

Built For Social Good: The Unique Role of Business

Address delivered by

Darryl White

Chief Executive Officer, BMO Financial Group

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Please check against delivery

Good afternoon. It is wonderful to see such a full room and it's great to be back home.

I'm constantly amazed by the scale of construction and roadwork in the city.

It seems particularly intense these days, doesn't it?

But this city is investing in the right direction, and the growth of this economy and its adaptation to change are palpable on every street corner.

This is an exciting time for Quebec and Montreal.

With the city's density, construction sites are complicated by everything else moving at full speed around them, and the challenges of digging in places that have been undisturbed for a long time.

The other day I read about a project in Toronto. It had just been stopped because the crew had uncovered something unusual and they needed to call in a team of archeologists.

It turns out they hit an artifact from the last Stanley Cup parade through Toronto!

There really is a fascinating dynamic going on right now between Quebec and Ontario. Things seem somewhat upside down.

Ontario is properly jealous of Quebec's fiscal policy and the fact that we have among the strongest GDP growth in Canada.

And in Quebec, if we're honest with ourselves, before the season started we may have had a little bit of jealousy of Toronto's chances to win the Cup this year. But look at the standings now!

It's a horse race for the Atlantic Division. The "bleu, blanc, rouge" have certainly been fun to watch!

The other team that is fun to watch is, of course, the BMO team — helping to make Montreal one of the world's great cities.

I'd like to recognize our Quebec leaders: Mario Rigante, Sylvain Brisebois, René Douville, Claude Gagnon, Francois Hudon, Sylvie Marois, Fil Papich, and Gregoire Baillargeon. Thank you for joining us here today.

“Is our prosperity so broadly-based and equally shared that our entire economy and population benefit? Or is it just the lucky few?”

And Gregoire, on behalf of everyone here, thank you for your leadership of the Canadian Club.

It has been about 369 days, 3 hours and 30 minutes since I became the 28th CEO of the Bank of Montreal.

Naturally, as I came closer to the one-year anniversary of my time on the job, I reflected on the year that was, and how I will use what I’ve learned to shape our agenda in the coming years.

I’d like to use my time with you today to share some of those thoughts and add a perspective or two on the future.

Lesson 1: the steady drum beat of growth and how you calibrate a large global organization to deliver sustainable results.

Underlying “sustainable results,” I consider the relationship between Canada’s economic growth and our population growth. I am increasingly interested in understanding how our economic growth is distributed across our population.

Is our prosperity so broadly-based and equally shared that our entire economy and population benefit? Or is it just the lucky few?

Lesson 2: I have been surprised to the upside by the responsibility a Canadian CEO has to nudge governments of all levels on behalf of Canadians.

Our governments increasingly consult with corporate Canada and their decisions are fundamentally stronger as a result.

Lesson 3: Talent: the importance of ensuring our pipeline of world-class talent at the bank is strong.

A significant part of that is changing the perceptions of young people about what it means to dedicate your career to growing a business, taking risks, earning a profit, and managing your capital.

And in our case at BMO, what it means to dedicate your career to helping our customers to do all four of those things at the same time.

The reality is that more and more young people look at globally significant employers and legitimately question if these are the workplaces for them. They ask: do these companies share my beliefs and priorities?

Every day, especially in areas like cyber, data analytics, and AI, there is a proverbial arms race going on to hire the best people.

Montreal is clearly on the right track with our AI investments and economic strategy.

But the need is huge and the supply side of the labour market is under-developed — a big opportunity for future generations.

When I look at some of those who have spoken from this podium, several of whom are with us today, I am humbled by your invitation and I hope to return the favour by provoking your thoughts.

The last lesson: the **strength of the relationship between the business community and young people, and their perception of what it means to pursue a career in business**, is where I will focus my comments today.

I’d like to address this relationship through the perspectives of:

- How sustainable and inclusive our economic growth is;
- The export potential we have as a country and the impact of global trade flows; and
- The paradox of how social media has evolved, and the way it impacts how we relate to each other as citizens.

Earlier this year I attended the Canadian Business Hall of Fame dinner in Toronto.

Seated beside me at my table was a young woman just finishing university who had been recognized as one of the top achievers across all Canadian business programs.

“When I think about the purpose of our bank, we’re all bankers but we’re not just bankers. We exist to convene, to catalyze, and to empower change that sustains growth for good.”

She shared with me the negative experiences that she and other business students have had on campus for committing the “crime” of showing an interest in studying business, instead of dedicating their talent to other careers where they could be making a “bigger” social impact.

She explained to me that they had been made to feel like “pariahs” and “demonized” by their peers for their choice.

She was made to feel that the choice to pursue a career in business is equivalent to endorsing the greatest historical excesses of greed, or failing to make a positive civic contribution.

Over the years I’ve had many similar conversations with other young people interested in pursuing a career in business.

So I asked her what would happen if I came to her campus and explained all of the good we’re doing in the world and shed light on what society would lose without a vibrant business community.

Her response? She laughed at me and she said, “You’d have no chance.” In fact, she said, “You’re a banker, you’re the *last* person they will listen to.”

I had to admire her candour...

The thing is, I think she and her peers might actually be surprised at what they’d hear.

I have so many examples of things that we’re working on at BMO that, considered in isolation, don’t seem to have much to do with the income we earn or the short-term financial risk we take:

- This year we’ve underwritten US \$6 billion of green, social or sustainable development bonds.
- We’ve participated in approximately \$6.5 billion worth of renewable energy equity and debt financing. We’ve provided just over \$4 billion of loan commitments to renewable energy projects.
- Over 40% of our senior leadership roles are held by women and over one third of the directors on our board are female.

- We’re committing new funds, over \$3 billion in total, to companies led by women entrepreneurs.
- We are one of Canada’s most diverse and inclusive workplaces, the only Canadian bank amongst the top 25 companies on the 2018 Thomson Reuters Global Diversity & Inclusion Index.
- Last year, BMO gave over \$62 million to registered charities and non-profit organizations in Canada and the United States.
- More than 92% of our employees participated in our annual Employee Giving Campaign, donating \$22 million of their own money to local Centraide and United Way organizations and charities.
- BMO was recently named one of the world’s most ethical companies by the Ethisphere Institute, one of only four banks in the world to be recognized.

Each of these outcomes and statements matters.

The long-term success of all of the companies in this room (and I say this from the vantage point of a company that marked the start of its 202nd year in business on Saturday) rests on investing in areas that create the right conditions for sustainable, long-term performance.

When I think about the purpose of our bank, we’re all bankers but we’re not just bankers. We exist to convene, to catalyze, and to empower change that sustains growth for good.

With the strength of our people on top of the platform of our businesses, we positively impact the lives and opportunities of our customers and of society.

Working together we can promote sustainable, inclusive and broad-based economic growth.

Every day we bring to life our license from the people of Canada to run a bank by deploying the capital we supply to businesses and people.

Sustainable and inclusive broad-based economic growth means much more than working to efficiently deploy capital to the benefit of our shareholders.

That works for only as long as economic conditions permit it. At its core, pursuing sustainable and inclusive broad-based economic growth means addressing the inequality of opportunity and income that exists, including here in Montreal.

We do this by leaning in to influence the forces that shape our economic conditions instead of simply reacting to them.

Without each of us working together towards a future that is more inclusive, fair and equal for Canadians, the long-term growth potential and the sustainability of our economy is far too limited.

On our own, we will only be as strong as the strongest parts of our economy, when what we really need is to raise the performance of as many parts of our economy as possible, and the whole as a result. Consider what we could accomplish by realizing the growth potential that greater and fuller workforce participation would have.

The disparity of income that exists from one neighbourhood to another and the fact that your postal code is a starkly reliable indicator for your opportunity in life, is as much an economic problem as it is a social problem.

And the notion of under-employment is real: when people are not contributing to their highest economic potential and leaving jobs unfilled.

My formula for how to achieve competitive growth in a developed economy is simple but hard to solve for.

Compared to the countries we're competing with, our economy needs more people working more productively than we did last week, last month or last year.

This "full-er" employment drives more income, which translates into higher business investment, growing payrolls, and increased tax revenue for governments.

That gives our governments more capacity to improve publicly-funded research, public services, and schools at all levels.

A virtuous circle for productivity growth.

While the most important lever influencing Canada's long-term population growth trajectory is immigration policy, we cannot leave aside or ignore questions of how we can support under-employed and vulnerable populations.

Solving for more people working more productively also includes the rest of Canada following Quebec's lead and ensuring that women have equal access to employment opportunities, and adequate and universal supports to re-enter the workforce after a maternity leave.

And the best part — the promotion and widespread acceptance of paternity leaves.

This isn't about giving men time off. It's about giving women the space to pursue their careers, and driving the outcome of both parents eventually re-integrating into the workforce.

It's worth noting that Quebec's participation rate among working age women — 86.8% — was the highest in Canada in 2017 by a wide margin, nearly four percentage points above the national average.

To put that in perspective, if the rest of the country saw female participation in that age group rise to Quebec's levels, roughly 400,000 women would be added to the labour force overnight — this is more people, working more productively.

Other ways to increase our workforce participation include delivering the right workplace accommodation to someone unemployed or under-employed due to a disability, or providing timely and targeted training to a worker recently laid off from their job to help them learn a new skill that's in high demand.

“The impacts on the world’s poorest populations from changes to global trade flows are not widely discussed alongside the popular high-level narratives of isolationism and protectionism.”

And (I’m dealing with this next idea in real time right now) while it’s an inexact science, ensuring that our kids and their parents are provided easy-to-understand labour market projections — both before and while they’re wrestling with that huge life choice of whether to pursue a skilled trade, college, or university.

We certainly knew five years ago that skilled tradespeople like electricians, plumbers, and mechanics would be in high demand now, but how are we closing that feedback loop to help kids make informed choices?

It’s common for equity analysts who research public companies to comment on the quality of their earnings. A company will get top marks for earnings that come from sustainable growth that drives revenue performance and income.

Meanwhile, they will get marks taken off for earnings that come from one-off boosts to profitability that don’t seem to represent fundamental or sustainable performance.

We should be applying a similar lens to the *quality* of our economic growth. The first Friday of every month there is an entire industry dedicated to forecasting how many jobs were created in the previous month.

We should be looking just as hard at the quality of those jobs as we do at how many of them were filled.

But sometimes it is hard to see the forest for the trees, to recognize when things are going well.

It’s like we’re hard-wired not to see or hear the good stories. Tales of tragedy or misfortune are much easier to tell than those that inspire.

When the immediate challenges of poverty and inequality seem so significant, it’s easy to be cynical about how far we’ve advanced as a global society.

Let’s consider the benefits that free trade and globalization have brought, and the role businesses like ours and yours have made along the way.

According to the World Bank, since 1990, global trade has helped to cut the number of people living in extreme poverty in half.

And while governments created the conditions for increased trade through agreements — and this is really important — it wasn’t the government that went the last mile.

That achievement is owed to businesses competing and trading with each other, and in the process, cutting in half the number of people living in extreme poverty.

But importantly, and another signal to young people interested in tackling issues like poverty, the tremendous achievements we’ve made rely on continued economic growth in high-income countries flowing to developing countries.

Here’s the problem with the narrative: the impacts on the world’s poorest populations from changes to global trade flows are not widely discussed alongside the popular high-level narratives of isolationism and protectionism.

As a former cabinet minister from Costa Rica, then working at the World Bank, said: “These gains, while impressive, are not necessarily permanent. If high-income countries close themselves — and their customers — off from global markets, the world’s poorest people will suffer the most.”

So if you’re a young person looking to make a meaningful difference in the lives of the world’s poorest people, I would say you can choose one of three routes:

You can get into politics and advocate for a pro-trade agenda, you can pursue a career in the public sector in international aid or as a missionary, or you can create or join a company making a difference in the world.

By helping to grow our own domestic economy, or importing and exporting goods and services. In this case it is literal.

Business and commerce improves lives.

Considering the complexity of international aid programs, the simplest way for economic benefit to flow to a developing country is through greater levels of trade and commerce.

Business activity transfers capital much more efficiently and provides local benefits through increased local employment and tax revenue.

Here at home, the export market opportunity for small and medium-sized Canadian businesses has never been stronger.

Consider this: in the coming years, only one G7 country — Canada — will have free trade access to every other G7 country. And only one nation will have free trade access to all of North America, the 28 members of the European Union, and the 10 economies of the Trans-Pacific Partnership.

When you consider the barriers to trade up against those other countries we're competing with, **Canada is truly in a class of its own as far as export growth *potential* is concerned. But *potential growth* doesn't mean much if it's not realized.**

We need to change our mindset as Canadian business leaders to look for new customers not a few cities and provinces away, but in other countries as well.

The argument for young people to make a positive impact in their community and in the world by working for a company like ours is indeed clear but sometimes it can be difficult to get that argument through the digital clutter.

The rise of populism has had a consequence of cementing a view amongst people of all ages but especially young people, that the "establishment," commerce, and a career in business are all bad.

I recently spent time with PLAN Canada, a not-for-profit organization focused on promoting social justice for youth.

A young woman in first-year university named Ravicha Ravinthiran had volunteered to take over my job for a day and run the bank as part of their "Girls Belong Here" campaign, raising awareness for girls to see themselves in leadership roles.

At the end of our day together I asked her if there was anything that surprised her about her experience.

She said she was blown away by how much time we spent discussing topics like the social impact of our business decisions and our purpose as a company.

What is so remarkable about her comments is how unremarkable that, in fact, is. These kinds of conversations are exactly what corporate leaders deal with on a regular basis.

Through experiences like the one I had with the business student who shared her struggle with peer pressure or working alongside BMO's CEO for the day, I've come to understand more clearly that it's the responsibility of the business community to make the argument that business is a powerful tool for promoting social good.

No one else will make the case for us. The cavalry is not coming. Unless we get better at telling that story, we will not attract the best and brightest of the next generation.

Telling that story requires meeting them where they are. And increasingly, that's on social media.

Social media is a profound tool that connects us in ways we couldn't even dream of just a few years ago. But a growing concern for me is the combination of the rise of populist movements with the rise of social media and how that's impacting the way we relate to each other.

For a medium designed to increase connectivity, to bring people closer together, it increasingly feels like its most powerful effect is to reinforce the boundaries of various groups among us — inhibiting exposure to diverse points of view and driving greater polarization of public debate.

We can easily be convinced of a hunch on something after we see it on Facebook because we searched for it on Google.

“To thrive and grow as a society we need to constantly have our views challenged. In fact what we really need is to spend more time with more people who disagree with us. Sameness ultimately leads to ignorance, while diversity of thought breeds innovation.”

The algorithms that provide relevant search results are increasingly shaping our view of the world by tailoring the information that we consume.

When our instincts are perpetuated in a positive sense, they're like fly-wheels, spinning faster and faster, in more productive ways.

When our instincts are perpetuated in a negative sense, they can quickly become downward spirals.

To thrive and grow as a society we need to constantly have our views challenged. In fact what we really need is to spend more time with more people who disagree with us. Sameness ultimately leads to ignorance, while diversity of thought breeds innovation.

This is true of our workforce at BMO and I believe it is true of our population.

We all need to consider carefully the measures we take that limit our exposure to different ways of thinking and having our views challenged.

As a business community we have a responsibility not to let the story of the social good we do go untold.

The positive impacts we're making won't continue unless we attract young people to follow in our footsteps and grow the next CN or Saputo.

Right now it is just too easy to talk negatively of establishment businesses despite the fact that so much good in the world comes from them.

I truly believe that companies like BMO can be forces of good in our world.

We must get better at sharing our values and stories with younger generations. Corporate leaders like all of us can make a difference in changing attitudes.

Just look at the extraordinary impact Bell Canada has made on how we perceive mental health in Canada. They have changed the conversation.

If you'd permit me to conclude with one ask: I think it is hard to disagree with the notion that all of us in this room, pursuing careers in business, are making significant and positive impacts in our communities. We need to stand up tall and share the virtues of business and modern commerce:

- How global trade has literally lifted millions of people out of poverty and saved lives;
- How putting barriers to trade back up between nations lowers our growth potential;
- How by distributing economic opportunity more fairly we can actually supercharge our growth potential; and
- How we need to place a premium on thinking critically about the flood of information that comes our way and focus on embracing the extraordinary diversity in our population.

These are the differences that make us stronger, more resilient, and ultimately more prosperous.

And these are the arguments I am confident future generations need to hear from business leaders. If they see themselves reflected in the values of their leaders, they will grow up seeing themselves in these roles one day, and our country will be stronger for it.

Thank you.