



## Conversation with Paul Donofrio

**Paul Donofrio** - Vice Chairman, Bank of America

**David Wright** - President, EUROFI

### David Wright

My next guest, ladies and gentlemen, is Paul Donofrio, who is the Vice Chair of the Bank of America. He is a member of the Executive Management Team and co-chairs the Responsible Growth committee. I think he has been at the bank since 1999. He was the Chief Financial Officer of the Bank of America between 2015 and 2021. He has an immense CV, so I am not going to go through it all, because we want to hear from you most importantly, Paul. Thank you very much for Bank of America's support of Eurofi. Tell us how you have become involved in sustainability.

### Paul Donofrio

First of all, thank you, David. It is great to be here. I think a CFO makes a great leader of sustainability for any company. Sustainability cannot be built in a silo. Particularly with respect to banks, sustainability has to be built into the existing processes of a bank. It has to be built not only into how you deliver your products and services, but also how you deliver your support functions through HR, finance, and especially risk. If you build it in a silo in the centre, then nobody who runs anything at the company owns it. It is somebody else's job. I think it was a wise choice for Brian Moynihan, our CEO, to pick a CFO to continue to lead our sustainability efforts and help us play our role in the energy transition.

When you are the CFO, you get to know every part of the company. More importantly, you get to build relationships and hopefully credibility with all the other people who run the other departments. That is incredibly important as we all work together to build everything that we are going to need to get to a clean energy future. I think it is natural for a CFO in terms of a second act. When you have been CFO of a large bank for

six years, you are looking for something else to do. It is a very rewarding role.

### David Wright

In this role in your very large bank, how does the Bank of America advance progress? Tell us how you do the job here.

### Paul Donofrio

At the end of the day here, I think what banks need to do is just do their job. They need to help their customers achieve their financial objectives and grow. With respect to this, the job is to help our corporate customers - large and small - understand the risks and opportunity the energy transition presents, so they can develop and execute a credible transition plan.

Then banks have to help those companies execute and finance those plans. That is the short answer.

Let us take a step back. I think banks need to start with their own operations by achieving carbon neutrality and making progress on the emission targets that they have set for themselves. Bank of America achieved carbon neutrality in 2019. Some of the things we did to get there were to buy all our electricity from renewable sources; to green our buildings by upgrading heating, ventilation, and air conditioning (HVAC), water, electricity and data centres; to install wind and solar, production on site. I think banks also have to make sure that their supply chain has credible transition plans. At Bank of America, we have already ensured that suppliers representing 70% of our spend have climate targets. By 2030, we will be increasing that percentage and adding requirements.

Focusing on a bank's operations and suppliers does not really move the needle, because they only represent a fraction of a bank's emissions. For Bank of America, for example, they represent approximately 5% of our

emissions. Why is that? This is because the vast majority of our emissions, frankly, are not our emissions. They are the emissions of our corporate customers that we are counting as our emissions, based upon the level of business we do with them. The flip side of that is a tremendous opportunity for our corporate customers, given the scale of the transition already underway. I think everybody in this room probably knows this, but just attempting to get to net zero in less than 27 years, is going to have more impact on the world economy than the industrial revolution. Companies that do this well are going to see their businesses grow.

Experts vary, but everybody agrees we are going to need at least twice the amount of normal investment each year to achieve net zero. Most estimates I see put that number in aggregate well in excess of \$200 trillion. You have to think about all of the jobs, the innovation and the socioeconomic progress that will surround an investment of \$200 trillion. You have to remember that, when the government invests, when one company invests, that is just another company's revenue. The incentives for companies are huge here. If \$200 trillion of potential revenue growth is not incentive enough if you are a company, then there is the opportunity or risk to gain or lose market share as more and more companies choose suppliers with credible transition plans. At Bank of America, we call this the business imperative for companies to develop and execute credible transition plans.

What is the role of a bank? In addition to addressing your carbon neutrality and your supply chain, the most important thing a bank can do is to respond to their customers at scale, by engaging on the business imperative and then helping them develop or helping them finance the plans and goals that will naturally develop from that business imperative. The key phrase here is 'at scale'. At scale means all your bankers and all your corporate customers, large and small across every industry. I think if the banking industry does this well, if they do it at scale, then we will play our role in a more sustainable future and achieve the targets that we have set for ourselves.

### David Wright

In Europe, one senses a certain pushback against climate change demands. Are you seeing that in the US or are you seeing big opportunities? It is quite interesting whether there is this change of dynamic on different sides of the Atlantic.

### Paul Donofrio

We are a large bank. We have targets to reduce our emissions in line with 1.5 in the science by 2030. There are people in the United States who do not want us to make any lending in any way to oil and gas companies. Then there are people who are worried that we are using our balance sheet and lending capability to coerce them. Neither of those is true. We are responding to our clients' needs. At Bank of America, and I think at most large banks, customers are driving how we approach this. If you look at our large customers, they all have transition plans in one way or another. Midsized companies are on their way to understanding the

business imperative, the risks and opportunities, and are developing plans. Smaller companies may be just getting started.

For a lot of us, we have dedicated teams that are focused on helping these clients. If you are going to actually put it into practice, the way this has to work is you cannot rely on those small teams to go out and meet with your clients, because there are only so many meetings they can go to in a day. For us to reach our 40,000 corporate clients globally, we needed to create scale. That is what banks do well, create scale. We spent two years, all of 2022 and 2023, developing the capabilities and tools so that our thousands of bankers could go out to engage credibly and skilfully with our corporate customers, respond to them and engage with them on the business imperative.

That may sound easy but doing that well across thousands of bankers takes a lot of time, effort and devotion. Our bankers have to learn about the transition pathway for every company, the risks and opportunities for every company, because it is all different. How to benchmark their progress is what CEOs and boards love to hear. If you want to get a meeting with a CEO or board, just offer to benchmark their progress on sustainability relative to competitors, how to measure and report their progress and certainly how a bank like us can help. Doing it well, by the way, can have a giant impact. On any given day, we at Bank of America are having 1,000 to 2,000 meetings with owners, boards of directors, CEOs or treasurers. When our bankers skilfully engage on the subject, we improve and deepen our relationship and that drives business for us. It is not only helping us achieve our goals around sustainability, but it is growing our business.

### David Wright

You see this demand from your customers growing very strongly. They are seeing the opportunities. You do not have to tell them. They are seeing the business opportunities of appropriate investments to reduce their carbon footprint, or whatever it is.

### Paul Donofrio

The short answer is yes. Of course, there are companies that may be resisting for one reason or another, but the business imperative is real. You just have to work with them to make sure they understand the risk they are taking and the opportunity they are missing by not engaging on sustainability. As I said before, the business opportunity, the opportunity to grow your revenue and to gain market share is huge. Every company is in the supply chain of some other company.

### David Wright

You see different attitudes in your US clients compared to your European clients. Do you see a different type of approach here?

### Paul Donofrio

Not really. I think the fundamental difference is that in Europe there is more agreement amongst voters that we need a cohesive, multi-decade sustainability green agenda. I think if you ask people in the United States, they will say, 'Of course, I want to live in a cleaner

environment. Of course, I want things to be green,' but there is still a lot of political debate right now. As a bank, we do not decide for others. We are just a transmission mechanism for the global economy. We have to balance all that.

**David Wright**

Do you worry or do your clients worry about the different types of approaches on both sides of the Atlantic? Europe tends to go for a regulatory approach, adopting the International Accounting Standards Board (IASB) standards. The US does not. Is that a problem? Is there a competitiveness issue?

**Paul Donofrio**

We are a large global bank. We are very proud of our operations all around the world, and especially Europe. We are committed to the EU and to Europe. We are going to operate within the laws and regulations of the EU. I do not have any criticism of the government. I will say that we should all spend as much time thinking about and developing market forces to accelerate the transition as we spend on rules and regulation.

**David Wright**

It is very interesting listening to you, because one gets the sense sometimes that the dial is getting pushed backwards. You are not saying that at all. You are saying, 'We think it is a huge opportunity for us as a bank, but also for clients who take forward long term investments, or whatever it is.'

**Paul Donofrio**

Yes, I am also saying that we can see the activity in our corporate clients. It is real. It is every day. Again, our bankers are out there meeting with them. The receptivity and the interest from boards and CEOs on how to capture that opportunity and avoid the risks that the transition presents are only increasing.

**David Wright**

Are some sectors more advanced than others?

**Paul Donofrio**

Yes, oil and gas, power, auto, cement, steel, marine and all the high emitting industries are. You can go out and people can quibble and argue that they are not going fast enough. Believe me, they are focused on it.

**David Wright**

That is tremendous. Thank you, Paul, very much for being with us. I find this really fascinating that not only have you built an effective offer here, but your clients seem to be taking it up.

**Paul Donofrio**

There is a reason to be optimistic. I do not know when or if we are going to get there precisely in the way we all think it is going to play out, but there is clear momentum, and it is building.

**David Wright**

Thank you so much for being with us and thank you for supporting Eurofi, as you have done for many years.