

Social Equality & Inclusion (SEI) Strategy

With Scott Reeves and Emily Howes

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Scott Reeves: Hello, this is Scott Reeves with the Chief Investment Office and I'm speaking with my colleague, Emily Howes. We'll be discussing the growing importance of corporate diversity and inclusion, and on a related note, the CIO social Equality and Inclusion Strategy or SEI. Welcome, Emily.

Emily Howes: Thanks, Scott. I'm happy to be here.

Scott Reeves: Great. So why is corporate diversity and inclusion of growing importance to investors?

Emily Howes: Well, companies with a strong culture of equality may actually have a competitive advantage over their peers. A 2018 McKinsey study found that companies with better gender diversity in the executive team are 21% more likely to outperform their industry peers. And even to a greater degree, companies with better ethnic diversity they found are 33% more likely to outperform.

Scott Reeves: What are some of the reasons for that potentially stronger performance?

Emily Howes: Well, the data shows us that white males represent about 70% of executive management and this can result in group think or when a group of like-minded people lacking diverse perspective can lead to fewer creative ideas or less effective decision making. Plus, other McKinsey studies have shown that diverse management team can offer unique approach to problem solving, higher employee engagement and satisfaction, less employee turnover, and higher employee productivity. Also as the US consumer

continues to become more diverse, economic power is spreading among multicultural groups. For example, in 2000 spending among racially diverse groups accounted for less than 20% of US consumer spending but then by 2015 that number rose to 31%, so with the diverse population growing, that trend is likely to continue.

Scott Reeves: Fascinating. Let's talk now about the CIO social equality and inclusion strategy.

Emily Howes: Great. SEI is designed to identify companies that are building a culture of social equality with strong advancement opportunities for all employees regardless of gender, race, or sexual orientation. Also, companies that provide better access to healthcare and finance and those that seek to mitigate the impact of climate change which often disproportionately affects lower income population. Our analysis includes a comprehensive assessment of policies protecting human rights and the workforce and supply chain, strong safety standards, equal pay for equal work, comprehensive employee benefits, and disclosure of the workforce demographic. We also consider objective performance data including affordable finance and healthcare options, lack of controversies related to workforce discrimination, outside recognition for fostering diversity, and representation of women in racial diversity across the workforce and most importantly, in leadership position.

Scott Reeves: Great. So how do you take that data and construct a portfolio?

Emily Howes: Well, we identify companies that are both socially and fundamentally attractive. So not only do we want to invest in good corporate citizens but also good stocks with reasonable valuations and a favorable outlook. We've designed a portfolio that incorporates both material ESG factors and fundamental input in order to help achieve appropriate diversification

and risk management. This results in a portfolio that offers a competitive return over a full market cycle and is well positioned to compete for talent, serve unmet needs in the marketplace, and capitalize on innovation.

Scott Reeves: Okay. So finally, how does Bank of America itself measure up in terms of diversity and inclusion?

Emily Howes: Quite well. So we rank favorably among our sector peers in terms of both workforce diversity and outside recognition. More than 50% of our global workforce are women and more than 45% of our US based workforce are people of color. We also recently received Euro Money World's Best Bank for Diversity and Inclusion as well as in 2019 we were the Catalyst Award Winner for Investing in Women. We've also been ranked among the 100 best companies by Working Mother Magazine for 30 consecutive years and we were also named one of the top global banks on Fortune Magazine's 2018 Change the World List.

Scott Reeves: Wonderful. Emily, thank you so much for your time. For more information on SEI or any of the CIO impact or sustainability strategies, please email cio_impact_investing@bankofamerica.com.

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