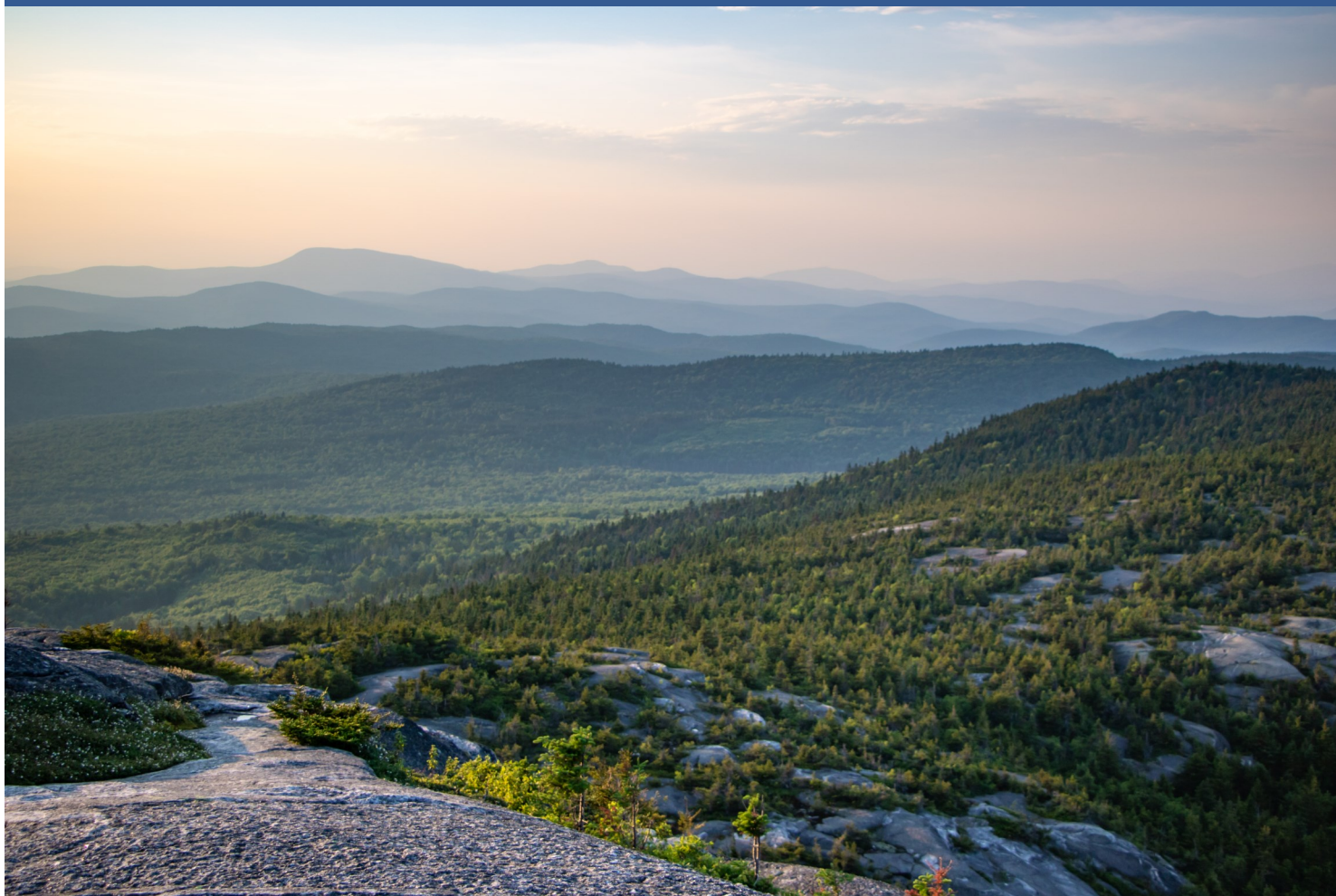


# ANNUAL IMPACT REPORT 2018



**Walden Asset Management**

*The sustainable, responsible, and impact investment practice of Boston Trust & Investment Management Company*

# Introduction

Walden is pleased to present our Annual Impact Report for 2018. Whereas past reports focused solely on shareholder engagement, for the first time this publication summarizes initiatives and outcomes across the full range of approaches that we utilize to encourage more sustainable business policies and practices, including:

## ■ *Active ownership through effective engagement with portfolio companies*

We continue to provide industry-leading measurements and disclosure on the reach and impact of our company engagement initiatives. Active ownership strategies can contribute to meaningful improvements in corporate policies, practices, and accountability. A new innovation this year is a three-year cumulative impact rate—a measurement of company progress that better aligns with the pace of corporate change. We also continue to report metrics introduced last year that describe our engagement activity through the lens of the United Nations’ Sustainable Development Goals (SDGs).

## ■ *Active ownership through proxy voting*

Shareholders have an opportunity to express their views to company directors and management through the proxy process. Strong voting support on environmental, social, and governance (ESG) matters sends an important signal that shareholders believe ESG performance can contribute to long-term business success. We take this fiduciary responsibility seriously and simultaneously encourage other investment firms to do so as well. We report on our proxy voting for the year-ending June 30, which coincides with the conclusion of the main proxy season.

## ■ *Integration of environmental, social, and governance (ESG) factors in investment decisions*

Company performance on ESG factors is integral to our investment approach that identifies and invests in high quality companies with sustainable business models. We demonstrate that our clients’ portfolios are well positioned relative to ESG risks and opportunities by providing carbon portfolio footprint analyses as well as an independent assessment of our work by the Principles for Responsible Investment (PRI), the leading global network for responsible investors.

## ■ *Advocating for impactful public policies*

Complex issues such as climate change and employment equality cannot be adequately addressed on a company-by-company basis. Effective public policy and regulation at the federal and state levels is needed to solve many long-term ESG challenges we face. We bring an investor voice to public policy debates through direct testimony and participation in collaborative initiatives. We provide a summary of such initiatives in 2018, including significant efforts to preserve shareholders’ right to file proxy resolutions.

## ■ *Contributing to industry thought leadership*

As an investment firm with over four decades of ESG experience, we strive to help define best practices in responsible and impact investing. For 2018, we highlight our leadership in the Investor Advisory Group of the Sustainability Accounting Standards Board (SASB) as well as other industry collaborations.

These are the levers we have as investors to promote business sustainability. We know that to be successful ambassadors for positive momentum we must also work internally to emulate the corporate conduct we seek in our portfolio companies. We conclude our report with an update on our in-house progress.

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# Active Ownership: Shareholder Engagement

## 2018 Results

We engaged over half of the companies held across investment strategies in 2018 (see table 1). We encouraged improved ESG performance in numerous ways, from direct dialogue with company executives to filing shareholder proposals to participating in broad-based coalitions.

We consider engagement to be successful when we observe progress toward one or more of three potential outcomes: better corporate policies, more sustainable business practices, and greater ESG transparency. In 2018, 77 companies demonstrated improvement, which translates to an impact rate of 45% (77 companies improved/171 companies engaged). The most frequent topic we engaged on was board diversity (78 companies), and the highest impact rate by topic was Equal Employment Opportunity (EEO) disclosure at 73% (see table 2).

Table 1: Reach and Impact Metrics

REACH	# of Portfolio Companies Engaged	171
	Reach Rate (% of Universe*)	55%
IMPACT	# of Portfolio Companies	77
	Impact Rate (% of Portfolio Companies Engaged)	45%

Table 2: Impact by Engagement Area (in order of frequency)\*\*

Board Diversity	28% (22/78)
Lobbying	31% (9/29)
Climate Change	42% (11/26)
ESG Reporting	58% (14/24)
Equal Employment Opportunity (EEO) Disclosure	73% (8/11)
LGBT Non-Discrimination	56% (5/9)

\*2018 engagement universe totaled 313 companies. Companies are only counted once for impact, even if the company made changes in more than one area, or if we engaged the company multiple times during the year.

\*\*Impact by engagement area, in order of the "reach" of each issue. Here a company could appear in more than one area (e.g. board diversity and lobbying).

The 2017 Annual Impact Report can be found at [waldenassetmgmt.com/impact-report-2017](https://waldenassetmgmt.com/impact-report-2017)

We explain our methodology and limitations to measuring impact here: [waldenassetmgmt.com/measuring-impact-2019](https://waldenassetmgmt.com/measuring-impact-2019)

Past performance does not guarantee future results.

## Engagement Focus Areas



### Climate Change

- Science-based greenhouse gas emissions targets
- Public policy advocacy



### Equality

- Board diversity
- Equal Employment Opportunity (EEO) disclosure
- LGBT employment non-discrimination



### Governance

- ESG/sustainability reporting
- Lobbying transparency
- Proxy voting and fiduciary responsibility

*77 of the 171 companies we engaged in 2018 made positive changes – a new high since we started measuring our impact in 2012.*

*Board Diversity was the most frequent topic we engaged companies on in 2018.*


# Active Ownership: Shareholder Engagement

## Active Ownership in Practice: Impact by Engagement Focus Area

We are committed to transparency regarding what we count as impact—improvements in ESG policies, practices, or transparency. While progress is frequently catalyzed by our engagement, observed improvement often represents the hard work of, and collaboration with, other investors and stakeholders. Additionally, our input and encouragement sometimes bolsters corporate advocates who are already committed to continuous ESG improvement or are motivated to make changes for other business reasons. The tables below account for the vast majority of companies included in our impact metrics.

### Equality

Objective	Progress	Companies
Increase representation of women and people of color on boards of directors	Added one or more diverse directors to board	Amdocs; American Campus Communities; Anika Pharmaceuticals; Camden National; Citrix Systems; Dentsply Sirona; Digital Realty Trust; Hub Group; Kadant; Lakeland Financial; OneGas; Plantronics; Service Corp; Tanger Factory Outlets; Texas Roadhouse; Valmont Industries; Waters; Zimmer Biomet
	Improved governance documents or proxy disclosure regarding diversity in new director nominations	Anika Pharmaceuticals; Atrion; Chemed; Digital Realty Trust; Dril-Quip; Kadant; Tanger Factory Outlets; Tompkins Financial; Valmont Industries
Disclose workforce composition statistics	Publicly disclosed or committed to publish workforce diversity statistics (EEO-1 data)	BB&T; Discover Financial Services; Dollar General; Morningstar; SunTrust Banks; W.W. Grainger
	Responded to the Workforce Disclosure Initiative (WDI) on workplace and supply chain labor practices	AT&T; Burberry; Canadian National Railway; Cisco Systems; Compass; Intel; J.P. Morgan Chase; Microsoft; Nestle; SAP; Schneider Electric
Adopt inclusive Equal Employment Opportunity (EEO) policies that explicitly protect employees from discrimination	Expanded EEO policy to be more LGBT inclusive	Bridge Bancorp; Chemed; IPG Photonics
	Added EEO policy to website	Chemed; The Ensign Group; Realty Income
Other actions in support of equality	Report gender pay gap and pursue gender pay equity	American Express

Impact by our other engagement focus areas continue on the next page 

# Active Ownership: Shareholder Engagement



## Climate Change

Company	Description
American Water Works	Set target to reduce absolute GHG emissions 40% by 2025 from a 2007 baseline
BB&T	Set target to decrease energy consumption by 25% and water consumption by 10% in five years
Ball	Set target to reduce absolute GHG emissions 27% by 2030 from a 2017 baseline
Cerner	Responded to CDP Climate Survey
Comcast	Committed to 100% renewable energy, zero waste, and a zero emissions fleet in 2018 CDP response
ConocoPhillips	Joined Climate Leadership Council as a founding member and committed to contribute \$2 million to lobby for a "carbon dividend"
CVS Health	Set target to reduce absolute GHG emissions 36% by 2030 from a 2017 baseline
Emerson Electric	Hired consultants to help set GHG reduction target
ExxonMobil	Conducted an initial 2-degree scenario analysis: a report on how transitioning to a low-carbon economy would affect their business
Home Depot	Set target to reduce absolute GHG emissions 40% by 2030 from a 2011 baseline.
Hubbell	Plans to disclose its work on energy efficiency and measure its GHG emissions to establish a 2019 baseline with goals likely in 2020
McDonald's	Set target to reduce absolute GHG emissions from its franchisees, restaurants, and offices by 36% and the emissions intensity of its supply chain by 31% by 2030 from a 2015 baseline



## Governance

Objective	Progress	Companies
Publish comprehensive sustainability reports that include actionable ESG metrics and goals	Established internal team with responsibilities for environmental and social performance	Brinker International; Oceaneering International; OneGas; Westinghouse Air Brake
	Published inaugural ESG report and committed to expand ESG disclosure	Atmos Energy; Brinker International; Dril-Quip; Forum Energy Technologies; Helmerich & Payne; OneGas; SunTrust Bank; Texas Roadhouse
	Referenced and reported Sustainable Accounting Standards Board's (SASB) metrics	Diageo; Nike
Disclose lobbying policies, oversight, and expenditures	Agreed to expand disclosure on lobbying practices	AT&T; ConocoPhillips; IBM
	Positive advocacy in support of sustainable practices or policies	3M; Becton Dickinson; Clorox; EcoLab; ExxonMobil; Microsoft
Integrate ESG considerations into proxy voting and engagement (investment firms only)	Amended proxy voting practices regarding environmental and social proposals	Artisan Partners; Cohen & Steers
	Improved proxy voting record on environmental and social proposals	Eaton Vance; J.P. Morgan Chase; Vanguard*
Other actions in support of good governance	Agreed to phase down use of antibiotics in chicken supply chain	Brinker International
	Adopted a livestock antibiotics policy that follows FDA regulations	Texas Roadhouse

\*While Vanguard is a private company, in 2017 we filed and withdrew resolutions on proxy voting with two of its mutual funds. Vanguard is not counted in our "Reach" or "Impact" metrics.

# Active Ownership: Shareholder Engagement

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## Beyond the Metrics and Charts

We have worked hard to help define and continually improve best practices with respect to reporting on the impact of shareholder engagement. Yet we understand that context and nuance are not easily conveyed in numbers and charts. The following profiles of engagement are illustrative.



### *McDonald's Sets GHG Reduction Goals*

To mitigate climate change, Walden asks companies to set greenhouse gas (GHG) reduction targets based on accepted scientific research. In our recent review of portfolio companies' progress on GHG goals over five years, we are encouraged that 52 companies have improved their policies, practices, or disclosure. McDonald's is a case-in-point. Walden has interacted individually and collaboratively over the years with this global fast food chain, including as a participant in its formal stakeholder group.

In 2018, McDonald's became the first restaurant company to set a science-based GHG reduction target. Its size alone makes this extraordinarily significant. There are over 37,000 McDonald's restaurants in 120 countries, which sell an estimated 75 hamburgers every second. McDonald's environmental impact is enormous.

McDonald's committed to reduce greenhouse gas emissions related to its restaurants and offices by 36% by 2030 from a 2015 base year. The company also committed to an ambitious 31% reduction in emissions intensity (per metric ton of food and packaging) across its supply chain by 2030 from 2015 levels. McDonald's estimates that its Scope 3 emissions, which include supply chain emissions, totaled approximately 42 million metric tons in 2017. It expects to prevent 150 million metric tons of GHG emissions by 2030 if it meets these goals.

Just as it once was rare to see companies make commitments to reduce emissions, it continues to be unusual for companies to set public goals for emissions outside their direct influence. Given that most McDonald's restaurants are operated by franchise partners, achieving the goals will require effective collaboration. McDonald's will prioritize action on the largest segments of its carbon footprint: beef production, restaurant energy use and sourcing, and packaging and waste. Our hope is that McDonald's leadership becomes the benchmark for other companies to follow.

Walden also asks companies to advocate for and support effective climate policy with lawmakers at the local, state, national, and international levels. We commend McDonald's membership in the We Are Still In coalition, which provides a platform for companies to influence public policy on climate change.

# Active Ownership: Shareholder Engagement

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## *Companies Expand Board Diversity*

Mounting research, corporate testimony, investor activism, and, perhaps above all, common sense, support the notion that, all else equal, diverse boards are better boards. Benefits associated with board diversity include a larger candidate pool from which to pick top talent, better understanding of consumer preferences, a stronger mix of leadership skills, and improved risk management. Despite this, women and people of color remain significantly under-represented on

U.S. corporate boards, accounting for approximately 20% and 10.6% of S&P 1500 directorships, respectively.<sup>1</sup>

In 2018, we initiated or continued engagement on board diversity with 78 portfolio companies. Most conversations stem from our annual follow-up with firms that did not meet our threshold of 30% diversity required to vote proxies in support of directors serving on board nominating committees. These companies' progress is encouraging: 18 companies increased board diversity through recent appointments of 22 directors who are women and people of color (see page 4) and numerous firms have made public commitments to diversify candidate pools, develop lists of qualified diverse candidates, and embark on other strategies that we believe will enhance board diversity in the coming months and years.

<sup>1</sup> ISS U.S. Board Study, Board Diversity Review, April 11, 2018.



## *Companies Align Lobbying with Environmental Goals*

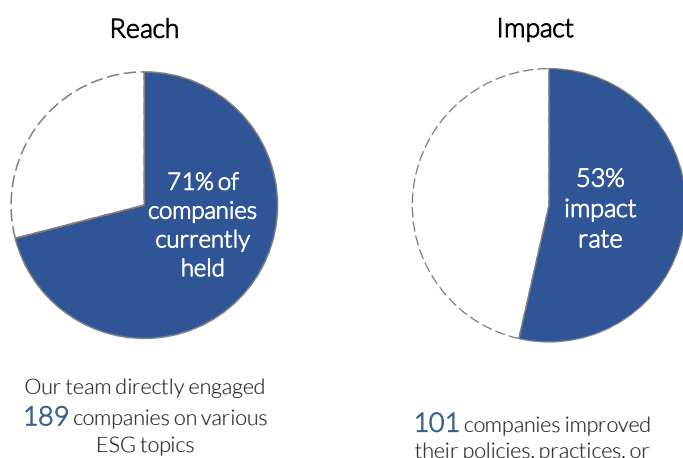
Americans throw away an estimated 100 billion plastic bags each year according to the U.S. Environmental Protection Agency, and the average bag takes up to 1,000 years to break down. Harmful plastic waste persists in the environment and food chain. Plastic litter enters the marine environment at a rate of 8 million metric tons per year.

In support of an As You Sow Foundation initiative, we wrote 21 portfolio companies that are members of the Plastics Industry Association (PIA) to express concern about the organization's lobbying for state-level preemption laws that prohibit local communities from enacting plastic bag ordinances. We asked companies to explain to PIA how this lobbying activity conflicted with their corporate environmental goals. We commend the leadership of three companies that have taken decisive action. Global medical technology company BD (formerly known as Becton Dickinson) agreed that PIA's positions were inconsistent with company goals and plans to withdraw its membership. The Clorox Company announced it would let its membership in PIA expire at the end of 2018 stating its decision to "focus on organizations that most align with our business and corporate responsibility priorities." Lastly, Ecolab told us that it had previously communicated its intention to end membership in PIA, stating "we do not support prohibiting local bans on plastic bags and do work hard to support sustainable business practices broadly."

# Active Ownership: Shareholder Engagement

## 3-Year Cumulative Impact Metrics

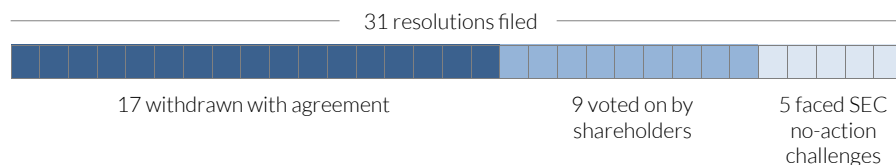
We are long-term investors who believe that corporate change often requires a multiple year horizon from commitment to implementation. Below, we introduce a three-year cumulative impact rate. Over the past three years, we engaged 71% of companies currently held in client portfolios and achieved an impact rate of 47%.



\*Three-year engagement universe totaled 267 companies held in client portfolios as of 12/31/18.

## 2018 Resolutions

Walden led or co-led 21 resolutions on a variety of ESG topics and co-filed 10 more resolutions led by other investors. A record 17 of the 31 resolutions were withdrawn with agreements. The median level of support for the nine shareholder resolutions that went to a vote was 28% (the average was 25%). The highest vote of 40% was at Emerson Electric. Five of our proposals faced SEC no-action challenges or the threat of a no-action challenge — 1 was omitted by the SEC and 4 were withdrawn for tactical reasons.



See our 2Q 2018 report for more information at [waldenassetmgmt.com/impact-quarterly-2Q18](http://waldenassetmgmt.com/impact-quarterly-2Q18).

Past performance does not guarantee future results.

## A Look Back

Our 2018 impact results represent a new high for number of companies demonstrating progress. Our year-by-year impact results are below.

Year	Number of Companies		Impact Rate
	Reach	Impact	
2018	171	77	45%
2017	148	51	34%
2016	147	45	31%

## An Industry Milestone

Walden filed its 500<sup>th</sup> shareholder resolution this season. Since 1987, we've withdrawn more than 40% of our resolutions after companies committed to improve policies, practices, or transparency. In the current policy environment, in which this shareholder right to file proposals is under threat, we are especially proud of our record demonstrating that resolutions contribute to positive corporate change.

# Active Ownership: Shareholder Engagement

## 2018 Impact Relative to the Sustainable Development Goals (SDGs)

The United Nations' Sustainable Development Goals (SDGs) represent 17 goals and 169 sub-targets that serve as a global framework for sustainable development through 2030. In 2018, our engagement work touched on topics related to 12 of the 17 goals. Company engagement is a central component to our approach to advancing the SDGs.

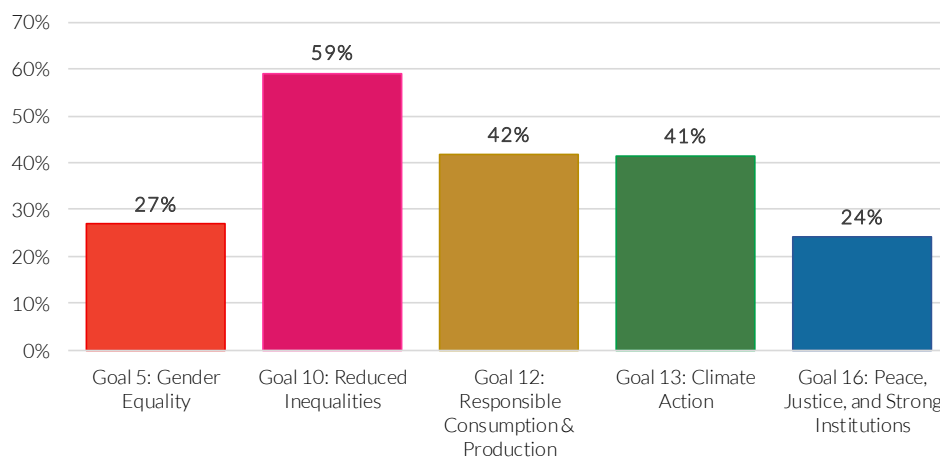


### Number of Companies We Engaged



We had 253 total SDG-related engagements in 2018

### Impact Rate by Engagement Focus Areas



We recognize the SDGs as an important tool in global efforts to end poverty, reduce inequality, protect the natural environment, and pursue peace and stability. We further believe that the realization of the goals will be good for our clients, their investments, and the global economy.

Impact Rate is expressed as the percentage of companies demonstrating improvement relative to the companies reached through engagement. Not all engagements align with the SDGs. For instance, our work encouraging companies to have separate CEOs and Board Chairs—while good governance—does not directly relate to the SDGs. Due to the interconnected nature of the SDGs, a single engagement may deal with themes related to multiple SDGs at once. The chart above represents our best determination of the appropriate SDG category for each engagement. A company could be counted in more than one SDG due to multiple engagements throughout the year.

For more details on our commitments, read our paper entitled, "The SDGs: Walden's Framework for Incorporation and Advancement" at [waldenassetmgmt.com/SDGs-2017](http://waldenassetmgmt.com/SDGs-2017).

# Active Ownership: Proxy Voting

We vote on company- and shareholder-sponsored proposals presented in company proxy statements. We take this fiduciary responsibility seriously and vote in opposition to management recommendations when we consider it to be in the long-term best interests of our clients. This proxy season, we voted against at least one management recommendation two-thirds of the time. Moreover, we voted in favor of the vast majority of shareholder-sponsored resolutions, which includes virtually all environmental and social proposals.

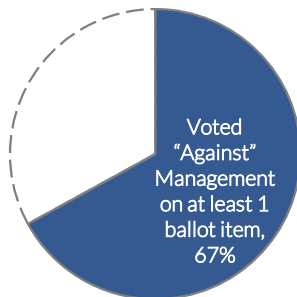
Our voting policy on board diversity accounted for the most significant departure from management recommendations on company-sponsored ballot items. We voted against directors serving on nominating committees at 34% of US-based portfolio companies because women and people of color constituted less than 30% of the board of directors. As profiled earlier in this report, we then engaged dozens of these companies on board diversity.



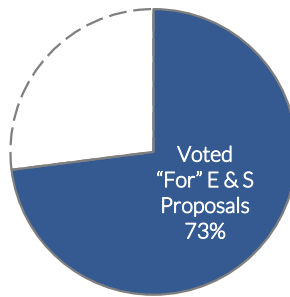
*Our shareholder proposal at Emerson Electric received a **40%** vote in support of setting goals to reduce GHG emissions*

## How We Voted—Year Ended June 30\*

Company Annual Meetings  
(272 Total)



Environmental (E) and Social (S) Issue  
Shareholder-Sponsored Proposals  
(97 Total)



### Our most significant votes "against" management on company-sponsored proposals:

- 34% against nominating committee members due to insufficient board diversity\*\*
- 17% against directors for serving on too many boards\*\*
- 8% against executive compensation

### Shareholder-sponsored proposal topics that appeared on five or more proxy ballots:

- Increase various shareholder rights (supported 34 of 37)
- Improve disclosure of political contributions and lobbying (19/20)
- Commit to an independent board chair (17/17)
- Link executive compensation to ESG performance (6/6)
- Set greenhouse gas emissions goals and improve climate risk disclosure (5/5)

\*The charts summarize how we voted on company- and shareholder-sponsored proposals for companies held in our investment strategies as of June 30, 2018. Walden International Equity Fund holdings are excluded.

\*\*The percentages are based on 240 companies headquartered in the US.

# ESG Integration

## ESG Philosophy

Our firm has been integrating environmental, social, and governance factors into investment decisions since 1975—one of the longest track records of any institutional investment manager. ESG considerations are integral to our investment philosophy. Simply stated, we seek to invest in enterprises with sustainable business models, strong financial underpinnings, prudent management practices, and a governance structure that supports these objectives. Companies that pay insufficient attention to the long-term well-being of their employees, the communities in which they operate, and their natural environment are likely taking business risks that we seek to avoid.

## Principles for Responsible Investment (PRI)

Our firm has been a signatory to the Principles for Responsible Investment (PRI) since 2007. Signatories commit to integrating corporate ESG assessments into investment decision-making and ownership practices. Each year signatories must report on their activity through the PRI's Reporting Framework, and PRI evaluates their performance relative to peers. Our 2018 assessment is below.

Signatory of:



*We have achieved the highest score, A+, for ESG integration from the PRI.*

	Strategy &	Listed Equity –	Listed Equity –	Fixed Income –
<b>Our Score</b>	<b>A+</b>	<b>A+</b>	<b>A+</b>	<b>A</b>
Median	A	B	B	B

\*The PRI is an independent organization described as the world's leading proponent of responsible investing. Joining the PRI enables organizations to publicly demonstrate their commitment to responsible investment. Read Walden's full Transparency Report and learn about PRI's scoring methodology here: [unpri.org/signatories/boston-trust-and-investmentmanagement-company/961.article](https://unpri.org/signatories/boston-trust-and-investmentmanagement-company/961.article)

## Carbon Footprint

Each year we voluntarily disclose the carbon footprint of representative investment portfolios. In 2018 we began measuring our carbon footprint using a new metric—weighted average carbon intensity—as recommended by the Task Force on Climate-related Financial Disclosure (TCFD). Our carbon footprints by investment strategy are reported in the chart below. You can read our TCFD response at [waldenassetmgmt.com/tcf-d-2019](https://waldenassetmgmt.com/tcf-d-2019).

Strategy	Weighted Average
Small Cap (relative to the Russell 2000*)	-54%
SMID Cap (relative to the Russell 2500™)	-78%
Mid Cap (relative to the Russell Midcap*)	-81%
Large Cap (relative to the Russell 1000*)	-47%
Fossil Fuel Free Large Cap (relative to the Russell 1000*)	-40%

*Across investment strategies, Walden portfolios are 40–80% less carbon intensive than their respective benchmarks.*

Data as of 12/31/17.

Weighted average carbon intensity measured as tCO<sub>2</sub>e/\$million sales.

Source: Walden, MSCI

Note: 4% of the small cap benchmark, by market value, discloses GHG emissions; 11% of the SMID cap benchmark discloses emissions; 37% of the mid cap benchmark discloses emissions; and 67% of the large cap benchmark discloses emissions. Walden references MSCI estimates where data is not available.

# Public Policy Advocacy

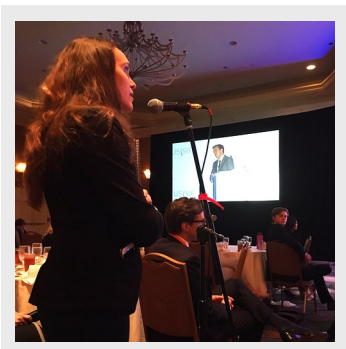
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Walden advocates for effective public policy on pertinent ESG issues at the local state, national, and international levels. In 2018, we participated in more than 30 public policy actions, often led by NGOs and other stakeholders.

## Protecting the Shareholder Resolution Process

Protecting the proxy process, including shareholders' right to file resolutions, has been a substantial focus of our recent public policy work. This spring, three of our staff members participated in the US SIF Capitol Hill Day and joined the Massachusetts Delegation in visiting the offices of Senator Ed Markey, Senator Elizabeth Warren, and Representative Michael Capuano. In our meetings, we raised our opposition to a proposed bill that sought to change re-submission thresholds for shareholder proposals.<sup>1</sup> Our core message was that the current proxy process works well for shareholders and does not need to be changed.

Trade associations such as the Business Roundtable (BRT), National Association of Manufacturers (NAM), and the US Chamber of Commerce have been the most vocal advocates for changes to the shareholder resolution process. Walden, California State Teachers' Retirement System, and New York State Common Retirement Fund jointly led a large coalition of investors who wrote 45 companies regarding their role in these associations. The coalition noted the apparent disconnect between the associations' positions and the companies' own experiences with shareholder engagement. In two comment letters to the SEC, we highlighted the misleading portrayal of shareholder engagement and resolutions by these three trade associations. Most egregious in our opinion was a report published by the NAM-affiliated Main Street Investor Coalition that asserted that shareholder proposals cost companies exorbitant sums of money and hurt stock performance.



Carly Greenberg, Manager, ESG Investing asks SEC Commissioner Robert Jackson a question about changes to the SEC's process on shareholder resolutions at the US SIF Conference.

We are collaborating with industry peers and partner organizations to mobilize a broad-based campaign to preserve shareholders' right to file resolutions. We have joined an investor coalition that focuses exclusively on the proxy process and are coordinating actions with Ceres, US SIF, and the Interfaith Center on Corporate Responsibility. While the outcome is uncertain, we remain optimistic in our collective ability to defend this critical shareholder right.

## Global Investor Statement to Governments on Climate Change

In 2018 Walden signed this statement, which reiterates investors' support for the Paris Agreement and urges all governments to implement the necessary actions to achieve the goals of the Agreement.

## Other Examples of Initiatives we Joined in 2018

- Block oil and gas development in the Arctic National Wildlife Refuge and the Outer Continental Shelf
- Preserve the Clean Power Plan
- Impose rules for a standard ESG disclosure framework for US public companies
- Link climate action to social inclusion
- Maintain a strong independent body to oversee workplace safety in the Bangladeshi garment industry

<sup>1</sup> In order to resubmit a shareholder proposal, the proposal needs to clear a certain threshold of votes in support. Current rules are 3% the first year, 6% the second year, and 10% every year thereafter. HR 5756 proposed to change these thresholds to 6%, 15%, and 30%, respectively.

# Thought Leadership

Through our actions, partnerships, and industry collaborations, we seek to continually raise the bar with respect to ESG incorporation in investment management and active ownership. Our ground-breaking metrics and disclosure on the impact of shareholder engagement is one example of industry leadership. Selected highlights of leadership in 2018 are presented below.

## Global Impact Sourcing Coalition (GISC)

Global poverty continues to be one of the largest humanitarian challenges of our time. Recognizing that corporations should be part of the solution, BSR and the Rockefeller Foundation recently formed GISC to promote a practice called “Impact Sourcing.” Through impact sourcing, GISC aims to employ individuals who are long-term unemployed or living under the national poverty line. Walden joined GISC in September, the first investment manager to do so. Our goal is to encourage companies and other investors to join GISC.

## Principles for Responsible Investment (PRI)

We are a member of the UN PRI Advisory Committee on the Sustainable Development Goals (SDGs) and the UN PRI Working Group on the SDGs and Active Ownership. Through this relationship, we hope to demonstrate how investors can effectively integrate SDGs into investment decisions and engagement.

## Sustainability Accounting Standards Board (SASB)

SASB was created in 2011 to develop industry-specific sustainability accounting standards to enhance companies’ management and disclosure of financially material ESG considerations. We are part of SASB’s Investor Advisory Group (IAG), which supports SASB’s framework for consistent, comparable, and reliable disclosure of financially material, decision-useful ESG information. We are facilitating SASB IAG collaborative engagements with companies to encourage adoption of the standard.

## Task Force on Climate-related Financial Disclosure (TCFD)

In 2017, the TCFD published a voluntary framework intended to guide disclosure of how companies identify, assess, and manage climate change-related risks and opportunities. We are an early adopter of the TCFD recommendations and committed to continue climate-related disclosure going forward. You can read our response at [waldenassetmgmt.com/tcf-2019](http://waldenassetmgmt.com/tcf-2019).

## Looking Ahead

We are pleased to announce that Kimberly Gluck, Managing Director, has been elected to the Board of Directors of US SIF (The Forum for Sustainable and Responsible Investment). Her appointment represents a long tradition of Walden professionals serving in leadership roles at US SIF.

## Industry Collaborations

Selected organizations we work with to promote ESG objectives:



# Firmwide ESG Performance

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We strive to create a culture that attracts and retains employees who aspire to grow professionally and contribute meaningfully to the responsible investment goals of our clients.

## 2018 Company Highlights

### *Women in Leadership*

- 53% of 60 employees
- 55% of managers
- 51% of shareholders; 28% of equity ownership
- 44% of board members
- 80% of trustees of the Boston Trust & Walden Funds

### *Employee Relations & Benefits*

- 100% employee-owned; 57% of employees are shareholders
- Telecommuting and flexible schedules
- Paid parental leave
- Company contribution to 401(k) for the last 5 years has exceeded 10% of covered compensation

### *Community Engagement*

- Paid volunteer time for employees
- Charitable efforts focus on young adults from marginalized communities
- Key partnerships and support for Sociedad Latina, Year Up Greater Boston, YouthBuild Boston

### *Environmental Impact*

- Offset all carbon emissions from business travel
- Operate in a LEED-EB certified building (platinum)
- Purchase Certified Renewable Energy Certificate for all energy use

## Looking Forward

While we are successfully recruiting and promoting women, we strive to improve our record with respect to people of color. As of December 31, 2018, people of color accounted for 20% of employees, including 5% of people at or above the level of manager. Our commitment to a diverse candidate pool for all open positions has resulted in significant progress in recent years. Of 13 employees hired since 2016, 6 are women and 6 are people of color (3 of whom are women).



For the 7th year in a row, a group of employees participated in the Thompson Island 4k run. We were a top fundraiser for the event, which supports Thompson Island's mission to bring Boston teens to the island for hands-on, experiential learning in the outdoors.



A group of employees harvested apples this fall with the Boston Area Gleaners, which distributes the fresh produce to local food banks and meal programs. Nice weather, a beautiful farm setting, and a good purpose drove us to pick over 2,800 pounds of apples, which translates into 11,200 nutritious servings for Boston area families.

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