

**WOMEN IN THE CORPORATE WORKPLACE:  
DATA ON DISPARITY**

The deck appears stacked against women in many areas of the workplace. Reports have found that:

- The biggest challenge to achieving gender parity, known as the “Broken Rung,” is the first step up to manager where for every **100 men** promoted to manager, only **87 women** are promoted.<sup>1</sup>
- Studies have shown that the “**motherhood penalty**” — the systematic disadvantage that women encounter in the workforce when they become mothers — makes up **80% of the gender pay gap**.<sup>2</sup>
- Only **1 in 4** C-suite leaders is a woman and only **1 in 20** is a woman of color.<sup>1</sup>
- **33% of women have considered leaving the workforce** or downshifting their career — a significant increase from **25% of women** in the first months of the pandemic.<sup>1</sup>
- **60% of women working in hybrid environments feel excluded from meetings** and 50% say they do not have enough exposure to company leaders.<sup>3</sup>
- Black women leaders are more ambitious than other women at their level but face greater headwinds to advancement — **1 in 3 report having been denied or passed over for opportunities because of personal characteristics**.<sup>1</sup>

There are many factors to take into consideration when building an investment portfolio, and it's important to remember sustainability factors and data are only one component to potentially consider and should always be used alongside fundamental analysis.

There is no guarantee that investments applying Environmental, Social and Governance (ESG) strategies will be successful.

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Gender lens investing (GLI) is the intentional incorporation of gender-based factors into investment analysis with the intention of driving both financial performance and social benefit.



Research suggests that investors who include GLI in their overall strategy often find that:

- The addition can help them identify investment opportunities, generate alpha, lower risk and build stronger and more diversified investment portfolios.
  - According to Morningstar, amidst a down year for global equities in 2022, Morningstar Gender Diversity Indexes outperformed their broad equity market equivalent by an average of 1.32%.<sup>4</sup>
- By investing in companies that are making gender progress, or by avoiding or divesting from those that are not, they can give companies a financial incentive to change.
- More equality and diversity can help improve national and global economies, and in turn benefit billions of people, women as well as men.

Gender lens investing is important because it can help foster gender parity in the workplace, in part by giving companies a financial and

ethical incentive to hire with equality in mind. That’s not to say parity will come easy. For starters, corporate bias against women, a leading cause of gender inequality, remains deep-seated and tenacious, even in the face of a growing body of evidence suggesting that adding more women at various levels, including the executive suite, can potentially benefit companies in a number of areas. Indeed, think how many more of the best and brightest people companies could attract and keep by offering equal opportunity and equal pay. Equality is especially important to the Millennial cohort. Born between the early 1980s and early 2000s, Millennials are now the largest generational bloc in the workforce, and many say they prefer working at companies that hold values of diversity and gender equity. In other words, equality may be a key driver to attract top talent.<sup>5</sup>

What would a world free of gender-based discrimination look like? Companies would no longer operate with the kind of bias, explicit or implicit, that can create patterns in hiring and promotion that favor

men, the workplace would support the talents and contributions of men and women in equal measure, giving them the same access to jobs, similar membership on corporate boards and equal pay for equal work. Such a world would likely benefit all of us, not just women. For the countries in the Organisation for Economic Co-operation and Development (OECD), for example, the income loss associated with gender discrimination is estimated at up to US \$12 trillion, or 16% of the world’s income.<sup>6</sup> A gender bias-free world may be some way off, however. Closing the gender gap is painfully slow. In fact, based on the current trajectory, women are 267.6 years away from gender parity in the area of economic participation and opportunity — which includes equal pay.<sup>7</sup>

Three core drivers of current and future parity progress — education, employment and entrepreneurship — provide insights as to how GLI potentially benefits investors and also how it may accelerate change.



### A range of gender lenses

A variety of gender lenses exist, and they may overlap. Examples include:

<b>Access to capital</b>	Reviewing the patterns of capital flows in a sector or region by gender to find potentially attractive investments as well as opportunities to shift social benefit.
<b>Workplace equality</b>	Focusing internally on gender diversity, inclusive policies and corporate culture. Various reports historically found differences in corporate performance at companies with more gender diversity.
<b>Women in leadership</b>	Honing in on diversity at the board and senior management levels of a firm, as diversity in leadership may lead to better firm performance.
<b>Products and services</b>	Consideration of how a company develops and promotes its product for female customers. Smart companies are uncovering significant unmet market needs as well as broadly applicable innovations.
<b>Women as investors</b>	Considering who is making the investments, women are under-represented as fund managers and owners.
<b>Women in the supply chain</b>	Reviewing supply chains for both risk, such as human trafficking or unfair labor practices, and opportunities, including inclusive sourcing and innovations in training or technology.

Source: Center for the Advancement of Social Entrepreneurship at Duke University and Catalyst at Large, March 2019.

## EDUCATION

Gender parity in education is not only a moral imperative, but an economic one as well. A 2018 study by the World Bank found the global losses from low educational attainment for women are estimated at between \$15 trillion and \$30 trillion.<sup>8</sup>

### PROGRESS

Girls' enrollment in primary education has seen significant growth around the world. Even in some developing nations, where enrollment rates are far lower, progress has been made. Of the 80 countries in the Global Partnership for Education, studies have found that girls' access to education has increased: The gap between boys' and girls' average completion rates has narrowed since 2015, from 6% to 3% for primary school and from 10% to 7% for lower secondary school.<sup>9</sup> Over the past several decades, though, women have increasingly pursued higher levels of education: According to the Bureau of Labor Statistics, from 1970 to 2020, the proportion of women ages 25 to 64 in the labor force who held a college degree more than quadrupled, whereas the proportion of men with a college degree more than doubled over that time (data as of 2021).<sup>10</sup>



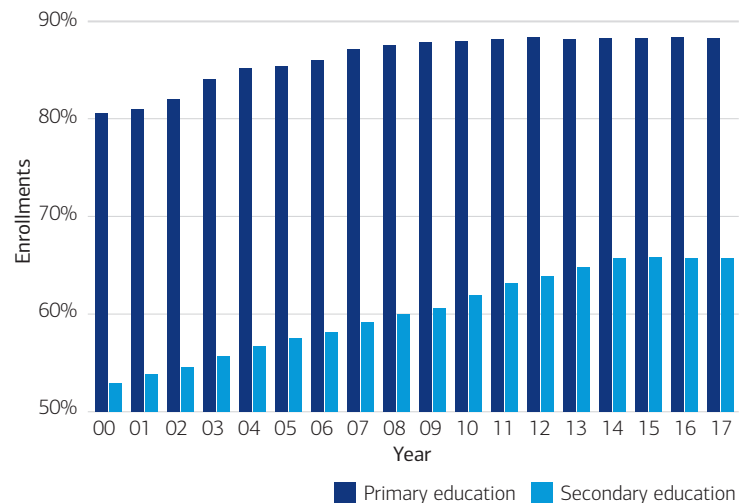
### PERSISTENT GAPS AND OPPORTUNITIES

Even with some progress, stark inequity remains on a global basis. Less than 65% of girls complete primary school, and only 41% complete lower secondary school.<sup>11</sup> The pandemic could further impact gender gaps in learning due to the deprioritization of education. Evidence from the past several decades shows that when girls and women are educated, we see faster poverty reduction, better maternal health, lower child mortality, greater HIV prevention and reduced violence. Each additional year a girl spends in school can also increase her potential adult earnings by as much as 20%.<sup>12</sup>

A loss of six months of education disproportionately impacts school-aged girls in “low and lower-middle income countries.” In fact, according to UNESCO, “50% of their total years of education could be lost.”<sup>13</sup>

While they are the majority of degree earners in U.S. colleges, women still lag men in the vital areas of science, technology, engineering and mathematics, or STEM. Based on data from the Integrated Postsecondary Education Data System (IPEDS), women represented 45% of students majoring in STEM fields in 2020, up from 40% in 2010 and 34% in 1994.<sup>14</sup> The share of women who earned STEM degrees varies by country, from a low of 11% in parts of Asia to a high of 58% in parts of Africa, demonstrating that the U.S. with 36% is not necessarily the ceiling.<sup>15</sup>

### Global female enrollment in primary & secondary education



Source: “Education Statistics — All Indicators.” 2019. The World Bank — Data Bank.



## EMPLOYMENT

Gender parity in business is important for a variety of reasons, including:

**GDP boost:** According to the World Bank, on average across countries, long-run GDP per capita would be almost 20% higher if gender employment gaps were closed.<sup>16</sup>

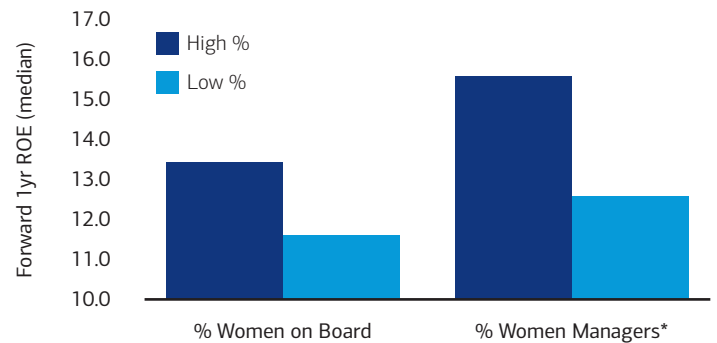
**Attracting employees:** According to research firm Deloitte, Millennials and Gen Z want to work for companies that ensure diversity and inclusion across the organization.<sup>5</sup> Firms that are considered “gender equality leaders” are more likely to retain employees, especially female employees, compared to those that are lagging. Nine percent of female employees who worked at gender equality leading firms reported that they were looking to leave within the next two years, compared to 39% of those at lagging firms.<sup>3</sup>

**Improved business data:** Research suggests that while performance results have varied over time, companies with higher board diversity and management diversity saw consistently higher future return on equities (ROEs) than counterparts with lower board diversity and management diversity.<sup>17</sup> Although improvement has been seen in the corporate space, progress at the top is constrained by a “broken rung” as women continue to face obstacles as they develop and advance toward manager and senior leadership positions. As stated in the introduction, for every 100 men promoted and hired to manager, only 87 women are promoted and hired. This broken rung results in more women getting stuck at the entry level, and fewer women becoming managers.<sup>1</sup> Not surprisingly, men end up holding 62% of manager-

level positions, while women hold just 38%.<sup>1</sup> Given the volatility and uncertainty plaguing the business environment over the past few years — marked by the pandemic, geopolitical uncertainty and social reckoning — and strong evidence that women manage risk and crises better than their male counterparts, now is not the time to push diversity and inclusion efforts aside to focus on challenges. Women are key to tackling these challenges.

### Gender diversity correlates with higher future return on equity (ROE)

Median forward 1yr ROE based on % women on board and % women managers (2005-2021)



\* Data from 2010 on for % Women Managers.

Note: High (Low) % of Women on Board defined as above (below) the universe median; High (Low) % of Women Managers defined as above (below) 30%.

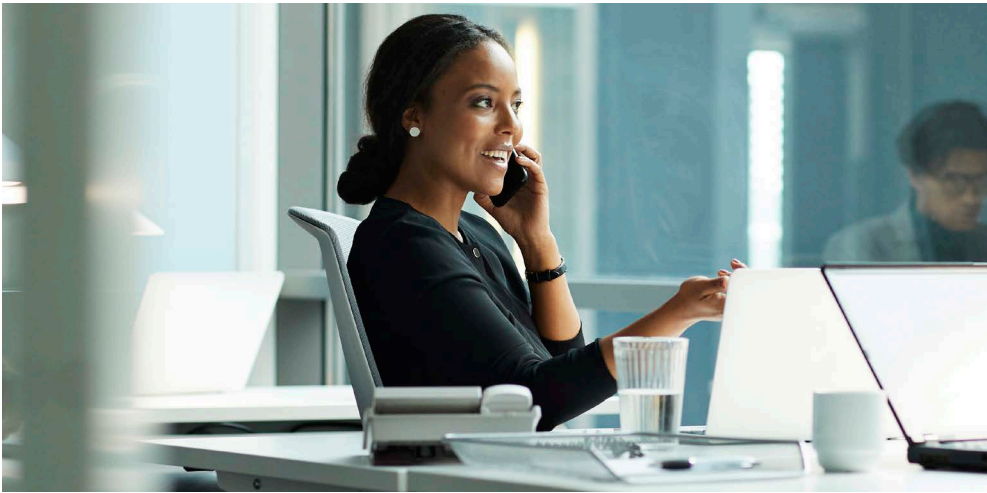
Source: Refinitiv, FactSet, BofA U.S. Equity & Quant Strategy.

For the chart above, the universe of companies is taken from the S&P 500. The % of women on board data is for years 2005-2021 and % of women managers data is for years 2010-2021.



Taking action to advance equality could be valuable, adding **\$13 trillion** to global GDP in 2030.

Source: McKinsey and Company. 2020. “COVID-19 and gender equality: Countering the regressive effects.”



Women account for  
**52%**  
of management,  
professional and related  
occupations in 2021.

Source: U.S. Bureau of Labor Statistics, "Women in the Labor Force: A Databook", April 2023.

## PROGRESS

In 2021, women made up 47% of the total U.S. workforce and 52% of management, professional and related occupations.<sup>10</sup> As of the end of 2022, women hold 28.4% of board seats of companies in the Russell 3000 Index, an increase from 17.7% in 2018 — that's up from the 26.7% of seats held by women at the end of 2021.<sup>18</sup> Despite the improvement on an absolute basis, the pace of growth of women on board seats has been slower than the 3% rise seen in 2020.<sup>19</sup>

However, increasing attention to companies' social impact has sparked NASDAQ to create new diversity standards, requiring listed companies to disclose whether they have a minimum of two "diverse" board members (including women, underrepresented minorities, and LGBTQ+ identities).<sup>20</sup> Only 10% of U.S. companies (147) have reached gender balance at the board level, and only 5% of companies (79) have a female Chairperson (board of directors).<sup>20</sup> From a representation standpoint, only 5% of companies globally have a female CEO, 13% have a female CFO and 7% have a female chair of their board. Looking at representation from the top to the bottom, women represent 26% of board members, 18% of executives, 25% of senior management and 37% of the total workforce. Gender balance across a company is rare, with only 18 companies globally achieving 40–60% of women at all levels (board, executive, management, and workforce).<sup>20</sup>

## PERSISTENT GAPS AND OPPORTUNITIES

Progress has been made, but much remains to be done to even come close to full gender equality. For example:

- As of 2021, women make up just 19.7% of software developers, 29.1% of chief executives and 67.4% of physicians and surgeons, typically higher paying jobs. At the same time, they make up 86.7% of registered nurses and 79.2% of elementary and middle school teachers.<sup>21</sup>
- Worldwide, 2.4 billion women of working age (15–64 years) from 178 economies across all regions still do not have the same legal rights as men.<sup>22</sup>
- In 2022, women earned 83 cents for every dollar earned by men.<sup>23</sup>
- The gap widens when broken down by ethnicity. Asian women make 90 cents for every dollar their white male counterparts make, Black women make 62 cents for every dollar. For Native Hawaiian and Pacific Islander women it is 61 cents, Native American women get 57 cents and Latina women earn just 54 cents.<sup>24</sup>
- Before the pandemic, income loss already disproportionately affected women. But the pandemic cost women around the world at least \$800 billion in lost income in 2020, which is equivalent to more than the combined GDP of 98 countries.<sup>25</sup>
- At the current rate of progress and the setback of the pandemic, the gender pay gap will likely not close for another 135.6 years.<sup>7</sup>

However, a PayScale 2019 survey shows that transparent pay policies can narrow the gender pay gap.<sup>26</sup>

- Research from late 2020 found that during the pandemic, women added an extra 5.2 hours on average per week for childcare. Not to mention, post-pandemic inflation has created additional challenges, given women spend 3x more on unpaid care work globally — specifically rising childcare costs which can create an even larger gender disparity in the workforce.<sup>27</sup>
- Women make up 55% of the world's unbanked population as of 2021, meaning they have no access to banking or insurance products. This means that their money is not protected, they

have no access to savings or checking accounts, or other financial products like insurance, credit facilities and loans.<sup>28</sup>

- As of January 2021, 200 million more men than women had access to the internet, and women are 21% less likely to own the mobile phone that helps them transfer money, run a business and connect with their community more effectively.<sup>28</sup>
- Out of the 17% of companies which have disclosed their gender pay gap, less than half have a strategy to close it. Only 8% of companies globally have a strategy to close the gender pay gap.<sup>22</sup>



Only about 2%  
of U.S. venture  
capital dollars go to  
female founders.

Source: PitchBook and National Venture Capital Association, "U.S. VC female founders dashboard," June 2023.



## ENTREPRENEURSHIP

Entrepreneurship is, by almost any measure, the backbone of the U.S. economy. The U.S. is, in fact, home to 33.2 million small businesses employing 46% of the private workforce.<sup>29</sup>

### PROGRESS

At the end of 2021, women-owned business represented almost half of all U.S. businesses, employ 10.9 million workers and generate \$1.9 trillion in revenue.<sup>30</sup> Research found that startups founded or co-founded by women generated 10% more revenue than male-founded startups over a five-year period, despite receiving less than half the funding.<sup>31</sup>

### THE PITCH

In 2022, startups led by women received 2.1% of venture capital and equity financing.<sup>32</sup> Only 11% of seed funding capital in emerging markets goes to companies with a woman on their founding team, and the figures are even lower for later-stage funding.<sup>33</sup> In emerging markets, 89% of seed funding capital goes to all-male founding teams, and the figures are even higher for later-stage funding.<sup>33</sup> Disparity emerges early in networking and the request for funding ("the pitch"). Studies show that male founders are more often asked advancement-based questions (ex: why they will succeed) in comparison to female founders who are typically asked prevention-focused questions (ex: why they will not fail) during a pitch.<sup>34</sup>

About 12% of decision makers at venture capital firms are women, and 65% of firms still do not have a single female partner.<sup>34</sup> All Raise, a nonprofit founded by 34 senior female investors, set a goal of increasing the percentage of venture funding going to companies with a female founder to 23% by 2030 and doubling the percentage of female partners in 5 years.<sup>35</sup>

## PERSISTENT GAPS AND OPPORTUNITIES

Women globally have lower rates of entrepreneurship than men, and the consequences can affect not only women's incomes

but also the performance of their companies and the types of products and services they create. Overall gender gaps, including participation gaps, wage gaps and entrepreneurial gaps may cause an average income loss of 15% in OECD countries.<sup>36</sup> Challenges may disproportionately affect women — for instance, global data suggests women were more affected by the pandemic than men, with the women's participation in the workforce falling from 60.1% in 2021 to 51.7% in 2022.<sup>37</sup>

## REAL-WORLD ACTIONS



“If women — who account for half the world’s population — do not achieve their full economic potential, the global economy will suffer.”<sup>38</sup>

This quote, from McKinsey Global Institute, says much about the repercussions of short-changing women. So what can be done? Here are some examples of how companies and governments have empowered women:

- Over 1,400 companies have joined a gender equality accelerator, Target Gender Equality, setting ambitious targets for women's representation and leadership and supports achieving them through peer-to-peer learning and country specific dialogues.<sup>39</sup>
- Women now hold more than one-third of seats on S&P 500 board committees, with representation growing from 21% in 2018 to 34% in 2022.<sup>40</sup>
- The 2017 UK “Equal Pay Transparency Bill” requires all companies with 250 or more employees to publish gender pay gap data<sup>41</sup> and Australia followed suit in 2023 passing the Workplace Gender Amendment Bill.<sup>42</sup>
- In November 2018, California passed a law requiring its public companies to have at least one woman on their board of directors by the end of 2019, and at least three by the end of 2021.<sup>43</sup> Currently in 2023, California now ranks third in the nation with board representation at 35% among Russell 3000 companies in comparison to being ranked 29th with 17% board representation in 2018.<sup>44</sup> Additionally, a recent study from the California Partners Project highlighted the proportion of California boards with all male members at less than 3%, down from 30% in 2018.<sup>43</sup>

## GLI PICKS UP STEAM

Gender lens investing has become a more commonly used strategy in the past few years. Publicly traded gender lens equity funds globally reached \$4.8 billion in Assets Under Management as of the end of 2022.<sup>45</sup> These funds often reference their gender lens or even specifically brand themselves as ‘gender lens strategies’ and may use different but overlapping approaches, including:

- Gender mandate strategies are those with an overarching hypothesis around gender equality — in areas such as capital access, leadership, policies, workforce composition or products — as a driver of long-term performance.
- Gender advocacy strategies use a shareholder engagement strategy, such as voting against all-male board slates or pushing for positions on equal pay.

- Gender systems strategies seek to address social challenges that disproportionately affect women, such as low-income housing (given that women are disproportionately poor, single heads of household, when compared to men), health care or transportation.

In addition, an important trend is traditional and broader sustainable funds that are newly incorporating gender as one of the many factors in their employment practices, sourcing and portfolio construction. While these funds may not specifically brand themselves as gender lens investments, the incorporation of gender as a material factor represents progress. Similarly, gender lens funds increasingly are inclusive of other lenses, specifically racial justice and climate. The incorporation of gender with other ESG factors to create additional insight represents a frontier for investors.

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## BOTTOM LINE

Gender parity, once little more than a dream for countless women and girls around the world, is now researched rigorously and spoken about openly, as it should be. But progress to parity cannot be taken for granted — as the global pandemic has demonstrated. It exacerbated the inequalities women face in education, employment and entrepreneurship. But it also shed light on the essential economic and social roles women play. As we have seen, gender lens investing may be one way to help speed up the journey to equality, as it gives investors the potential not only to diversify their portfolios while seeking competitive, risk-adjusted returns, but also may offer corporations financial incentives (that is, broadly speaking, by investing in or divesting from them) to improve their position on the issue. From an investor perspective, women and Millennials favor sustainable and impact investing, which includes gender lens investing, far more than other investors.<sup>46</sup> We believe investors should take time to learn about the potential benefits, as well as the potential risks, of gender lens investing, as the journey to gender parity stands to improve the lives of women and men, girls and boys, in the U.S. and around the world.



Talk with your advisor to learn more about gender lens investing and how it may be a pathway to help speed up the journey to equality.

*It is important to recognize that strategies such as gender lens investing do not eliminate the risks involved with investing. All investments, including gender lens investing, carry some degree of risk and can lose some or all of their value. Investment value might rise or fall because of market conditions, for instance, corporate decisions or political or economic events (to name a few).*

*If you are considering investing with a gender lens, be sure to talk with your advisor about your plans and understand how gender lens investing may align with your overall investment goals, investment timeline and appetite for risk. Though the gender lens investing field is continually evolving, we believe that the economic drivers fueling its growth remain sound. Your questions and interest may become part of the movement.*



# Glossary of Terms

**Alpha** is a measure of the active return on an investment, the performance of that investment compared with a suitable market index.

**C-suite** gets its name from the titles of top senior staffers, which tend to start with the letter C, for “chief,” as in Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) and Chief Information Officer (CIO).

**Return on equity (ROE)** is a measure of profitability that calculates how many dollars of profit a company generates with each dollar of shareholders’ equity.

## Index Definitions

**NASDAQ** Index is a global electronic marketplace for buying and selling securities on a computerized, speedy and transparent system.

**Russell 3000 Index** is composed of 3,000 large U.S. companies, as determined by market capitalization.

**S&P 500** is an index of the 500 largest U.S. public companies.

**Please see back page for important disclosure information.**

## Endnotes

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<sup>4</sup> Morningstar, “How does gender diversity fit into sustainable investing and why have gender indexes outperformed?” March 2023. Morningstar Gender Diversity Indexes outperformed their broad equity market equivalents by an average of 0.5% (annualized) on a 5-year basis.

<sup>5</sup> Deloitte, “The Deloitte Global 2023 Gen Z and Millennial Survey”, 2023.

<sup>6</sup> The World Bank, “Unrealized Potential: The High Cost of Gender Inequality in Earnings”, May 2018.

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<sup>16</sup> World Bank, April 2023.

<sup>17</sup> BofA Global Research, “Thematic Investing: The She-economy”, March 2019.

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<sup>21</sup> U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, 2021.

<sup>22</sup> The World Bank, “Women, Business and the Law 2022”, March 2022.

<sup>23</sup> The White House, “On Anniversary of Equal Pay Act, Signs of Progress and Remaining Challenges for Women in the Labor Market”, 2022.

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<sup>27</sup> BofA Global Research, “Fighting for DEI while battling inflation”, March 2023.

<sup>28</sup> World Economic Forum, “Tech can reach the world’s unbanked women — but only if they tell us how it should work”, January 2021.

<sup>29</sup> U.S. Chamber of Commerce, “The State of Small Business Now”, April 2023.

<sup>30</sup> Census Bureau, “2021 Annual Business Survey”, November 10, 2022.

<sup>31</sup> Hu, Elisabeth and Moyhihan, Ruqayyah. “Startups Founded by Women are Given Less Investment but Generate More Revenue”, 2018.

<sup>32</sup> PitchBook and National Venture Capital Association, “U.S. VC female founders dashboard”, June 2023.

<sup>33</sup> International Finance Corporation World Bank Group, “IFC ScaleX — A global program to increase access to early-stage capital for women-led startups in emerging market”, March 2023.

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<sup>37</sup> World Economic Forum, “Global Gender Gap Report 2022”, July 2022.

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<sup>46</sup> NASDAQ, “How Millennials and Gen Z are Driving Growth Behind ESG”, 2022.

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