet the needs of our customers and clients. We realize that developing the next generation of leaders is critical to the future success of our company, so we strive to equip our leaders with the resources they need to reach their highest career aspiration. In short, we’re putting the depth of our franchise and our whole team to work for our customers and clients — wherever they are, and however they’ve come to Bank of America.

As we take stock of where the company stands today, we can see the tangible results of hard work as we have simplified, strengthened, and transformed our company. We have a strong foundation, and a strategy focused on the customers we serve, and all the capabilities we possess have come together as an engine for responsible growth.

All of this is made possible by more than 200,000 teammates who come to work every day to serve clients and improve our communities. Together, we will continue to take the company forward and deliver value to those we serve.