



# ESG Viewpoint

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## A focus on gender diversity

We recognise the value that diversity in the boardroom and senior management can bring to an organisation. A relevant and suitably diverse mix of skills and perspectives is critical. Companies should therefore increase the level of diversity at the board, management and all levels of the organisation to ensure that they draw on the richest possible combination of competencies, experience and outlooks.

For several years, BMO Global Asset Management has placed great emphasis on gender diversity via multiple avenues, including: internal initiatives and targets, supporting industry groups such as Catalyst and the 30% Club. In a natural evolution of our commitment, BMO launched a Canadian fund in 2016 focussing on Women in Leadership.

## Our activities in 2018

In 2018, we discussed gender diversity with companies or their boards on over 200 occasions. We are also prepared to use our voting power: we believe that all boards should include at least one female board member, and we take voting action against the Nomination Committee Chairs in certain markets if minimum thresholds of female representation are not met or companies do not demonstrate satisfactory improvement.

For example, the UK market has had a significant focus on gender diversity since the Davies Review made a set of recommendations for improvement in 2011. This has led us to take a particularly stringent voting policy in the UK, whereby we expect FTSE 100 companies to have at least 30% female board representation. 2018 also saw us introduce voting guidelines to support gender diversity in the Canadian and the US markets.

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Telephone calls may be recorded.



Engagements on board diversity globally in 2018



Nomination Committee chairs we opposed in the UK due to insufficient female representation on the Board



Engagements on gender diversity in Canada in 2018



### Focus areas in 2019

In 2019, BMO Global Asset Management will expand its focus on the topic of gender diversity to include top executive and senior management teams. An insufficient pipeline of qualified women with C-suite experience is a significant contributing factor to the lack of gender diversity at Board level.

We strongly believe that recruiting and hiring from the widest possible talent pool at all levels of an organisation is in the best interests of companies, as is maintaining a diverse workforce. We support initiatives to address the gender diversity issue at a deeper level, including: efforts to strengthen non-discrimination policies, set and meet diversity objectives, address the gender pay gap and remove the “glass ceilings” at all levels within organisations.

#### Specifically, through our engagement we will press companies to:

- Make a public commitment at leadership level to a diverse workforce and explain links to company strategy;
- Provide disclosure on diversity within the organisation, as well as goals and measures for increases in staff diversity;
- Develop policies and measures on hiring procedures, such as specific objectives, and shortlists with balanced numbers of male and female candidates;
- Establish professional development programmes for women at all levels such as mentor and sponsorship programmes, family-friendly policies and job-sharing models;
- Disclose how measures to increase diversity have been applied and the take up of these measures;
- Disclose results of gender pay gap assessments across the company, and what actions will be taken as a result.

#### Whilst we consider this to be an issue of global importance, we have selected the following focus markets for 2019:

- **UK:** Building on our efforts from previous years, we will focus our engagement on the companies in the bottom quartile of the FTSE 350 gender balance assessment<sup>1</sup>.

<sup>1</sup> 2018 Hampton-Alexander Review

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- **Canada & US:** Continue to engage and encourage companies to meet the 30% Club’s target. We will use our voting power to drive change at board level where we consider not enough has yet been achieved. We will not support the election of Nomination Committee chairs or other relevant directors on board without requisite female representation and where there is unwillingness to fully address the issue. We have written to our US and Canadian investee companies to highlight our expectations for improved board diversity across these markets.
- **Germany:** With no market-wide quota for management boards, Germany is lagging other European countries with respect to female representation at all senior leadership levels. We will engage all DAX30 companies, seeking commitment to positive change.
- **Japan:** With the country holding this year’s G20 presidency, and the continued public policy efforts around gender diversity, the market is primed for investors to push for greater female representation at board and senior management levels. We will seek to ensure that the value of diversity is clearly communicated to selected investee companies, whilst taking the opportunity to better understand challenges faced within the market.

Our engagement is backed up by our corporate commitment. BMO GAM is active in the 30% Club<sup>2</sup> in the UK and Canada, and a founding member of the UK Investor Chapter. The initiative aims for female representation at board and senior management level to be at least 30%.

Our parent company, BMO Financial Group, is a corporate signatory to the 30% Club, and 40% of its senior leader roles and more than one-third of its independent board seats are occupied by women, with broader diversity targets to be achieved by 2020<sup>3</sup>.

As momentum for more diverse management structures becomes better understood around the world, we will continue to ensure our voice is heard and that companies in which we invest challenge themselves to progress.

### Key risks

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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### How BMO Global Asset Management can help you

BMO Global Asset Management incorporates material ESG issues into its investment processes across asset classes. We also offer our Responsible Funds range, which invests in companies operating sustainably and excludes those not meeting our ethical and ESG criteria, and our **reo**<sup>®</sup> engagement service, through which we provide engagement and voting services covering global equities and credit.

### Best ESG Research Team 2018



<sup>2</sup> <https://30percentclub.org/>

<sup>3</sup> BMO Group 2018 ESG Report, p. 48: [https://corporate-responsibility.bmo.com/wp-content/uploads/2018/12/BMO\\_ESG\\_PAS2018en.pdf](https://corporate-responsibility.bmo.com/wp-content/uploads/2018/12/BMO_ESG_PAS2018en.pdf)