



# BMO Women in Leadership Fund

## Gender Diversity Report 2024

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# Investing in Gender Diversity

Today we publish our fourth Gender Diversity Report for the BMO Women in Leadership Fund (the Fund) which shares the progress our companies have made this year in Diversity, Equity and Inclusion. In today's rapidly evolving business environment and fierce competition for talent, we believe that diversity and inclusion is not just a social responsibility; it is a strategic advantage.

The Fund is a portfolio of high-quality North American listed companies. We combine our Women in Leadership Framework with our Fundamental Investment Framework to select companies with both strong and improving gender characteristics along with sustainable and profitable growth outlooks. We believe companies that harness the collective power of diverse perspectives, talents and experiences will have an easier time attracting and retaining talent, which will then help to drive sustainable growth and resilience.

We look forward to sharing this report with our investee companies and working with them to share best practices and increase opportunities for women throughout their organizations.



**Jennifer So, CFA, CPA**  
Portfolio Manager  
Canadian Fundamental Equity



**Valentin Padure, CFA**  
Portfolio Manager  
Canadian Fundamental Equity

# Gender Diversity Fund Highlights



**40%**  
of the board members  
are women<sup>1</sup>



**53%**  
of the Fund's holdings  
have women in  
C-suite positions<sup>1</sup>



**34%**  
of middle management  
are women<sup>2</sup>



**43%**  
of the overall workforce  
are women<sup>2</sup>



**66%**  
of the companies in the  
fund were engaged<sup>1</sup>

<sup>1</sup> Fund holdings data as at December 31, 2023.

<sup>2</sup> Workforce statistics reflect data as of December 31, 2022.



Diversity inspires  
creativity, equity  
unlocks opportunities  
and inclusion  
drives growth and  
representation

## Women in Leadership **framework**

Diversity is the intersection of talent and representation. To be truly diverse, both elements are required. No compromises. Our Women in Leadership framework has been crafted to address the factors that can improve gender diversity throughout the organization over time. A focus on increasing gender diversity has become standard practice. However, meaningful advancement especially throughout organizations has been frustratingly slow, especially in the more senior levels and revenue generating roles. We use four factors to evaluate an organization's progress over time.

Senior  
Representation

Upward  
Mobility

Barriers to  
Advancement

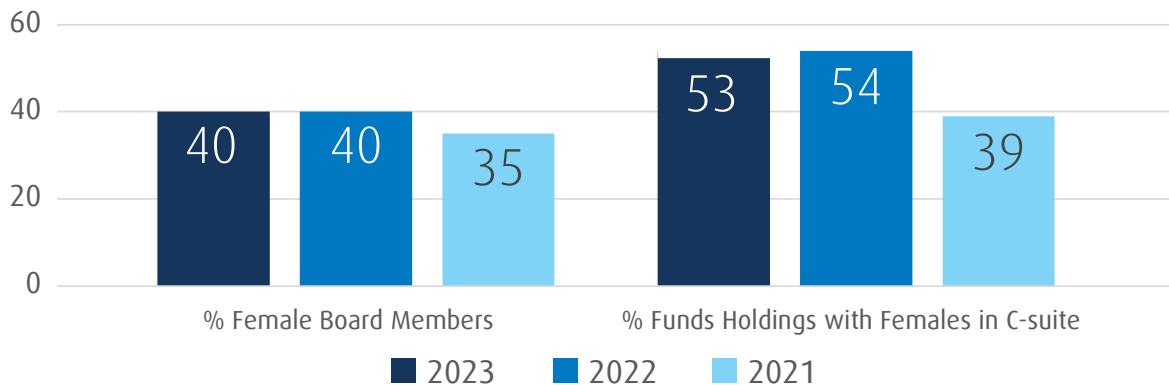
Gender  
Pay Gap

# Senior representation

The starting point for the Women in Leadership framework is senior representation. The representation at the Board of Directors and Named Executive Officers (NEOs) are easily observable and trackable over time. NEOs are the CEO, CFO and the next three highest-paid executive officers. Senior leaders are responsible for strategy and set the tone for culture and drive priorities of the company. We believe companies with greater diversity, equality and inclusion will benefit from exposure to a wide range of perspectives, experiences, opinions and increase innovation and ability to attract and retain talent.

We also focus on the intersectionality of senior representation with a progressive eye towards ethnicity. Our proxy voting has evolved to include this dynamic. Many companies disclose targets and report on progress to improve racial representation and we applaud their progress.

## BMO Women in Leadership Fund



Source: BMO Global Asset Management as of December 31, 2023

The “broken rung”  
is the greatest  
obstacle women  
face on the path to  
senior leadership  
—Mckinsey 2023



# Upward mobility

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We've discussed the "broken rung" issue over the years in prior reports. Women face their biggest hurdle at the first critical step up to manager. McKinsey and LeanIn.Org's Women in the Workplace 2023 reports that for every 100 men promoted from entry level to manager, only 87 women were promoted. The broken rung, or lower rates of promotion, starts at entry level and continues at each level. Consequently, the pipeline of qualified women gets successively smaller and smaller at increasing seniority levels. As a cohort, this creates a structural barrier towards cultivating qualified women at more senior levels.

Our informal observation is the broken rung issue is exacerbated in "revenue-generating roles" which tend to be well-paid roles. Many companies report their diversity representation for various levels of seniority and investors can track the progress on a year-to-year basis. This is table stakes. However, digging into the details, women tend to be under-represented in revenue-generating roles and over-represented in lower paid roles and cost centres such as human resources and finance. To increase the representation of women in senior positions in the future, there needs to be more focus on improving the representation in the revenue-generating roles pipeline, promotion and retention.

We've highlighted a few companies in the Fund that have made a strong commitment to upward mobility.

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## UNITEDHEALTH GROUP®

UNH is the largest managed care company in the US. They provide a health care services to ~152 million people.

### Case Study

UNH's diversity reporting is progressive and they disclose progressive metrics:

- % Female promoted,
- % Female hired,
- % Female in revenue-generating positions.

In addition, their stats that help assess the pipeline include:

- % Female in junior management positions,
- % Female in management Positions.

## Abbott

Abbott is a multinational medical devices and health care company.

### Case Study

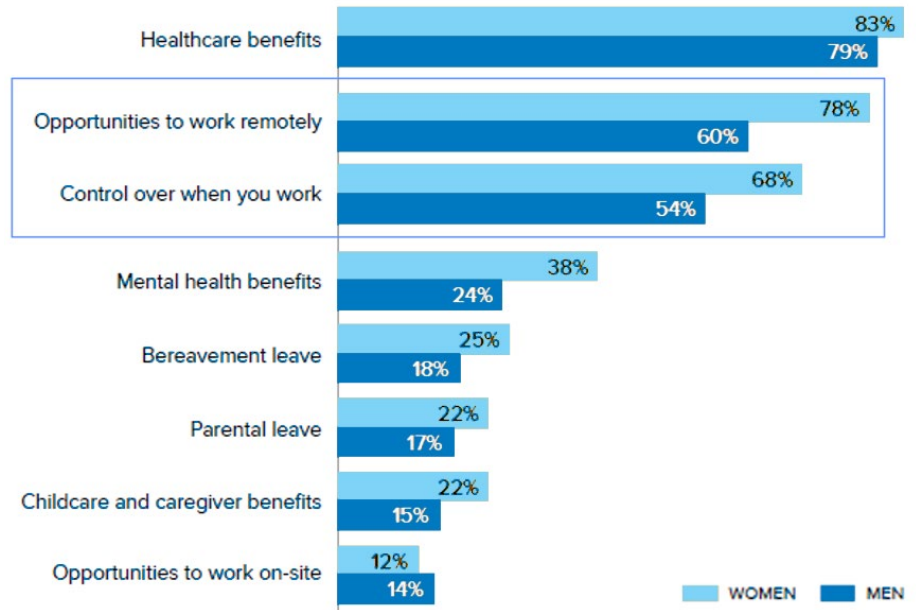
Abbott uses many tools to build a strong pipeline of internal talent. Senior leadership conducts reviews by division and function to support succession plans for critical positions. Management considers employees with leadership potential who are early in their careers and discusses how they can continue to develop that talent. This helps to ensure a diverse pipeline of future promotion candidates.

# Barriers to advancement

Addressing barriers to advancement benefit the total workforce, men and women alike. Classic initiatives include education and training, return-ship programs, maternity/paternity leave and workplace flexibility. The McKinsey and LeanIn.Org’s Women in the Workplace 2023 find that many employees highly value the ability to work remotely and have flexible hours. These attributes are important to both men and women and rank just below healthcare benefits in terms of importance.

## Employees Highly Value Opportunities to Work Flexibly

% of women and men saying these benefits are most important to them



THOMSON REUTERS

Thomson Reuters provides information and software tools for legal, tax, accounting and compliance professionals.

### Case Study

The Work from Anywhere program gives employees the opportunity to work in a different location for up to eight weeks per year, with up to four of those weeks in another country.



Thermo Fisher is a life science tools & diagnostics company. Its products are used for medical research, drug production and diagnosis.

### Case Study

Talent mobility is a key component of succession planning. Thermo Fisher leverages workforce data and predictive analytics to create meaningful job rotations for employees while benefiting the Company. Employees obtain a variety of work experiences via rotations across various businesses, functions and geographies to provide new experiences.



# Gender pay gap

Companies in Canada and the United States are not mandated to report on gender pay gaps. However, some jurisdictions such as UK and France mandate certain reporting requirements. In 2024, the EU also introduced new mandatory reporting on pay equity that will impact companies that operate in the EU.

The analysis and reporting on pay equity continues to evolve with some companies reporting the difference in average pay across both gender and race for associates who undertake the same work, at the same level.

There are several companies in the Fund that have reached gender pay parity and we are engaging with companies that do not yet disclose pay gaps.

Examples of companies in the Fund that report gender pay gaps or have reached gender parity include:



Examples of companies in the Fund that have also disclosed racial pay parity include:





We use our influence as investors to help companies improve.

## Driving change through our **engagement and proxy voting**

Stewardship is a cornerstone of our responsible investment approach. We believe that our responsibility as investors does not end when an investment is made. We are active owners of our investments – using thoughtful engagement and proxy voting to influence positive change and reduce risk. We engage on company-specific issues as well as broader thematic and policy issues. We believe these initiatives enhance the long-term performance of our companies in the Fund.

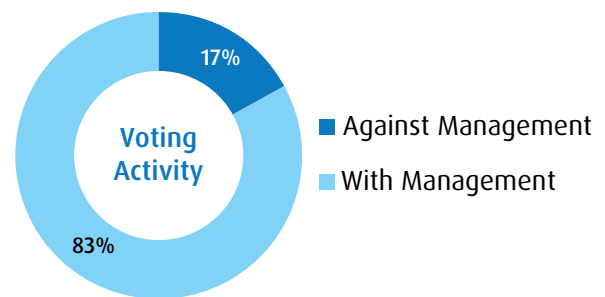
### **Voting for change**

The shareholder right to vote is an opportunity to influence change. Before voting, we engage with companies to clearly communicate our expectations. We are transparent in reporting our voting activity, including reasons for votes against management.

**We have strengthened our gender diversity policy in each of the last five years.** We also maintained our expectation that boards should have at least one ethnically diverse director, or a robust commitment to increasing diverse representation beyond gender.

### **Engagement dashboard**

In 2023, we engaged with 66% of companies held in the Fund with the aim of improving Environmental, Social and Governance issues. Key topics included governance, climate and human rights.



In 2023, we voted against management on 17% of meeting items, which is lower than in 2022. We saw improvements on gender and racial board diversity and supported shareholder proposals on paid sick leave, reproductive rights and racial equity audits.

# Investor engagement

Below are highlights of company engagements regarding DEI and other ESG initiatives.



We engaged with Amazon on gender and racial equity pay gaps and voted in support of a shareholder proposal on the topic.



As part of Climate Engagement Canada we engaged with the company to discuss its Net Zero plans and decarbonization efforts.



We engaged with CN Rail after the resignation of its Indigenous Advisory Council and steps the company is taking to ensure Indigenous reconciliation remains a priority focus.



We engaged with Microsoft on responsible AI and technology, DEI and responsible tax practices. We also raised governance matters in advance of the AGM.



At the end of 2023 RBC committed to conduct a racial equity audit. We supported a shareholder proposal requesting the company to do so, at its annual shareholder meeting.



We believe employees should be entitled to paid sick leave. We voted to support a shareholder proposal for TJX to adopt a paid sick leave policy for all employees.



We engaged Tricon on the company's approach to GHG emissions, energy efficiency and physical climate risks.



WASTE CONNECTIONS, INC.

We reached major milestones with the company putting in place stronger climate targets, metrics and reporting. We led on Waste Connections engagement for Climate Engagement Canada (CEC).



We reached a milestone with WSP adding a racially diverse director to its board. We engaged WSP on climate resilience, physical climate risks and the importance of Indigenous relations.

## Policy perspectives to increase D&I

We also actively engaged policy makers to raise the bar on DEI practices across industries and markets. For instance, we encouraged the Canadian Securities Administrator (CSA), the Ontario Securities Commission (OSC) and Ontario Minister of Finance to mandate board diversity disclosure for Canadian companies.

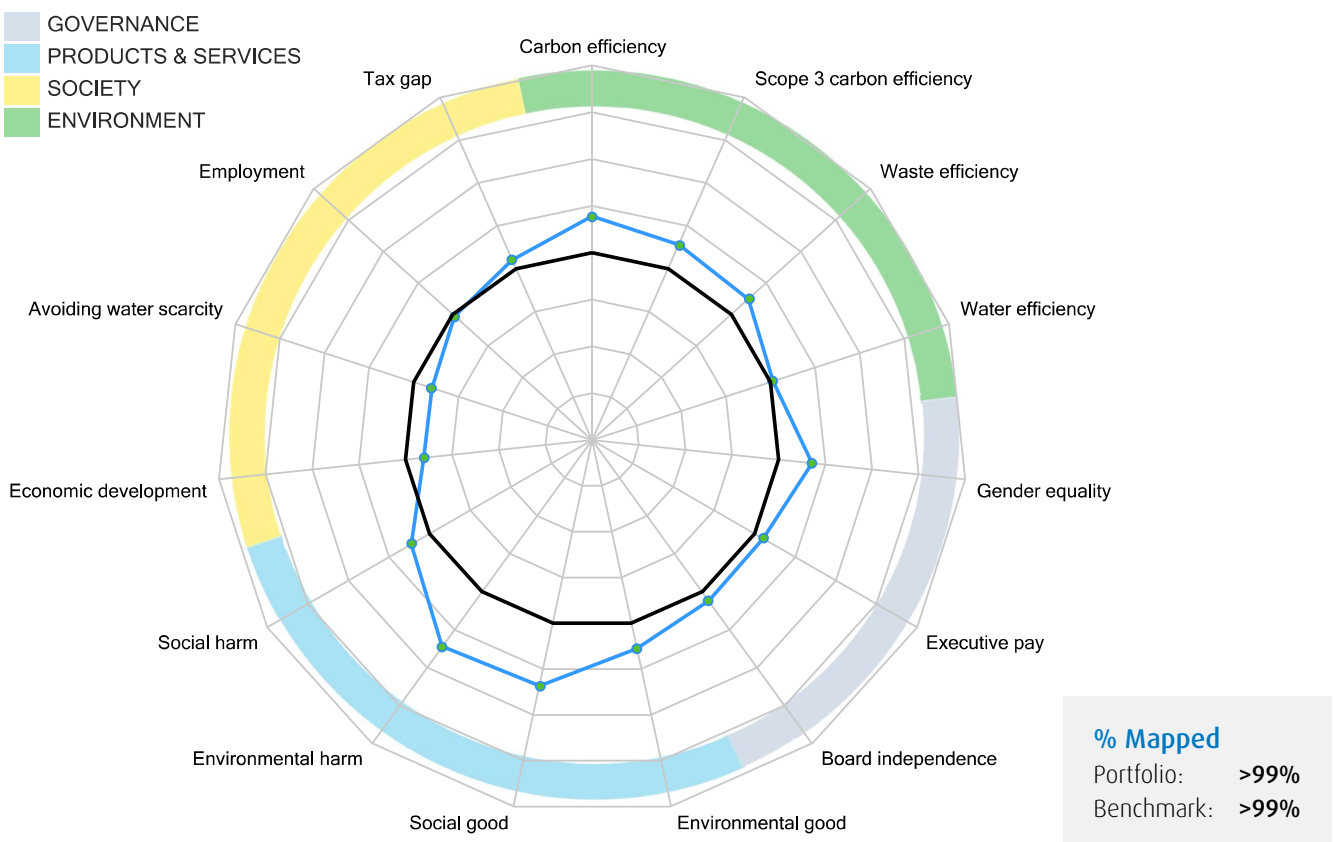
# Measuring Impact

Impact Cubed assesses the Women in Leadership Fund against 15 sustainability metrics relative to the Fund’s benchmark (60% S&P/TSX Composite Total Return Index; 40% S&P 500 Total Return Index (C\$)). The Fund performs better than the benchmark in 12 out of the 15 assessed metrics with Social Good, avoiding Environmental Harm, and Gender Equality as the top scored areas reflecting the strong social focus of the Fund.

We monitor our companies’ metrics to understand the Fund’s weaker exposures against its benchmark:

**“Avoiding water scarcity”**: explained by a higher geographic distribution of our companies’ operations in regions with higher water scarcity, against the benchmark, as measured by the World Resource Institute. (Ex. Southwestern US)

**“Economic development”**: explained by a higher geographic distribution of our companies’ operations in regions with higher median incomes against the benchmark.



Source: Impact Cubed

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# Measuring **real-world results**

Expectations of companies to measure and report on diversity, equity and inclusion continue to grow. While significant progress has been made, challenges remain..

Result metrics differ from other ESG performance indicators because they are built to track the outcomes that a company's products or services have on the environment as well as on the lives of stakeholders such as employees, suppliers and customers.

We have selected some examples from companies in the Fund to illustrate some of the positive effects companies can have.

41%

of global management positions filled by women

## **Abbott**

2022 Diversity, Equity and Inclusion Report

134,590

women-owned businesses supported in Canada

## **BMO**

2022 Sustainability Report

87%

Employee Engagement Diversity Index score

## **Element Fleet Management**

2023 ESG Report

\$2.8 billion

spent to help create a more equitable supplier ecosystem reflects the diversity of our society

## **Google**

2023 Google Diversity Annual Report

53%

proportion of women in managerial positions (global)

## **Intact**

2022 Sustainability Report

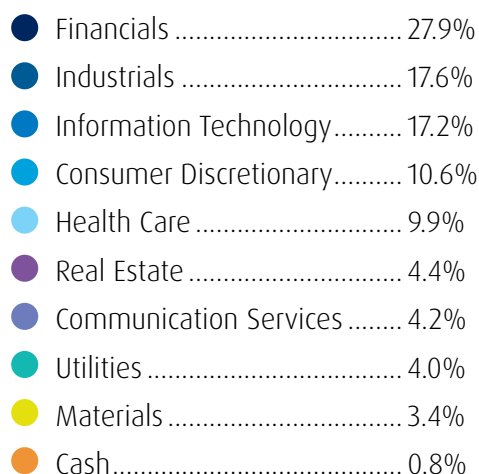
75%

growth in population of women employees globally (since 2019)

## **Microsoft**

2023 Global Diversity & Inclusion Report

# BMO Women in Leadership Fund



Source: Bloomberg. As of December 31, 2023.

## Portfolio holdings with gender-diverse leadership

Leading to a ~60/40 split between Canadian and U.S. firms. The following shows the top 10 holdings in the Fund and the Female % Directors on Board:

Name of Holding	Holdings %	% Of Female on Board of Directors
MICROSOFT CORP	6.8%	41.7%
ROYAL BANK OF CANADA	5.4%	38.5%
TORONTO-DOMINION BANK	4.3%	43.8%
VISA INC-CLASS A SHARES	4.1%	36.4%
ROPER TECHNOLOGIES INC	4.0%	44.4%
WASTE CONNECTIONS INC	3.9%	37.5%
S&P GLOBAL INC	3.4%	38.5%
BROOKFIELD CORP	3.3%	40.0%
WSP GLOBAL INC	3.3%	33.3%
CANADIAN NATL RAILWAY CO	3.2%	54.5%

Source: Bloomberg. Holdings as at December 31, 2023 and can change without notice. They are not recommendations to buy or sell any particular security.

## Codes and Fees

Series	MER (%) <sup>*</sup>	Front End	Low Load <sup>**</sup>
Advisor Series	1.46	BM099757	BM098757
F Series	0.35	BM095757	-

\* Management Expense Ratio (MER) as at September 30, 2023 \*\*Low Load purchase options are no longer available for sale.

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