



2005 Sustainability Report

Global Reporting Initiative Framework



Contents

Introduction	3
Scope of Report	4
Business at a Glance	5
Governance	6
Compliance	7
Social Performance	9
Environmental Commitments	10
Stakeholders	13
Managing Impacts: Products and Services	15
Managing Impacts: Operations	18
Appendix A	23
Appendix B	27



This symbol corresponds with text in the report that identifies future stated goals and targets.



Introduction

Message from Ken Lewis

Our illusion of the earth as too vast to be affected by human activity is a relic of the past. We now know our activities affect our planet, and that business activities are a significant contributor to the pressures on our environment. The good news is that we have the ability to provide for all the people in our world, and to do so in ways that are environmentally sustainable. Our financial and natural resources are abundant. Our ingenuity enables us to create amazing new technologies and energy sources. And we are motivated to preserve our planet for future generations. Our challenge is one of leadership. We will succeed when leaders from all sectors of society come together in mutual respect for our diverse talents and perspectives to create political, industrial and technological solutions that are good for the economy and for the environment. This Sustainability Report from Bank of America illustrates many of the ways we have been working to contribute the necessary leadership to meet this challenge.

1.2
CEO Statement

About Bank of America

Bank of America is one of the world's largest financial institutions, serving individual consumers, small and middle market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk-management products and services. The company provides unmatched convenience in the United States, serving more than 55 million consumer and small business relationships with more than 5,700 retail banking offices, nearly 17,000 ATMs and award-winning online banking with more than 20 million active users. Bank of America is the No. 1 overall Small Business Administration (SBA) lender in the United States and the No. 1 SBA lender to minority-owned small businesses. The company serves clients in 175 countries and has relationships with 98 percent of the U.S. Fortune 500 companies and 80 percent of the Global Fortune 500. Bank of America Corporation stock (NYSE: BAC) is listed on the New York Stock Exchange.

2.1-2.7
Organizational Profile

Details in annual financial report that can be found at www.bankofamerica.com/annualreport/2005

Environmental Commitment

At Bank of America, our environmental policies are shaped by our conviction that the health of our company is dependent on the health of communities and our society. Understanding that every part of our business has a potential impact on our environment, we commit to integrating environmental policy into our company's operations at every level.

1.1
Statement on
Sustainable
Development

For nearly 20 years, Bank of America's corporate responsibilities have included specific commitments to the environment. The bank was also an early adopter of a broader environmental commitment, publishing its own board-approved environmental principles in 1992. The principles have evolved to the bank's current Environmental Commitment with environmentally focused, internal programs and cooperation and alliances with community groups and industry organizations.

Bank of America recognizes that successful implementation of our environmental policies relies upon transparency to all stakeholders, appropriate training of associates worldwide and regular public corporate reporting according to the Global Reporting Initiative (GRI). The bank is committed to reporting, using the GRI as a guideline for the 2005 sustainability report. Our 2005 report includes certain environmental, social and economic indicators outlined in GRI. Compared with 2004, our 2005 report includes additional indicators and our goal is to continue to work towards full GRI reporting including the financial services supplement.



Scope of Report

Scope

This report includes information on Bank of America's U.S. operations, where more than 95 percent of our business is operated. Where possible, data from international operations are included. The bank's goal is to include data from domestic and international operations by 2008.

Reporting year

This report covers activities that occurred during Bank of America's calendar year of 2005, unless otherwise noted. If no changes have been made or if no additional data has been collected since 2004, then an annotated summary of the 2004 report is included.

Global Reporting Initiative

Bank of America utilized the Global Reporting Initiative (GRI) guidelines in determining relevant content and performance metrics to include in our report. This report was not produced in full accordance with the GRI; however, we will increase our use of its principles and indicators with each subsequent report. The GRI indicators included in this report include the financial sector supplement indicators and the environmental core indicators and certain social/economic indicators. More information about the GRI is available at www.globalreporting.org. The GRI indicators included in this report are referenced along the right hand column of each page.

2.10 - 2.13
Report Scope



2.17
Report Profile



Business at a Glance

Values

- **Doing the right thing.** Each of us has the freedom, authority, and responsibility to do the right thing for our clients, customers, communities — and each other.
- **Trusting and teamwork.** We rely on each other and succeed together. We take collective responsibility for the quality of client and customer experiences.
- **Inclusive meritocracy.** We care about each other, focus on results and strive to help all associates develop their full potential. We respect and value each other's differences.
- **Winning.** We have a passion for achieving results and winning — for our clients and customers, for our teammates and communities and for our shareholders.
- **Leadership.** We're decisive leaders at every level, communicating our vision and taking action to help build a better future.

3.7
Values and Mission

Strategy

The key to Bank of America's successful execution of its growth strategy is creating customer satisfaction. The company achieves growth, CEO Ken Lewis says, "by satisfying so many customers so completely that they bring us more of their business and recommend us to their neighbors, friends and family."

Lewis adds, "To attain that level of satisfaction, and attract, retain and expand customer relationships, we know we have to focus the energy and resources of the company on the basic work processes that drive every customer experience." It also is essential for all the bank's diverse businesses and centers of expertise to be able to work together effectively to ensure that the right resources, products and services are available everywhere to every customer.

The focus of the bank's leaders and every associate, then, is clear: Consistent, enthusiastic execution and teamwork produce customer satisfaction, which drives revenue growth.

Governance

Bank of America's goal in everything we do is reaching for higher standards — for our customers, our shareholders, our associates and our communities, upon which the future prosperity of our company rests. These Guidelines reflect the way we are striving for higher standards in corporate governance.

3.1
Structure and
Governance

Board of Director Responsibilities

For environmental matters, the Environmental Council is the most senior-level body within the organization with responsibility for environmental issues. The chair of the Environmental Council reports to the Chief Executive Officer on environmental matters.

3.6
Organizational
Structure on
Environment

The basic responsibility of the Board of Directors is to oversee the Company's businesses and affairs, exercising reasonable business judgment on behalf of the Company. In discharging that obligation, the Board relies on the honesty, integrity, business acumen and experience of the Company's management, as well as its outside advisors and the Company's independent registered public accounting firm.

All directors are expected to attend the Annual Meeting of Stockholders, board meetings and meetings of the committees on which they serve. Further, they are expected to prepare for each meeting in advance and to dedicate sufficient time at each meeting as necessary to properly discharge their responsibilities to the Company and its shareholders. Informational materials useful in preparing for meetings will be distributed to the Board in advance of each meeting.

The non-management directors will meet in executive session at each regularly scheduled Board meeting. The independent directors will meet in an executive session at least annually if there are non-management directors who are not independent. A Lead Director, who will be an independent director, will be elected by the independent directors annually. The Lead Director will chair the executive sessions of the non-management and independent directors and will approve the agendas for the meetings of the Board of Directors.

Board Structure

Number of Directors. The Bylaws provide that the Company must have not less than five nor more than 30 directors. The Corporate Governance Committee will periodically review the appropriate size of the Board, with the objective of maintaining the necessary experience, expertise and independence without becoming too large to function efficiently.

Chairman of the Board. The positions of the Chairman of the Board and the Chief Executive Officer may be filled by the same individual or by different individuals.

Board Committees. The board will have at all times Audit, Compensation and Corporate Governance Committees. The members of these committees will be "independent" as that term is defined from time to time by the listing standards of the New York Stock Exchange. Each committee has a charter that is posted on the Company's Web site. The board may establish additional committees as necessary or appropriate.

For more detailed information, visit our Web site at:

<http://phx.corporate-ir.net/phoenix.zhtml?c=71595&p=irol-govguidelines>

Compliance

Bank of America will conduct its business in conformity with the highest ethical standards in the countries in which it does business, and will adhere to all laws and regulations pertaining to financial institutions.

“Our management processes, structures and policies help ensure compliance with laws and regulations and provide clear lines of sight for decision-making and accountability. These disciplines represent one side of governance. The other side, corporate culture, is even more important. It is corporate culture — championed by leadership and sustained by every associate within the company — that determines corporate ethics.”

Kenneth D. Lewis
Chairman, Chief Executive Officer and President

3.7
Codes of Conduct

For more information on Compliance and Risk Management, visit our 2005 Financial Report:
www.bankofamerica.com/annualreport/2005

For more information on Anti-Money Laundering and Anti-Terrorism Financing Policy:
<http://phx.corporate-ir.net/phoenix.zhtml?c=71595&p=irol-antimoneylaundering>

Ethics

Bank of America Corporation Code of Ethics

“The Bank of America Code of Ethics and General Policy on Insider Trading for all Bank of America associates and directors puts into writing the highest standards of ethical conduct to which we all must hold ourselves, and one another, accountable.

Trust is the foundation on which we build strong relationships with our customers, our shareholders, our communities and one another, and it is trust that enables us to achieve our goals. The responsibility for creating and sustaining trust in Bank of America rests squarely on each of us and the personal integrity we bring to our work.”

Kenneth D. Lewis
Chairman, Chief Executive Officer and President

General Statement from the Code of Ethics

Bank of America Corporation is committed to the highest standards of ethical and professional conduct, and this Code of Ethics provides associates guidance in how to uphold these standards. In addition, the General Policy on Insider Trading sets forth the policies of the Corporation with respect to personal securities transactions. Additional direction is provided in the job-related manuals, policies and procedures of certain areas because of the areas' particular activities, operating risks or individual responsibilities, and in other publications that address associate conduct, such as the Associate Handbook and the policies included therein. The Code of Ethics, the General Policy on Insider Trading, the Associate Handbook, any work-related manuals, policies or procedures applicable to associates, and any other publications that address associate conduct are collectively referred to as the "Documents."

This Code consists of basic standards of business practice as well as professional and personal conduct. Such standards require honesty and candor in our activities, including the observance of the spirit and the letter of the law. As set forth in the documents, these standards have both personal and corporate implications.

For more detailed information, visit:

<http://phx.corporate-ir.net/phoenix.zhtml?c=71595&p=irol-govconduct>

Risk Management

All our activities involve the analysis, evaluation, acceptance and management of some degree of risk and our risk management policies are designed to set and monitor appropriate risk limits and controls. Our enterprise-wide approach to risk management begins with risk partnerships between business risk managers and the bank's major business lines. We then employ a group of functional risk executives and move to Central Risk Analysis and Review. The Environmental Services Department assists various business lines throughout the bank and worldwide in analyzing environmental risk.

Increasingly sophisticated analytics and the introduction of Six Sigma methodologies provide a double shot of ensuring better risk predictions for the future. Our end-to-end management of risk is front and center in a comprehensive plan whose bottom line is adding shareholder value.

Regulatory Environment

The interests of Bank of America shareholders are protected by both external regulation and internal compliance. Bank operations are regulated and supervised by federal banking regulators whose various requirements and controls ensure, among many things, that the Bank has sufficient capital and that the interests of its depositors are protected.

Training

Formal credit policy training is currently conducted for new hires and subsequently on an as-needed basis. The bank realizes that environmental issues in general, credit and non-credit related, deserve special attention. During 2005 we conducted expanded environmental credit risk training. Our goal is to implement a training program that is available to all associates involved in credit decision-making across the organization.



Social Performance

In response to stakeholders and to augment our reporting according to the Global Reporting Initiative (GRI), our 2005 report includes additional information relative to certain social indicators including diversity and our political contributions. Further information relative to our community impacts and corporate social responsibility can be obtained at this link:

<http://www.bankofamerica.com/community/>

Diversity

At Bank of America, we respect and value not only differences related to race, gender, gender identity, ethnicity, disability and sexual orientation, but also diversity of viewpoint, experience, talents and ideas. We strive to empower all associates to excel on the job and reach their full potential, and reward and recognize associates based on performance and results.

In addition to being the right thing to do, encouraging a diverse, inclusive workplace gives us the business advantage of understanding and meeting the needs of our diverse customers, clients and shareholders. Our diversity also provides fresh ideas and perspectives, which promote ingenuity.

Bank of America is proud to be a leader in supporting diversity and has been widely recognized for its progressive workplace practices and initiatives to promote inclusion.

Learn more about diversity at Bank of America by visiting this link:

<http://www.bankofamerica.com/careers/index.cfm?template=diversity>

Political Contributions

Political Action Committee (PAC)

Our commitment to higher standards for ourselves and our industry requires Bank of America to participate in shaping the political and regulatory environment in which we do business. By contributing to the annual Bank of America PAC Campaign, associates speak up for the interests of our customers and work together to strengthen the financial services industry.

Bank of America maintains a PAC Program to allow the company and its associates to be fully engaged in the political and legislative process. Although, under federal law, Bank of America is allowed to pay the costs of administering the PAC Program, it is prohibited from directly contributing to the PACs. So, associates support those efforts through their voluntary personal contributions.

The nonpartisan Bank of America PACs allow eligible associates to combine their contributions for maximum impact in backing candidates who share the company's views on key issues. Government Relations professionals and other appropriate Bank of America associates designate to whom political contributions are made.

For more information regarding the Bank of America Political Action Committee see Appendix A.

LA 10
LA 11
Diversity and
Opportunity

SO 3
SO 5
Political Contributions

Environmental Commitments

Forests

Bank of America promotes sustainable practices for both the bank and its clients by managing the environmental, social and reputation impact of our financing activities. Forests are important resources for communities and globally. Forests provide a wide range of goods and benefits, such as timber, wildlife habitat, food and medicine, water and air quality, and spiritual and aesthetic solace. Forest dependent communities, including indigenous forest dwellers, rely on the continued vitality of the forests for their livelihoods and in some cases, their cultural survival. Forests are also an important element of the global carbon cycle. The importance of sustaining the ecological health of forests is a key factor in sustaining the cultures, local communities and economies relying on this resource.



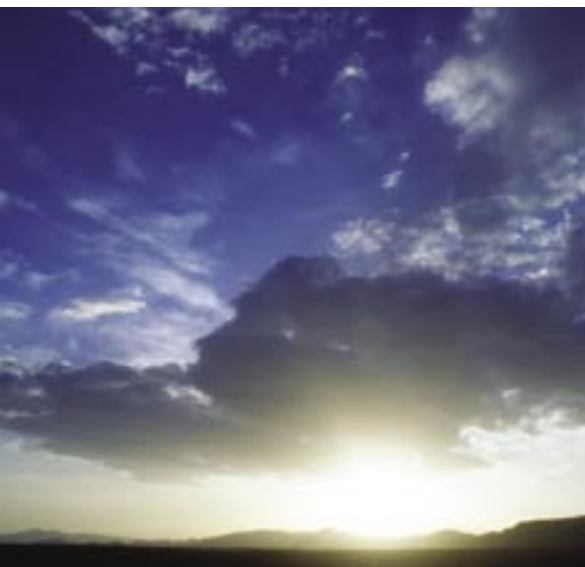
During 2004, the bank implemented a forests policy within our Global Corporate Investment Bank and in 2005 achieved our goal of implementing a forests policy within our middle market lending group.

A complete copy of the forests policy is included in Appendix B.

Climate Change

At Bank of America, our environmental policies are shaped by our conviction that the health of our company is dependent on the health of communities and our society. Understanding that every part of our business has a potential impact on our environment, we commit to integrating environmental policy into our company's operations at every level.

Scientists have concluded that human activities, primarily from the burning of fossil fuels, have an effect on earth's climate due to the resultant "greenhouse effect" from the emissions of carbon dioxide, methane and nitrous oxide. If not checked, climate change and atmospheric pollution could alter the natural, social, and economic systems that support a growing global economy and sustain the quality of life for all of us on earth.



As a corporation, Bank of America has a responsibility to address climate change and the service sector has a role in promoting and implementing reductions of greenhouse gas emissions that extends beyond its own operations, including relationships with customers and suppliers.

The bank specifically allocates responsibility related to climate change issues to the bank's Global Commercial Banking Risk Executive who sits within Risk Management. Although the bank does not specifically allocate responsibility to a person on the board or to any of its independent directors, the Risk Management executive reports to the bank's environmental council on climate change related issues.

EN 14
Products and ServicesEN 14
Products and Services



The bank set a target goal to reduce GHG emissions seven percent in its energy and utility customers' operations. The goal is to achieve this reduction by 2008 from a 2004 benchmark. We are on track for meeting that goal and are doing so in two ways:

- First, we are changing the mix of the portfolio and have added customers using renewable energy sources.
- Second, we have applied business practices to good environmental behavior and are routinely asking our energy and utility partners about their emissions. They complete a GHG emissions questionnaire when they seek financing for their operations.

The company has set aggressive, voluntary goals to reduce greenhouse gas emissions across the company nine percent by 2009 through the reduction of its energy consumption. Our target goal is to reduce GHG emissions nine percent from operations by 2009 from a 2004 benchmark. On track for this target, the company reduced electric consumption by four percent last year through energy conservation steps such as the use of technology to monitor and control energy consumption in many bank buildings across the franchise.

Bank of America became the first financial services company to partner with the EPA Climate Leaders program which provides specific guidance on how to inventory GHG emissions. With the assistance of Climate Leaders, the company developed a GHG Inventory Management Plan that documents procedures used to quantify our emissions.

Bank of America methodologies and boundaries are consistent with the Climate Leader Design Principles. The Climate Leader GHG Inventory Protocol is based on an existing corporate GHG inventory protocol developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Please refer to the EPA Climate Leaders Web site for more details about the Climate Leaders Program:
<http://www.epa.gov/stateply/partners/partners/bankofamericacorporation.html>

Bank of America's 2004 CO₂ equivalent emissions baseline is 1,320,000 Metric Tons of CO₂. The baseline and Inventory Management Program was developed in agreement with EPA Climate Leader Design Principles. The inventory includes CO₂, CH₄, N₂O emissions from electricity and fuel consumption and HFC emissions from refrigerant and fire suppressant use. Bank of America has no known emissions of PFCs or SF₆. Bank of America defines its organizational boundaries using the Operational Control Approach under the EPA program. All facilities over which the bank has operational control are included in the GHG inventory. This includes all owned and operated assets and a portion of leased assets. In accordance with the Climate Leaders Design Principles, operational control for leases is defined as the ability to track energy use and/or emissions from the lease. Bank of America is currently making adjustments to the baseline to reflect the acquisition of the MBNA portfolio. This will again be performed in accordance with the Climate Leaders Design Principles.

A complete copy of our climate change commitment is available at this link:
http://www.bankofamerica.com/environment/index.cfm?template=env_clichangepos

Internal Organization around the Environment

Bank of America's environmental programs date from the late 1980s and have included environmental risk management and corporate environmental responsibility aspects. Additionally, the bank has had a robust series of actions related to minimizing impacts relative to our operations since nearly the time that individuals began organizing around the first Earth Day event.

Today, even our most basic environmental commitments and policies touch each of our associates. Beyond these policies, Bank of America has established a framework to advance and maintain our environmental commitments. Although there are several internal support groups that have dedicated staff working on environmental initiatives; since environmental issues overlap with all of our various business lines and support units, the bank has disseminated tasks relative to our environmental commitment to those with the most relevant overlap with the particular issue.

To form a core structure around our environmental commitment, the bank has established an Environmental Council staffed by more than 20 associates that include executives and subject area experts that meet throughout the year to collaborate on new issues and to be sure that the bank is on-track for existing commitments. The council is responsible for leadership, oversight and review of the bank's environmental commitments. The chairperson for the council reports to the CEO on environmental matters. The bank's public policy group provides staffing to facilitate environmental council meetings and actions. It is worthy to note that there are also numerous internal groups within the organization that have staff dedicated to specific components of the bank's environmental activities, including Corporate Workplace that manage our facilities, Risk Management staff that consider environmental credit and related risk issues, those dedicated to environmental components of our supply chain and others.

Below the level of the Environmental Council, there are cross-functional teams that have been developed to address certain cross-cutting environmental issues. Some examples of these groups include the following:

Environmental Team — This team is an internal group established by Supply Chain Management (strategic sourcing and corporate services) that leverages environmental aspects of functional areas of the bank such as procurement and corporate services. The group includes cross-functional representation from Corporate Workplace (corporate real estate) and Public Policy.

The environmental team achieved its 2005 goals by:

- Implementing a global paper procurement policy.
- Establishing a baseline framework to analyze the bank's total consumption and disposal of goods and services that impact the environment.
- And assisting Charlotte and North Carolina groups in sponsoring a conference on hydrogen rail transport.

For 2006, the team set a goal to expand the baseline framework by conducting an in-depth analysis aimed at identifying the bank's footprint relative to total consumption and disposal of goods and services.





Energy Team — This team is led by Corporate Workplace and was established to reduce energy consumption, promote energy efficiency, implement the bank's greenhouse gas emissions reduction (for our own operations), and to explore alternative energy potential. Its vision is to establish Bank of America as the most energy efficient financial institution in the world while purchasing energy commodities at the most competitive rates. By partnering with EPA's Climate Leaders, the Energy Team achieved its goal for 2005 by announcing a target for an absolute reduction in energy usage by 9% by 2009 based on 2004 baseline data. During 2005, energy was reduced by 4% across all facilities.

Team Bank of America — This is a volunteer network of associates. The environmental projects that are completed through this group are centered around community involvement, volunteerism and promoting environmental issues at home and at work.

Stakeholders

There are several stakeholders that the bank communicates with relative to social and environmental issues. Our local market presidents and their staff develop many of these relationships and dialogue directly with customers, associates and groups in the local communities that the bank serves. Beyond this network, several individuals within the bank have expanded relationships with investors, and non-governmental organizations. Public Policy, Investor Relations, and others dialogue directly with several external stakeholder groups on various issues. There are several formal partnerships that the bank has developed to help maintain strong communication with our stakeholders, these are summarized below:

Formal Alliances/Partnerships with External Organizations

UNEP FI (United Nations Environment Program Finance Initiative) — Bank of America is a signatory to UNEP FI, an organization comprised of banks worldwide that have signed onto a set of abiding principles related to environmentally sound business practices and operations. Bank of America has been a signatory since 2001, and has played a leadership role in the organization. The bank has also partnered with UNEP FI and the Commission for Environmental Cooperation in commissioning a study from Columbia University that looks at environmental risks within lending portfolios. With a target publication date in 2006, Bank of America will contribute appropriate aggregate financial data that will be used by those compiling the report to analyze impact of climate change on bank loans and leases.

Ceres (Coalition for Environmentally Responsible Economies) — Coalition of non-governmental organizations and businesses whose members have signed onto a set of abiding principles related to environmentally sound business practices. Bank of America endorses the Ceres principles as exemplary standards for corporate environmental responsibility. By endorsing the Ceres principles, Bank of America has publicly committed to continuous improvement in, and public accountability for, its environmental performance. A financial services sector stakeholder team organized by Ceres commented and provided feedback on an early draft of this report.

Equator Principles — Bank of America has adopted the Equator Principles (EPs), a set of voluntary best practices for project finance, based on the International Finance Corporation (IFC) safeguard policies.

During 2005, the bank was not engaged in any new project finance transactions. BAC supports the EPs as an industry best standard and will follow the EPs as a standard for any new project finance transactions that fall within the defined applicability limits of EPs.

3.9
Stakeholder
Engagement



3.14 - 3.15
Endorsed Initiatives,
Principles and
Industry/Business
Advocacy

EPA Climate Leaders — The bank is a member institution of this EPA-sponsored group. The group of companies that belong to Climate Leaders publicly commit to reducing greenhouse gas emissions, set targets of reduction and report on progress publicly.

EPA Energy Star — Energy Star is a government-backed program helping businesses and individuals protect the environment through superior energy efficiency. The bank is a partner in this EPA-sponsored program. This partnership offers an energy management strategy that helps in measuring energy performance, setting goals, tracking savings, and rewarding improvements.

Metafore — The bank is a member of Metafore’s Paper Working group which is a collaboration of approximately a dozen leading companies whose mission is to make environmentally preferable paper products more widely available and affordable.

The Nature Conservancy International Leadership Council (ILC) — Bank of America is a member of the International Leadership Council of the Nature Conservancy. The ILC of is one of the world’s leading corporate forums focusing on the challenges confronting biodiversity preservation, habitat conservation and natural resource management. The ILC brings together companies from many industries to seek solutions to conservation challenges through cooperative partnerships between the business community and The Nature Conservancy.

Environmental Bankers Association — The bank is a member of this trade association formed to assist the financial services industry in environmental credit risk management. The EBA seeks to enhance the visibility and awareness of environmental risk management as a tool to lenders when involved in a transaction with complex environmental issues. The bank has held leadership positions within the EBA.

Other Stakeholders

Bank of America partners with and supports various environmentally focused nongovernmental organizations (NGOs) to guide our environmental efforts. These additional partnerships and supported organizations include The Alliance to Save Energy, Conservation International, Trust for Public Land, US Green Building Council and World Resources Institute, among others.



Managing Impacts: Products and Services

Lending Policies & Procedures

The bank's first environmental credit policies were put into place in 1988 in response to foreclosures on contaminated real estate. In 1993 Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) issued guidance letters reaffirming the need for all banks to have an environmental policy and someone responsible for managing and implementing environmental risk management. These guidance documents are still in effect today.

Besides line of business staff and expertise, the bank's environmental credit policies are supported by the Environmental Services Department, a dedicated team in Risk Management that considers these and other environmental



risks. Environmental Services Department provides support on policies that include those in effect for commercial credits, small business banking, special assets (pre-foreclosure) and foreclosure. These policies primarily affect credits where real estate is taken as collateral, but also includes environmentally sensitive industries where real estate is not taken as collateral (as defined by policy).

Global Corporate Investment Banking (GCIB) environmental credit policies apply to businesses that operate in environmentally sensitive industries, as defined by the policy. GCIB's environmental policies are broader in scope with respect to potential liabilities. An example of this is the asbestos policy that evaluates a company's potential liabilities due to past practices involving asbestos-containing materials. GCIB's environmental policies also include the most recent policy addition, applied to companies whose primary business is in forestry as well as to those businesses affecting forests as a result of their operations such as the extractive industry (oil, gas, mining).

In 2005, a Forests Policy following the components of the GCIB policy was implemented in the middle market business line.

Equator Principles

Bank of America has endorsed the Equator Principles on project finance and continues to support these principles as an industry best standard for project finance. During the reporting period, the bank's business model did not reflect the types of transactions subject to the Equator Principles and therefore there were no projects to report relative to the principles.

More information, including a copy of environmental policies, is included in Appendix B.

F1
Environmental
Policies and
Processes

Policy Implementation

Training

An important step in integrating our environmental principles is to ensure our staff understands our obligations. The bank currently has a dedicated internal Web site that is maintained by the Environmental Services Department to cover many issues relative to training. The Web site brings together bank-wide policies, environmental due diligence requirements and environmental fact sheets that outline various environmental issues and how they can impact the credit, the customer's operations and the environment. In addition to the Web site, the Environmental Services Department and certain line of business staff conduct in-person training to associates on an as-needed basis.

Formal credit policy training is currently conducted for new hires and subsequently on an as-needed basis. The bank realizes that environmental issues in general, credit and non-credit related, deserve special attention. The Bank has decided to continue to use the Web site training tool for associates. Additional training has been conducted for risk officers for specific at-risk areas, especially Latin America.

Relative to facilities, our property management companies are required to complete OSHA training as required for all the appropriate personnel who manage our facilities.

In 2005, all appropriate personnel were trained with respect to EPA's Energy Star program.

Audits

Environmental monitoring of our credits subject to our environmental policies occurs at key milestones during the life of a loan; prior to extending funds, at renewal, and when any major change is made to the loan covenants.

The environmental policies are modified on an as-needed basis as required by law, change in business, due diligence standards, or risk tolerance levels.

Communication with customers/clients:

Bank of America relies on the experts within our business lines to engage in frequent dialogue with our customers. This is done as part of normal business operations.

F5
TrainingF4, F6
Audit

Other Products & Services

Green Communities™

Bank of America has provided significant thought leadership on a number of community development issues, including gentrification, Smart Growth and “green” development. The bank is a partner in Green Communities, a five-year initiative to build more than 8,500 environmentally friendly affordable homes across the country. During 2005, the bank has financed the construction of “green” multifamily buildings in California and Washington.



Led by The Enterprise Foundation, The Enterprise Social Investment Corporation and the Natural Resources Defense Council, the Green Communities partners include a blue-chip roster of corporate, financial and philanthropic organizations. All partners are aiming for nothing less than a transformation in the way communities think about, design and build affordable houses.

Asset Management (assets owned)

The bank does not specifically screen for environmental issues for accounts. However, environmental issues may be evaluated as just one additional aspect of the bank’s overall evaluation of a company for investment purposes.

Brownfield Lending

The Bank’s Environmental Services Department tracks the number of sites that it assists the bank in evaluating and ensuring that business can be conducted while managing risk.

Bank of America is a leader in supporting the redevelopment of Brownfield properties. Due to the real or perceived additional credit risk posed by the presence of toxic or hazardous materials or wastes on a property that could affect value or the use of the property, safe and sound lending practices encourage lenders to shy away from Brownfield lending. Bank of America’s Environmental Services Department has a seventeen-year history of assessing environmental conditions of real estate, including Brownfield and evaluating the financial and credit risks of taking such properties as collateral. This experience allows Bank of America to differentiate between real and perceived risks, as well as more definitively quantify and underwrite environmental risks. The net result is that our environmental risk management expertise has been an advantage that has created opportunities by enabling our participation in the financing of redevelopment of, as well as the ongoing business activities at, environmentally impacted properties. In 2005, the Environmental Services Department assisted lending units with evaluation of over 150 such properties representing an aggregate loan amount of over \$3.4 billion where significant environmental issues were initially evident but ultimately resolved by ensuring cleanup was or will be completed and property use or reuse enhanced as a result of Bank of America’s participation.

Bank of America also participated directly in the redevelopment of Brownfield properties through the Community Development Banking equity participation transactions.

F5
Environmental
Opportunities

F9
Environmental
Screening

Managing Impacts: Operations

1.0 Materials

Forms

Bank of America associates in all our operations worldwide digitally receive forms and marketing materials on their desktops. In 2005, the bank's digital library hosted 20,000 (15,500 in 2004) digital copies of forms, manuals and marketing materials. This digital library gives our associates access to the most up-to-date versions and many of the forms can be completed and delivered on-line. Associates access 300,000 forms every month.

EN 1
Materials

Delivery of Office Supplies

The bank has adopted a nationwide one-day-a-week delivery schedule of its office supplies, and has created a standard list of products for associates to choose from. Across the franchise, routine items like pens and paper are ordered from a consolidated list of products from an on-line ordering tool known as e-request. Through consolidating the number of times that we have supplies delivered to our offices saves the bank over \$1 million dollars annually, plus it creates environmental efficiencies and saves in fuel costs, uses less packaging and creates less pollution.

Records Management

Bank of America Records Management stores nearly 4MM cartons and boxes of content that reside in our Records Management provider's warehouses across the country. Once the cartons fulfill the retention requirements, the content of the carton is destroyed and recycled. Our Records Management provider works in conjunction with paper mills to utilize the recycled content as pulp for recycled papers. In 2005, the bank destroyed over 1MM (compared to 730,000 in 2004) cartons that resulted in over 10,000 tons (compared to 8,000 tons in 2004) of recycled content. Beyond documents and records, 27 tons of cardboard were recycled during 2005.

Printers

In 2003, Bank of America adopted what we call a PrintSmart strategy. This strategy integrates copier, fax and desktop printers and their related consumables. Significant environmental benefits are achieved through the reduction in paper, print devices, energy use and consumables like toner and drums. This initiative will be completely phased in by 2006. Estimates to date are that the bank will save \$15 million over three years, and savings in toner reduction in 2004 alone was equal to \$3 million.



Toner

The bank currently utilizes an internal exchange program that recycles spent toner cartridges as new cartridges are ordered. The current toner recycling rate is roughly estimated at a 35-45% return rate. The goal for 2006 and 2007 is to increase the return rate of all toner and ink cartridges purchased by Bank of America.





2.0 Energy

Bank of America has voluntarily declared that it will reduce its U.S. greenhouse gas emissions by 9% from 2004 to 2009 via participation in the U.S. EPA's Climate Leaders program.

Bank of America established a centralized energy investment pool in 2002 to invest in energy efficient technologies that will lower energy consumption. As of 2004, the bank invested more than \$15MM in efficiency projects through 2004 and more than \$27MM through 2005. In 2005, Bank of America's National Energy Team achieved a 4.31% portfolio-wide electrical energy consumption reduction; 0.31% ahead of the bank's goal of 4%. This was achieved through the implementation of energy efficiency projects, enhanced building operations and by increasing associate education and awareness.

In 2005, Bank of America developed an energy conservation bulletin series in order to communicate Bank of America's energy requirements to all appropriate corporate workplace associates and facility partners. Bank of America's intent is to make energy savings part of our management culture throughout the entire portfolio. Educating our entire organization in the value of energy efficiency will allow Bank of America stakeholders to become involved and contribute to the long success of our corporate energy program.

As noted in the Climate Change section of this report, Bank of America is a member of the Climate Leaders program and has set specific targets and goals with climate leaders relative to reducing its greenhouse gas emissions footprint. See page 11 of the report for more information.

Enfo Trac

The EnfoTrak system is a critical process tool used by Bank of America to achieve environmental and energy related reduction goals. By consolidating energy related consumption data for all Bank of America properties, strategies and action plans are developed that result in the most effective means to reduce energy consumption and associated expense. In addition, all energy invoices are centrally accessible to all Corporate Workplace associates that are responsible for facility expenses. The bank was able to meet its 4% energy conservation reduction target for 2005. And during 2005, proposal bids for the purchase of energy were sent out with requests for renewable energy alternatives.



3.0 Other Impacts From Operations

Water

We do not currently monitor our water use. As a financial institution that only consumes water in the operation of our buildings and surrounding landscape, we have focused our efforts on other areas to date.

EN 5
Water

Biodiversity

Not applicable with respect to direct operations.

EN 6-7
Biodiversity

Emissions, Effluent and Waste

We do not currently monitor direct emissions of effluent and waste. As a financial institution that only consumes water in the operation of our buildings and surrounding landscape, we have focused our efforts on other areas to date, however, our goal is to start collecting this data by June 1, 2005.

Carpet

In 2005, as in 2004, Bank of America has partnered with our carpet suppliers to recycle both new and old carpet. In 2005, the bank also modified its carpet standard that includes the use of more durable and longer-lasting type fibers. The bank's goal is to develop a new carpet standard that incorporates sustainability principles and assists in achieving an overall LEED certification of four (4) pilot retail stores in 2007.



By reclaiming/recycling the total 107,363 square yards (or 908,866 pounds) in 2005 (compared to 27,239 square yards in 2004) of old carpet, the following savings have also been recognized:

	2004	2005
Cubic Yards of Landfill Avoided	605	952
Average Equivalent BTUs Saved	4,013,121,870	5,236,824,960

Lighting

In 2005, the bank also collected data for a portfolio-wide lighting recycling program:

Total lamps recycled 204 tons

Total ballasts recycled 192 tons

Discharges

Significant discharges to water by type.

We do not collect this data centrally. The data are collected as required by law by our property management companies.

Significant spills of chemicals, oil and fuels.

In 2004, we did not maintain this data nationally, only at a local and regional level. The data were collected by our property management companies as required by law.

Suppliers

Bank of America recognizes the importance of managing environmental issues in the supply chain. We have identified areas of our supply chain where environmental impacts are greatest, and we concentrate our efforts on those areas. We work with suppliers to help them find ways to improve both their and our performance.

For more information on our relationship with suppliers, including multicultural supplier development, click here: <http://www.bankofamerica.com/suppliers>



2005 Report Goals Summary

Much of the information presented in this report details existing programs and initiatives. Looking ahead, we will expand on our existing programs as we continue to fulfill our commitment to promoting sustainability in our business and the communities we serve. The following table summarizes the many goals discussed in the 2005 Sustainability Report.

Indicator and page reference	Goal
GRI Reporting, pgs. 3, 4	Continue expanded reporting according to GRI standard including the financial services supplement
Scope of report, pg. 4	Expand reporting on all operations worldwide by 2008
Training, pgs. 8, 16	Expanded training in 2005, implement a training program available to associates involved with credit decisions
Forests policy, pg. 10	2005 goal complete on forest policy expansion
Climate change, pg. 10	Direct emissions reduction: 9% by 2009 from 2004 benchmark Indirect emissions from energy and utility portfolio; goal to realize a 7% reduction by 2008 from 2004 benchmark
Paper procurement, pg. 12 Consumption of goods, pg. 12	2005 goals achieved for paper procurement policy implementation; baseline analysis of goods consumption initiated
Consumption of goods, pg. 12	Expanded analysis of goods consumption baseline planned for 2006
Greenhouse gas emissions, pg. 13	Achieved 2005 goal relative to planned energy efficiency targets, additional efficiency enhancements planned for 2006
Public awareness, pg. 13	Provided assistance for independent report on climate change risks
Printing devices, pg. 18 (energy, paper)	Phase in PrintSmart Program by 2006; augment toner recycling program
Energy Efficiency, pg. 19	2005 goal achieved, additional efficiency enhancements planned for 2006
Energy Efficiency, pg. 20	Leadership in Energy and Environmental Design (LEED) certification of four retail stores by 2007 as part of a pilot program

For additional information related to Bank of America's sustainability programs, including environmental and corporate social responsibility, visit:

www.bankofamerica.com/environment and <http://www.bankofamerica.com/community/>

For questions related to this report and related matters, contact us via mail or online at:

Bank of America
Sustainability Reporting

CT2-102-13-01

777 Main Street

Hartford, CT 06115

sustainability@bankofamerica.com

Appendix A

Political Action Committee Report

Eligibility

Bank of America maintains a PAC Program to allow the company and its associates to be fully engaged in the political and legislative process. Although, under federal law, Bank of America is allowed to pay the costs of administering the PAC Program, it is prohibited from directly contributing to the PACs. So, associates are asked to support those efforts through their voluntary personal contributions.

The nonpartisan Bank of America PACs allow eligible associates to combine their contributions for maximum impact in backing candidates who share the company's views on key issues. Government Relations professionals and other appropriate Bank of America associates designate to whom political contributions are made.

PAC participation is not available to all Bank of America associates. Federal law limits membership to the executive and administrative personnel and shareholders of a corporation, its parent, subsidiary, branch, division or affiliate and the families of those personnel and shareholders. We solicit only the company's executive and administrative personnel who are paid on a salary (not hourly) basis. Overseas associates and foreign nationals are also excluded. Associates in broker/dealer subsidiaries may only contribute to PACs that solely participate in federal campaigns, like the Bank of America Corporation Federal-only PAC.

PAC Compliance and Risk Management Enhanced

In keeping with our commitment to higher standards, we continue to examine our government relations programs to ensure that they are effective, consistent and fulfill our obligation to associates, shareholders and customers to represent the issues that affect the delivery of products and services — as well as our promise to contributors to spend voluntary contributions with integrity.

For years, the Bank of America PAC Program has been governed by PAC bylaws, policies and procedures, and monitored through the Government Relations Risk Management program. In 2005, the risk management program was further enhanced to include the Public Policy Compliance Program. This program helps to ensure that the PAC and other government relations activities meet the required standards of the company's overall Compliance Program.

Legislative Issues and Government Relations Contacts

Internal tools provide associates with information on relevant financial services legislation and a means for contacting Federal and State Government Relations Managers with questions and suggestions.

2005 Results and Financial Report

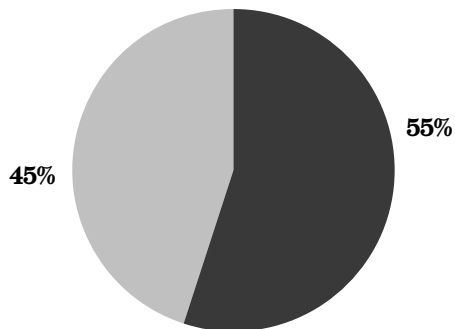
The 2005 PAC fundraising effort was a success, with eligible associates pledging \$1,902,553, which was 1.2% over our goal of \$1.88 million. However, actual contributions received at year-end totaled \$1,796,356.

In 2005, the average contribution increased from \$160 in 2004 to \$168. Nationally, PAC participation was 17%, with 12,855 of the 74,796 eligible associates making contributions. This was down slightly from our 18% the previous year. But, more importantly, we added 1,725 new contributors to the PAC Program with combined annualized contributions of \$278,421.

Overall, the 2005 PAC Program raised \$1,796,356 from 12,855 associates. Following is a breakdown of the financial results for the 2005 campaign:

2005 PAC Revenue Allocation

- Total amount for state/local purposes:
\$982,790 (55%)
- Total amount for federal purposes:
\$813,566 (45%)
 - General PAC: \$489,493
 - Federal-only PAC: \$324,073

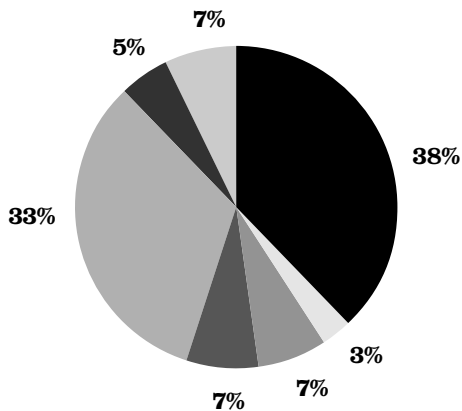


2005 PAC Disbursement Report

Following is a breakdown of the \$1,316,009 disbursed from the Bank of America State and Federal PAC Program, and the additional \$143,750 disbursed to federal candidates and committees from the Federal-only PAC. The Bank of America PAC Program disbursed a combined total of \$1,459,759 in 2005.

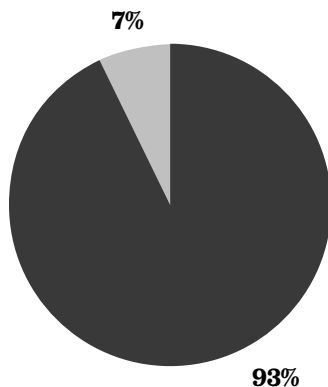
2005 State and Federal PAC Disbursement Allocation

- 38% to candidates at state level (\$500,278)
- 3% to candidates at local level (\$40,206)
- 7% to state and local party committees (\$99,325)
- 7% to other state and local political organizations (\$86,950)
- 33% to federal candidates (\$432,250)
- 5% to federal party committees (\$60,000)
- 7% to other federal political organizations (\$97,000)



2005 Federal-only PAC Disbursement Allocation

- 93% to federal candidates (\$133,750)
- 7% to other federal political organizations (\$10,000) (e.g., Bond Market Association PAC and Securities Industries Association PAC)



State Legislation

While issues at the national level generally receive more public attention than those at the state level, actions by state governments can and do affect the company as well. State legislators must deal with large numbers of bills, often on very short deadlines. As the table on this page shows, legislators in the Bank of America 29 key states and the District of Columbia consider thousands of pieces of legislation, often within just a few weeks or months of one another.

In Arkansas, Nevada, Oregon and Texas, the legislatures hold regular sessions every other year. Unlike members of the U.S. Congress, most state legislators hold regular full-time jobs in addition to their public service roles and have both limited time and professional staff to develop subject expertise. It is important for the company to help elect representatives who understand the full significance of the issues on which they legislate.

State Rankings

State	Bank of America deposits (in billions) FDIC 6/30/05	Bank share of deposits in state FDIC 6/30/05	Projected 2006 legislative sessions	Number of bills introduced in 2005 session
California	\$156.4	20.76%	1/4/2006 - 8/31/2006	3,239
Florida	\$70.7	20.64%	3/7/2006 - 5/5/2006	2,566
Texas	\$40.6	11.39%	No regular 2006 session	10,740
New Jersey	\$39.5	17.78%	1/10/2006 - 1/8/2007	8,265
Massachusetts	\$35.7	20.75%	1/4/2006 - 1/2/2007	6,931
North Carolina	\$30.4	16.49%	5/9/2006 - 7/26/2006	3,004
New York	\$29.8	4.29%	1/4/2006 - 1/3/2007	15,122
Washington	\$20.1	21.98%	1/9/2006 - 3/17/2006	2,731
Maryland	\$17.5	19.62%	1/11/2006 - 4/10/2006	2,713
Connecticut	\$16.8	21.79%	2/8/2006 - 5/3/2006	3,713
Georgia	\$16.6	11.10%	1/9/2006 - 4/7/2006	3,447
Virginia	\$15.7	10.12%	1/11/2006 - 3/11/2006	5,983
Arizona	\$15.3	20.98%	1/9/2006 - 4/22/2006	1,478
Missouri	\$10.4	11.20%	1/4/2006 - 5/26/2006	1,664
Nevada	\$10.0	20.77%	No regular 2006 session	1,264
South Carolina	\$7.2	13.44%	1/10/2006 - 6/1/2006	2,252
Tennessee	\$6.2	6.48%	1/10/2006 - 5/26/2006	6,313
Illinois	\$4.8	1.59%	1/11/2006 - 4/7/2007	7,984
Oregon	\$4.7	11.12%	No regular 2006 session	3,147
Pennsylvania	\$4.6	2.03%	1/3/2006 - 11/30/2006	4,185
Rhode Island	\$4.2	19.05%	1/3/2006 - 6/26/2006	2,939
New Mexico	\$3.3	16.83%	1/17/2006 - 2/16/2006	2,745
District of Columbia	\$3.2	13.93%	1/3/2006 - 1/3/2007	1,243
Kansas	\$3.2	6.64%	1/9/2006 - 5/26/2006	1,055
Oklahoma	\$2.5	5.15%	2/6/2006 - 5/26/2006	2,364
Arkansas	\$2.3	5.55%	No regular 2006 session	3,351
New Hampshire	\$2.1	6.97%	1/4/2006 - 6/30/2006	970
Maine	\$1.5	8.43%	1/4/2006 - 4/19/2006	1,727
Idaho	\$0.8	5.36%	1/9/2006 - 3/17/2006	746
Iowa	\$0.8	1.68%	1/9/2006 - 4/19/2006	2,106

Appendix B

Environmental Credit Policies

I. Commercial and Small Business Environmental Policy

Risk can be increased by environmental conditions because borrowers can become subject to liabilities arising from regulatory actions, litigation and property contamination. Thus, the bank is concerned with the possibility of a customer experiencing unforeseen financial distress and also with the possibility of being unable to foreclose on collateral that is contaminated. Appropriate levels of Environmental Due Diligence (EDD) mitigate these risks. Appropriate due diligence for an extension of credit must include a review of a client's environmental policies, procedures and/or practices, an inquiry into the environmental status of a client's properties and an assessment of a client's environmental liabilities.

The level of EDD required in a transaction is based on the use of the property (past or present), the loan amount and the presence of existing due diligence. The due diligence conducted ranges from a simple environmental questionnaire on the lower risk and lower loan amounts to an ASTM Phase I and/or Phase II, asbestos survey, lead-based paint survey, depending on the usage and dollar amount of the loan.

II. GCIB Environmental Policies

Bank of America is committed to playing a leadership role in helping to make economic development and environmental protection compatible, and considers environmental sensitivity an important component of its credit, investment, underwriting and payments decision-making. Because GCIB's business is broader in scope, the environmental credit policies are written to reflect that scope. General guidance and credit considerations are written in policy. In addition, when lending in developing countries, the bank has more specific guidance that includes social considerations as well as environmental considerations.

General Guidance

The bank will make special efforts to find ways to finance projects and companies that benefit the environment, and refrain from financing projects and companies if their environmental practices fall short of acceptable standards. The bank considers environmental practices acceptable if they:

- Meet industry standards,
- Conform to World Bank guidelines and
- Comply with applicable law.

This consideration is in addition to measures the bank should take to ensure:

- A client's creditworthiness is not impaired by liability for costly environmental cleanups,
- The bank does not incur liability for environmental matters and
- Doing business with a particular project or client does not negatively impact the bank's image and global brand.

General Credit Considerations

Prudent due diligence, underwriting, documentation and servicing of credit extensions include an inquiry into, an understanding of, and an appropriate response to environmental issues which may affect the properties and business operations of a particular client or that otherwise arise in a particular transaction.

Appropriate due diligence for an extension of credit includes a review of a client's environmental policies and procedures, an inquiry into the environmental status of a client's properties and an assessment of a client's environmental liabilities. The appropriate level of environmental due diligence may be determined in consultation with the bank's Environmental Services Department and, when appropriate, legal counsel.

A. Forests Practices

Bank of America promotes sustainable practices for both the bank and its clients by managing the environmental, social and reputation impact of our financing activities. Forests are important resources for communities and globally. Forests provide a wide range of goods and benefits, such as timber, wildlife habitat, food and medicine, water and air quality, and spiritual and aesthetic solace. Forest-dependent communities, including indigenous forest dwellers, rely on the continued vitality of the forests for their livelihoods and, in some cases, their cultural survival. Forests are also an important element of the global carbon cycle. The importance of sustaining the ecological health of forests is a key factor in sustaining the cultures, local communities¹ and economies relying on this resource.

Bank of America will apply the following policies to all extensions of credit. In addition, this policy will apply to bond underwriting where proceeds are project specific. The following policy applies to new business as of May 15, 2004 and for existing contracts at the time of renewal:

- A.** Bank of America will use due diligence measures to assure that lending proceeds are not used to finance commercial projects or operations that result in resource extraction² from, or the clearing of:
 - I.** Primary tropical moist forests³;
 - II.** Additionally, lending proceeds will not go to logging operations in intact forests as defined by World Resource Institute (WRI) mapping as it is developed. Bank of America will assist in funding the development of WRI mapping;
 - III.** Primary forests⁴ in temperate or boreal forest regions that are not managed using sustainable forestry practices as verified by an independent third party audit; and
 - IV.** High conservation value forests,⁵ unless under approved conservation plans verified by an independent, third party audit with necessary permits granted by applicable governmental/regulatory authorities

In all cases, the borrower must remain in compliance with applicable laws and regulations governing timber harvesting.

- B.** Within the next year, the bank will partner with existing environmental alliances to evaluate the value of various forestry certification programs as a means to both reduce risk and further encourage recognized best practices in sustainable forestry.
- C.** Given the benefits associated with reforestation of cleared and degraded land, Bank of America will finance tree plantations on previously cleared forest land if the clearing and/or degradation of the land was conducted in accordance with applicable laws and regulations. Exceptions are allowed only after five years have passed and only if no direct link to the original deforestation can be demonstrated.
- D.** Bank of America will not finance companies or projects that collude with, or knowingly purchase timber from, illegal logging⁶ operations. Due diligence will include company representation as to its practices and monitoring for illegal logging.

- E.** Bank of America respects the rights of indigenous communities whose livelihoods or cultural integrity could be adversely impacted. Due diligence procedures for projects in primary temperate/boreal or high conservation value forests will weigh the impact of credit decisions on the indigenous peoples that could be affected. The bank will not finance the operations unless it is determined that indigenous peoples impacted by projects in these sensitive areas, whether directly or by induced impact, have the opportunity and, if needed, culturally appropriate representation, and have access to the information to engage in informed participation. Additionally, Bank of America will not finance operations in areas where indigenous land claims are not settled.
- F.** Bank of America will not finance companies that do not have an explicit policy against the uncontrolled and/or illegal use of fire in their forestry or plantation operations. Due diligence will include company representation as to its policy and monitoring.
- G.** Bank of America will not finance companies or projects that contravene any relevant binding international environmental agreement to which the member country concerned is a party to or that violate local, state or national environmental, labor or social laws.⁷ Due diligence will include company representation as to its policy and monitoring.
- H.** False declarations of compliance or failure to adhere to conditions are considered events of default and appropriate actions will be taken.
- I.** All other environmental issues pertaining to forestry practices will be guided through Bank of America's other environmental guidelines and policies.

Bank of America will follow corporate-approved due diligence procedures when financing companies involved in the forestry industry. However, we recognize that in some circumstances, decisions will be taken based on the best information available at the time and based on the good faith that information presented to us was accurate. As such, we will not be held liable if information after the fact demonstrates that a breach of policy occurred.

¹Local Communities — describes the broad group of people living in or near a forest or plantation, with some significant level of dependence on it. The term includes forest dwellers, indigenous forest-adjacent populations and recent immigrants.

²Resource extraction — includes oil and gas exploration, mining and logging, including any activity (such as road building and pipelines) associated with extraction.

³Tropical moist forest is in areas that receive not less than 100mm of rain in any month for two out of three years and have an annual mean temperature of 24° C or higher. Also included in this category, however, are some forests (especially in Africa) where dry periods are longer, but high cloud cover causes reduced evapotranspiration.

⁴Primary forest is a relatively intact natural forest that has been essentially unmodified by commercial scale human activity for the previous 60–80 years.

⁵High Conservation Value Forests are those that possess one or more of the following attributes: Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g., endemism, endangered species, refugia); and/or large landscape-level forests, contained within, or containing the management unit, where viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution and abundance.

– Forest areas that are in or contain rare, threatened or endangered ecosystems.

– Forest areas that provide basic services of nature in critical situations (e.g., watershed protection).

– Forest areas fundamental to meeting basic needs of local communities (e.g., subsistence, health) and/or critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).

⁶Illegal logging takes place where timber is harvested in violation of local and national laws intended to stop illegal logging. Illegal logging includes: a) using corrupt means to gain access to forests, b) extraction without permission or from a legally unauthorized area, c) the cutting of protected species or the extraction of timber in excess of legal limits or in violation of legally approved forest management plans. Illegal logging has not yet been written into international law, although issues relating to illegal logging have been addressed in some fashion by international treaties such as the Convention on Biological Diversity.

⁷International Agreements — examples include CITES, ILO Conventions and the Convention on Biological Diversity.

B. Developing Countries Lending Criteria

When extending new loans and other credit commitments to and in developing countries, the bank considers not only a client's capacity and willingness to repay as agreed but also:

- Social policy
- The purpose of the transaction
- The impact on the local population

Taking Social Policy into Account

The bank takes social policy into account when making lending decisions. To do so is responsible behavior, and responsible behavior on the bank's part as well as that of its clients promotes stability and prosperity. Thus, over time, social responsibility and credit considerations tend to converge.

The bank favors the stability and prosperity that arise from political and economic democracy and political and economic systems in which participation is widespread, rather than limited to a privileged few. Nonetheless, the bank recognizes that, in a world of diverse circumstances and cultures, many countries follow political and economic models that differ from those to which the United States adheres.

Lending for Productive Purposes

When lending to clients in developing countries, associates are directed to adhere to the bank's principle (as set out below) regarding the purpose of the underlying transaction, and be alert to and carefully analyze the risks posed in some countries by inefficiency or corruption, or both.

Principle Regarding Purpose of the Transaction

One of the most important activities the bank undertakes is lending to enterprises for producing and improving products and offering services that enable communities to prosper. To that end, the bank encourages providing credit facilities to creditworthy clients for these productive purposes. Credits are generally discouraged if they do not help the bank's clients create value but, instead, merely facilitate transferring assets from one entity to another or allow a client to engage in speculation.

The bank recognizes that this is a broad principle rather than a specific rule with clear boundaries. Moreover, the bank's willingness to enter into individual transactions varies from time to time depending on the availability of resources and its global strategy. That being said, this broad principle always applies.

Considering the Impact on the Local Population

When deciding whether to make loans or extend credit to clients in developing countries, associates are directed to carefully weigh the impact of the credit decision on the residents of the country. Factors considered include the transaction's effect on:

- The environment,
- The structure of culture and society,
- Political systems (with special regard for the development of democracy or other systems which foster civil liberties and widespread participation in the political process),
- Public health,
- Economics and standards of living (including the development of economic democracy), and
- The government's human rights record and policies.

These considerations are not just social policy concerns; they are also credit concerns. If a transaction would adversely impact any of the items listed above, that negative impact would be considered a serious negative consideration against approval. Other normal factors are also taken into account, including both credit and policy considerations.

Negotiating with Heavily Indebted Poor Countries

The Bank recognizes that economic development necessarily entails social as well as monetary costs, and acknowledges that the governments involved are properly the prime decision-makers in such processes. By its actions, the bank has already joined and intends to continue to join with other lenders both public and private, to negotiate with heavily indebted poor countries (HIPC) in an effort to achieve the best possible outcome of economic, political and social stability.

In those negotiations, the following criteria are given significant weight:

- **Total External Debt.** In cases where total external debt is at such a level that debt service cannot be sustained without placing an undue burden on the country's residents, additional considerations apply. Generally, economic concessions should be agreed to as part of an overall economic program involving all creditors (including multilateral agencies (e.g., the IMF, World Bank and regional development banks), individual governments, and private creditors (such as banks) aimed at making a substantial, positive economic impact. Such concessions are typically arrived at by negotiation, rather than repudiation or imposition of terms by the debtor or unilateral forgiveness by the creditor.
- **Political and Economic Reforms.** The HIPC should have implemented and evidenced an intention to continue a program of sound political and economic reforms to ensure that the benefits of any concessions its creditors make will not be lost to local inefficiency or corruption. Such reforms should not unduly burden the country's poorest segment.
- **Impact on the Local Population.** Action by an HIPC to make strides in the six areas listed above under Considering the Impact on the Local Population weighs as a significant positive factor. Conversely, shortfalls in those areas weigh as a significant negative factor.
- **Role of the Government.** In making these decisions, associates are directed to also be conscious of the primary role to be played by the recognized governments of the countries concerned, and the legitimate sensitivity of the governments and people of those countries, with interference in their domestic affairs by other countries' governments and financial institutions.

Each case is evaluated individually. The criteria outlined above are not absolute and inflexible rules; instead, they are an indication of the spirit in which the bank's management intends these decisions to be made. These decisions must balance a variety of factors to advance the interests of all our constituencies' shareholders, associates, customers and the communities the bank serves.

Information on which to Base Judgments

When forming an opinion on local economies or social conditions, associates routinely gather information from observers on the ground, including local businesspeople, bankers and economists, as well as the U.S. Embassy and the host country's central bank.

Non-Governmental Organizations

When gathering data to assess the risk inherent in doing business in a particular location or with a particular client or project, associates are directed to also take into account information developed by reputable non-governmental organizations (NGOs). There are literally thousands of NGOs, many of which are dedicated to observing and reporting on a wide range of issues such as environmental standards, democratic practices, principles of sustainable development, decent working conditions, and the like. The views of credible, reliable NGOs can provide another perspective on the local economy and may be useful when assessing the likelihood of local opposition to a particular undertaking. Whether an NGO's opinion should influence individual credit decisions is a matter of judgment.