Boston Trust Walden
Principled Investing.

Measuring the Impact of Company Engagement

Boston Trust Walden is committed to developing sound processes to record, monitor, and measure the impact of our company engagement. Best practice standards call for an assessment approach that is comparable, replicable, efficacious, and transparent. While there is no common industry approach to measure and report on the impact of company engagement, we continue to refine our own processes and hope that our approach can serve as a model for other investors. We also support efforts to develop an accepted industry-wide framework for measuring and reporting on impact.

Challenges and Limitations

With our commitment to measure and communicate impact comes the responsibility to describe significant challenges and limitations inherent in our approach. We have identified five primary challenges:

The Continuum of Progress

Corporate progress is often incremental and can span multiple years. For example, a successful engagement on greenhouse gas (GHG) emissions reduction goals may include the following company milestones: commit to set a science-based GHG goal, implement a process to obtain baseline data for analysis, establish and announce publicly a science-based GHG goal, and report on the progress toward achieving the goal. This continuum could proceed over the course of 2-3 years and then cycle through again. As long-term investors committed to report on our impact annually in calendar years, we "count" significant advancements observed along this continuum (but no more than one per year), even while the engagement is expected to continue to progress in the future. The onus is on Boston Trust Walden to monitor and engage companies to ensure their continued progress.

The filing and withdrawal of shareholder resolutions presents a special challenge. Most shareholder resolutions are filed in the fall of the year preceding the annual general meeting in which they are introduced. For example, shareholder resolutions are generally submitted in the fall of the year preceding spring proxy season (exceptions include companies with fiscal years that differ from the calendar year). Shareholder resolutions that are withdrawn successfully through negotiated agreements sometimes occur in the final weeks of December. In these cases, we count the action and successful conclusion in both years in order to accurately reflect the results of the resolutions that we file.

Our ESG professionals are responsible for tracking, monitoring, and assessing their engagement activity in a common platform on an ongoing basis. Recording company interactions—engagement reach—is relatively straightforward. Assessment of impact in the form of improved policies, practices, or transparency is more subjective. In each reporting period, under the oversight of the Director of ESG Investing, ESG professionals review together these assessments to assure consistency. The final step is Executive Committee review and affirmation of all positive outcomes that are counted as impact.

Attribution

Cause and effect cannot always be isolated. While progress is frequently catalyzed by our shareholder engagement, observed improvement often represents the hard work of, and collaboration with, other investors and stakeholders. For example, successful engagement on board diversity in recent years has involved direct, private conversations with Boston Trust Walden as well as separate conversations with other institutional investors and the Thirty Percent Coalition (we co-chair its Institutional Investor Committee).

Additionally, our input and encouragement sometimes supports corporate advocates who are already committed to continuous ESG improvement or are motivated to make changes for other business reasons.

Quality vs. Quantity

Our assessment and reporting of impact treats all forms of progress equivalently. In part this neutral context is reasonable because clients have different ESG priorities. Yet efforts required by companies to improve ESG practices vary substantially (e.g., amending a corporate governance policy is significantly less time and resource intensive than developing and implementing science-based GHG goals). Also, while most of our engagement involves multiple points of contact with company representatives, our metrics do not distinguish those efforts from one-time interactions.

Moreover, some progress is more transformative (e.g., encouraging successfully one of the largest global investment firms to consider environmental and social factors in its proxy voting). Hence, simplistic interpretation of our reported impact results can blur distinctions regarding the magnitude of observed progress.

Transparency

Ideally, Boston Trust Walden would report publicly on each company for which we have identified progress. However, some conversations are confidential until a company announces new policies or practices. In other instances we believe that full transparency could detract from progress by jeopardizing the trust Boston Trust Walden has established with companies. In annual reports, we respond to this challenge by providing a broad range of examples of impact that collectively represent the majority of positive outcomes observed over the year.

Real World Progress vs. Corporate Change

We are mindful that corporate change defined as improvement in policies, practices, or transparency does not necessarily translate into real world impacts such as reduced GHG emissions (mitigation of global warming), fewer incidents of discrimination in the workplace, or the creation of well-paying jobs. However, we believe that corporate impact as we measure it is often a precursor to the broader progress we and our clients seek. Better ESG policies and practices should contribute to better real world outcomes. Greater transparency brings public accountability that, in turn, should also foster progress.