



Boston Trust Walden

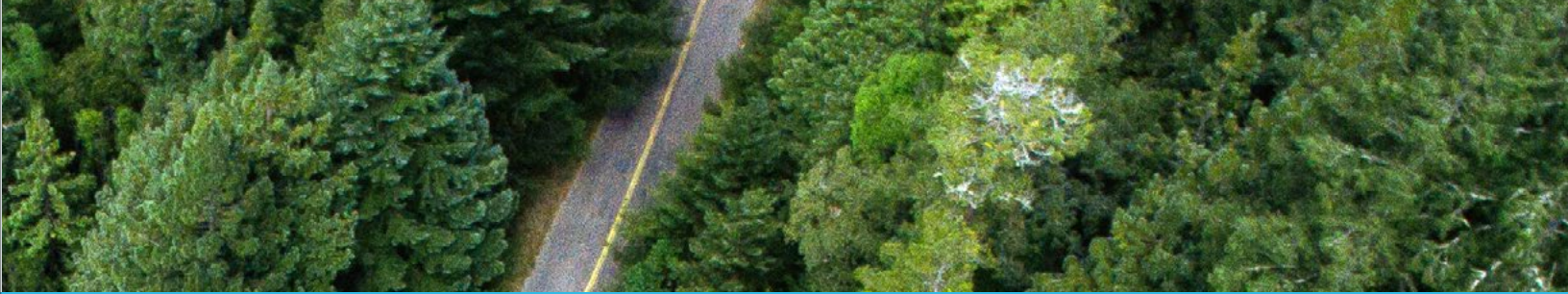
Principled Investing.

2019 ESG IMPACT REPORT



An aerial photograph of a dense, lush green forest with a thick canopy of trees. The image is split vertically: the left half shows the forest, and the right half is a solid blue gradient.

WELCOME



We are proud to welcome you to our 2019 ESG Impact Report. For the first time, we summarize impact initiatives and outcomes across the firm under our new unified name, Boston Trust Walden Company. In keeping with our tagline, "Principled Investing," this report demonstrates our commitment to an investment philosophy and approach that emphasizes business sustainability. We believe the integration of environmental, social, and governance (ESG) considerations is critical to managing risk and producing sustainable returns.

Boston Trust Walden has a strong track record of effective engagement with portfolio companies. We remain committed to achieving impact in our core focus areas: climate, equality, and governance. This report shows industry-leading measurements and disclosure on the reach and impact of our initiatives across investment strategies for all clients. We also report on our company proxy voting practices, which reflect our belief that positive ESG performance contributes to long-term business success.

Recognizing that not all issues are adequately addressed on a company-by-company basis, we advocate for smart public policies on complex topics such as climate and employment equality. We bring an investor voice to public policy debates through direct testimony and participation in collaborative initiatives.

Finally, we strive to set uniform standards and help define leading practices through active participation in organizations like the Principles for Responsible Investment (PRI) and the Sustainability Accounting Standards Board (SASB) as well as thought leadership on environmental, social, and governance issues important to our clients.

Thank you for taking an interest in this report. We value your input and welcome your feedback. Please don't hesitate to contact either of us with questions.

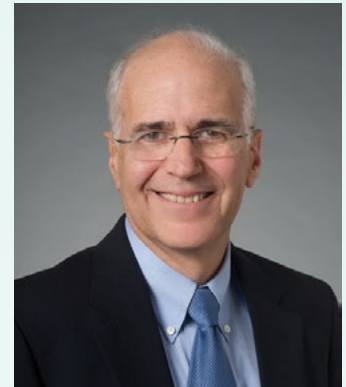
Sincerely,

William H. Apfel

Executive Managing Director & Chief Investment Officer

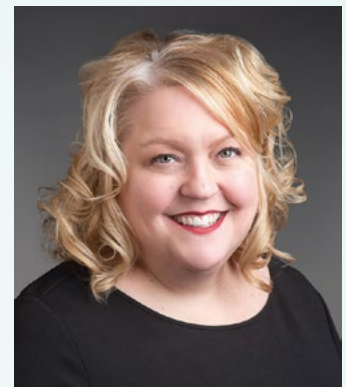
Amy D. Augustine

Director of ESG Investing



WILLIAM H. APFEL, CFA

Executive Managing Director &
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AMY D. AUGUSTINE

Director of ESG Investing

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FIRM OVERVIEW

Outcomes We Seek

- Mission and values-aligned portfolios
- Improved corporate policies
- More sustainable business practices
- Increased transparency
- Effective public policy

Tools We Use



ESG research and integration



Company engagement



Shareholder resolutions



Proxy voting



Public policy advocacy



Thought leadership

Boston Trust Walden Company is an independent, employee-owned investment management firm with over \$10 billion in assets under management as of December 31, 2019.

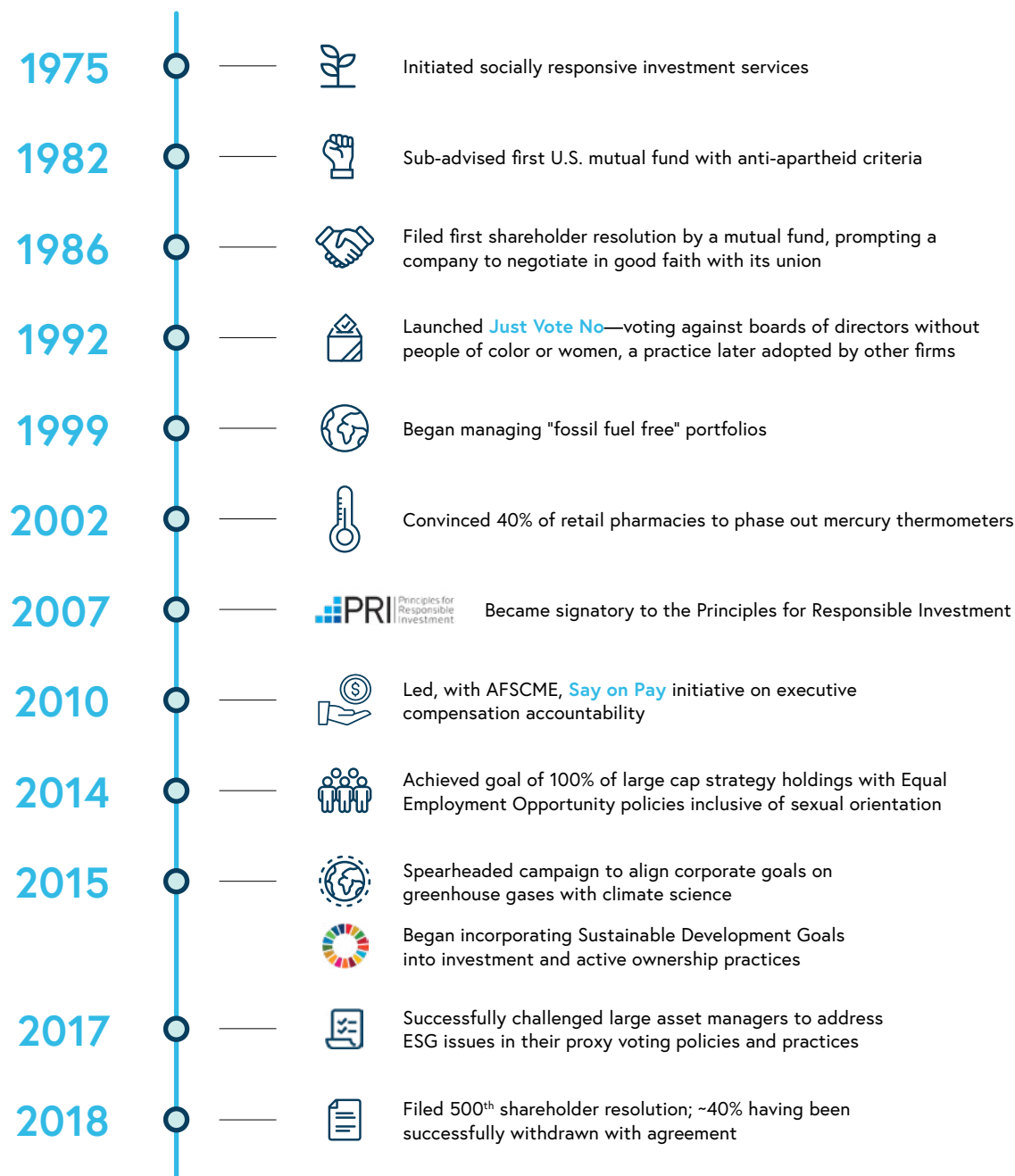
As an active manager, we focus on investing in securities we judge to be high quality. We believe incorporation of financially material environmental, social, and governance (ESG) factors in the investment decision-making process is consistent with this focus and integrate ESG considerations across all of Boston Trust Walden's investment strategies, leveraging the research and expertise of our in-house analysts. We further believe that thoughtful company leaders value input from investors and other stakeholders that aims to improve the sustainability of their businesses by limiting risk and protecting or enhancing shareowner value. Boston Trust Walden's active ownership initiatives span a range of issues and tactics.

One hundred percent of Boston Trust Walden's assets under management are managed with ESG considerations. Approximately half of these assets employ additional ESG criteria.

HOW WE ACHIEVE IMPACT

For over forty years, we have advanced the discipline of impact investing. We conduct ESG research in-house and use active ownership strategies for the long-term benefit of companies, investors, and society.

HISTORY OF LEADERSHIP IN IMPACT INVESTING



PRINCIPLES FOR RESPONSIBLE INVESTMENT: OUR COMMITMENT

In 2006, the UN Secretary-General convened an international group of investors committed to integrating ESG assessments into investment decision-making and ownership practices to develop the Principles for Responsible Investment (PRI). Today PRI represents investors with \$80 trillion in assets, including many of the world's largest asset owners and managers.

A strong proponent of PRI since becoming a signatory in 2007, we have provided comprehensive public responses to PRI since the pilot questionnaire was introduced in 2009 and have completed all optional and mandatory questionnaires.

THOUGHT LEADERSHIP

We are active in several PRI investor committees and working groups:

- Corporate Reporting Reference Group
- Global Public Policy Committee
- Labour Standards working group
- Listed Equities working group
- Sustainable Development Goals (SDG) Advisory Committee and SDG working group

We also contribute to case studies authored by PRI.

Recent examples include:

- [A Practical Guide to Active Ownership in Listed Equity](#)
- [Converging on Climate Lobbying: Aligning Corporate Practice with Investor Expectations](#)
- [Engaging on Corporate Public Policy Lobbying](#)
- [The SDG Investment Case](#)

"Responsible investment isn't going to solve all the problems in the world, but it's got a role to play. We need to do more, act now, and do it with far greater ambition."

Fiona Reynolds, CEO, PRI
From the PRI in Person '19

2019 PRI ASSESSMENT

In 2019, Boston Trust Walden was awarded top scores in PRI's assessment report. PRI rated our firm above the peer median in every category and awarded it the highest score for both "Strategy and Governance" and "Listed Equity Incorporation" for the sixth year in a row. Since 2016, our firm has also received an A+ score for "Listed Equity Active Ownership."

SCORES		
Strategy & Governance:	A+	(Median score: A)
Listed Equity—Incorporation:	A+	(Median score: B)
Listed Equity—Active Ownership:	A+	(Median score: B)
Fixed Income—SSA:	A	(Median score: B)

Read about PRI's assessment methodology at www.unpri.org/signatories/about-pri-assessment

Boston Trust Walden's transparency report can be found at www.unpri.org/signatory-directory/boston-trust-walden/961.article

ESG RESEARCH AND INTEGRATION

ESG PHILOSOPHY AND APPROACH

Our firm has been integrating environmental, social, and governance (ESG) 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.

As part of our assessment of a company's financial quality, in-house analysts examine a company's ESG performance to enhance our understanding of potential financial outcomes, ranging from risks (losing the license to operate) to opportunities (generating new sources of revenue).

INTEGRATION IN PRACTICE: JOHNSON & JOHNSON

Johnson & Johnson is a diversified healthcare company operating in three business segments: pharmaceutical, medical devices, and consumer health. In 2019, the company generated over \$80 billion in revenue, translating to nearly \$20 billion in free cash flow.

In 2018 and 2019, litigation surrounding claims of talcum "baby" powder with cancer-causing asbestos and the company's involvement, along with others, in the national opioid crisis dominated headlines.

When a potentially material ESG issue of concern is identified, our ESG and traditional analysts work in tandem to assess the gravity and pervasiveness of the concern. They also judge the adequacy of the company's response and seek to understand how management will prevent problems from recurring.

In the case of Johnson & Johnson, a key priority was to determine the probable impact of product safety litigation on the ability of the company to sustain its past financial success in the future.

1. Identify

As the traditional analyst began the review of the stability, profitability, growth, and valuation of Johnson & Johnson, the ESG analyst identified the range of potentially material ESG issues, including product affordability and pricing, drug safety, ethical marketing, and supply chain management, among others. While the analysts completed a comprehensive assessment, the bulk of the ESG research effort focused on product safety and related litigation.

2. Gather

The ESG analyst gathered information from a range of sources, including news outlets, technical and academic experts, government agencies, non-governmental organizations, ESG data providers, and the company itself. Our research was guided by the following questions:

- Is the problem systemic?
- Is there a pattern of noncompliance, negligence, or other concerns?
- How does the company's recent ESG performance compare to that of its peers and its historical track record?
- Are there opportunities for effective corporate engagement?

While ESG data is frequently qualitative and challenging to compare from one company to the next, our analysts gathered information on the numbers of cases, monetary value of settlements, history of product recalls, as well as

more qualitative information such as the company's response to legal challenges.

3. Evaluate

The ESG and traditional analysts together determined that Johnson & Johnson faces serious, material product safety concerns that are not uncommon within the pharmaceutical industry. These risks were judged to be manageable given the company's strong balance sheet (\$20 billion in cash, 1x debt/EBITDA, AAA credit rating) and robust annual cash flow, which would provide ample access to capital in almost any market environment. Further, it appeared that the valuation incorporated potential litigation costs. But it was clear that the overall risk of the company had increased.

This conclusion was presented, discussed, and debated at the Securities Research Committee meeting, as well as at a meeting of the ESG Research & Engagement Committee. Ultimately, the portfolio strategy team, considering input from the analysts and committees, reduced the position weight of Johnson & Johnson to mitigate heightened risk.

We continue to monitor product safety, particularly with respect to litigation surrounding claims of talcum "baby" powder contamination with cancer-causing asbestos. Currently the scientific evidence underpinning these claims remains unresolved.

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-related risks and opportunities. The TCFD framework includes specific questions for asset managers. Boston Trust Walden responded to the questionnaire and posted it publicly on our [website](#).

Highlights from our response, which focuses on how climate affects both our investment decision-making and active ownership efforts, include:

- We have a robust process to identify, assess, and integrate climate risks and opportunities into investment decision-making across all investment strategies.
- We consider climate change risk in our company engagement and proxy voting practices.
- The weighted average carbon intensity of our investment strategies is significantly lower (better) than their respective benchmarks (see table).

WEIGHTED AVERAGE CARBON INTENSITY (tCO ₂ e/\$MILLION/\$MILLION SALES) AS OF 12/31/18					
	Small Cap	SMID Cap	Mid Cap	Large Cap	FFF Large Cap
Weighted Average Carbon Intensity—Boston Trust Walden	75	59	63	97	120
Weighted Average Carbon Intensity—Benchmark	159	196	284	191	191
Carbon Intensity (relative to benchmark*)	-53%	-70%	-78%	-49%	-37%
Attribution: Sector Allocation	25	10	0	-4	-32
Attribution: Stock Selection	-109	-147	-221	-89	-39
#1 Contributing Stock	HE	APA	APA	LIN (PX)	APD
#2 Contributing Stock	CPK	RPM	DLR	COP	LIN (PX)
#3 Contributing Stock	CHH	OGS	ED	UNP	UNP

Source: Boston Trust Walden, MSCI

*In order, the benchmarks are as follows: Russell 2000®, Russell 2500™, Russell Midcap®, Russell 1000®, Russell 1000®.

The metrics above are based on the strategy's representative portfolio. We applied the most recent available carbon data (2017) to portfolios as of 12/31/18.

“EFFECTIVE MANAGEMENT OF MATERIAL ESG FACTORS CAN REDUCE RISK. IT CAN ALSO LEAD TO MORE EFFICIENT OPERATIONS, BETTER LABOR PRODUCTIVITY, HEIGHTENED BRAND REPUTATION AND COMPETITIVENESS, AND NEW MARKET OPPORTUNITIES.”

AARON ZIULKOWSKI, CFA

Manager, ESG Integration, Boston Trust Walden

COMPANY ENGAGEMENT

ENGAGEMENT PHILOSOPHY AND APPROACH

Boston Trust Walden has a rich history of encouraging the companies in which we invest to strengthen environmental, social, and governance (ESG) policies and practices, recognizing companies that effectively manage sustainability risks are better positioned for success. Our active ownership initiatives span a range of issues and tactics with an aim to enhance the long-term prosperity of investors, business, the economy, and society.

We are committed to accountability 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. Similarly, our input and encouragement sometimes bolster corporate advocates committed to continuous ESG improvement or motivated to make changes for other business reasons. Additionally, progress is often incremental and can span multiple years from a company's commitment through implementation and public reporting. We count meaningful progress along this continuum.

REACH AND IMPACT RESULTS

We engaged over half of the companies held across investment strategies in 2019. 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 2019, 76 companies demonstrated improvement, which translates to an impact rate of 43% (76 companies improved/178 companies engaged). The most frequent topic we engaged on was board diversity (105 companies), and the highest impact rate by topic was Equal Employment Opportunity (EEO) disclosure at 38%.

REACH AND IMPACT METRICS		2019	3-YEAR CUMULATIVE
Reach	# of Portfolio Companies Engaged	178	205
	Reach Rate (% of Universe*)	60%	80%
Impact	# of Portfolio Companies	76	115
	Impact Rate (% of Portfolio Companies Engaged)	43%	56%

IMPACT BY ENGAGEMENT AREA (IN ORDER OF FREQUENCY)**		
Board Diversity	33%	(35/105)
Climate Change	23%	(11/48)
ESG Reporting	28%	(9/32)
LGBTQ Non-Discrimination	39%	(4/14)
Lobbying	28%	(7/13)
Equal Employment Opportunity (EEO) Disclosure	38%	(3/8)

*2019 engagement universe totaled 295 companies. Three-year cumulative engagement universe totaled 257 companies. The cumulative figures represent engagements with companies held in portfolios as of 12/31/19. Any engagements with companies sold from portfolios prior to 12/31/19 are excluded. Companies that are unique to the Walden International Equity Fund are currently excluded from the universe, pending an evaluation of the opportunities for engagement and strategy assets. Past performance does not guarantee future results.

**Impact by engagement area, in order of frequency of each issue. Here a company could appear in more than one area (e.g., board diversity and lobbying). We explain our methodology and limitations to measuring impact online at:

www.bostontrustwalden.com/wp-content/uploads/2019/11/Measuring-the-Impact-of-Company-Engagement-Sept-2019.pdf

Protecting Shareholder Rights:

Throughout 2019, we engaged the Securities and Exchange Commission (SEC) in opposition to proposed changes that would undermine the shareholder resolution process. (See page 34.)

SHAREHOLDER RESOLUTIONS FILED AND WITHDRAWN

The shareholder resolution is an essential shareholder right that we employ when engagement via dialogue is unproductive. Filing a resolution (or proposal) for a vote at company annual meetings enables the proponent to bring the collective voice of supportive stockholders to bear in management discussions on ESG performance. But, filing a shareholder resolution is not in and of itself a measure of impact. To signify progress, we believe resolutions must yield improvement in one or more of three areas: corporate policies, practices, and public accountability. Moreover, our most successful shareholder resolutions are withdrawn based on negotiated agreements and do not appear in company proxy statements.

We withdrew **53%** of our 2019 shareholder resolutions after reaching an agreement with the company. Of those that went to a vote, average shareholder support was **26%**.

2019 RESOLUTION SUMMARY

In 2019, Boston Trust Walden led or co-led 10 resolutions addressing climate, equality, and governance. We co-filed seven more resolutions led by other investors. Nine of the 17 resolutions were withdrawn with agreements. The average level of support for the eight shareholder resolutions that went to a vote was 26%, sending a strong signal of concern to management.

2019 RESOLUTION SUMMARY		
Focus Area	Proposal Topic	Shareholder Votes
Climate Change	Assess carbon footprint in alignment with greenhouse gas (GHG) emissions reductions needed to achieve the climate goals in the Paris Agreement	Chevron—33% support
	Adopt quantitative, company-wide goals for reducing total GHG emissions consistent with the Paris Agreement	Emerson—Agreement reached Illinois Tool Works—21% support
Equality	Prepare a report assessing the feasibility of integrating sustainability metrics, including diversity, into compensation plans	Alphabet—10% support
	Report on initiatives to improve board diversity	Atrion—Agreement reached
	Issue a public report detailing the risks associated with omitting sexual orientation and gender identity from its written equal employment opportunity policy	CorVel—37% support
	Report a comprehensive breakdown of workforce by race and gender according to the Equal Employment Opportunity Commission's defined job categories, and policies and programs to improve diversity	SEI Investments—Agreement reached
Governance	Issue a report describing policies, performance, and improvement targets associated with key ESG risks and opportunities, including GHG reduction goals	Charter Communications—28% support
	Report on policies and procedures regarding direct, indirect, and grassroots lobbying; disclose payments used for lobbying and non-tax-exempt payments to trade associations and other entities to influence public policy	AT&T—Agreement reached Comcast—18% support IBM—Agreement reached JPMorgan Chase—Agreement reached Oracle—Agreement reached Walt Disney—39% support UPS—21% support Verizon—Agreement reached
	Review and report on proxy voting policies and practices related to climate change	Artisan Partners—Agreement reached

Note: Voting support is understated for Alphabet, Charter Communications, Comcast, and UPS because these companies have stock with unequal voting rights (super-voting rights) that lead to significant insider control of the proxy vote.



FOCUS AREA: CLIMATE

The changing climate is the world's foremost environmental challenge with far-reaching economic, environmental, and social implications that create risks and opportunities for companies and investors. As investors who hold shares of publicly traded companies, we believe we have a unique ability and responsibility to influence corporate leadership to embrace its role in identifying and advancing solutions.

We utilize active ownership strategies to encourage companies to aggressively pursue a path toward a carbon-neutral future by asking them to:

- set greenhouse gas (GHG) emissions reduction targets based on widely-accepted scientific research.
- advocate for and support effective climate policy with lawmakers at the local, state, national, and international levels.

As companies set science-based targets, they signal to lawmakers that addressing climate risk makes good business sense, enabling legislators and regulators to develop sound public policy solutions that, in turn, provide companies effective frameworks to support climate-related goals.

CLIMATE ENGAGEMENT IN PRACTICE: EMERSON

With diversified manufacturer Emerson's recent announcement of a substantial greenhouse gas (GHG) emissions reduction goal, 2020 marks the first year in a decade that Boston Trust Walden did not lead a shareholder resolution for the company's annual meeting of shareholders.

From 2011 to 2015, we filed resolutions seeking comprehensive ESG reporting that ultimately earned a 39% vote. From 2016 to 2019, we focused our engagement and resolutions on climate risk, seeking the adoption of time-bound, quantitative, company-wide goals for reducing

total GHG emissions. Buttressed by a shareholder vote of 40% in 2018, we withdrew our 2019 proposal upon receiving Emerson's commitment to develop GHG goals and publicly state its' intention to do so in its next Corporate Social Responsibility Report (a report that has evolved significantly over the years).

Before the year's end, Emerson announced its' goal to reduce GHG emissions across more than 200 global manufacturing facilities relative to sales by 20% by the year 2028 from its 2018 baseline. We commend Emerson's initiatives to reduce its carbon footprint and look forward to following the company's progress and encouraging continuous improvement.

EXAMPLES OF PROGRESS ON CLIMATE

Company	Description
ConocoPhillips	Improved its climate risk management aimed at mitigating carbon asset risk through the energy transition.
Emerson	Set target to reduce GHG emissions by 20%, normalized to sales, across 200+ global manufacturing facilities by 2028 from 2018 baseline.
Equinor	Committed to align its business model with the goals of the Paris Agreement and review the carbon intensity of its products.
Estee Lauder	Responded to CDP Water Security Survey.
Eversource Energy	Set goal of carbon neutrality by 2030.
F5 Networks	Responded to CDP Water Security Survey.
Illinois Tool Works	Set target to reduce by 20%, per U.S. dollar of operating revenue, its combined Scope 1 and 2 GHG emissions by 2027 from 2017 baseline.
International Flavors & Fragrances	Set goal to reduce absolute GHG emissions by 30% by 2025 and work with suppliers to set their own science-based reduction targets and report annual emissions.
PepsiCo	Expanded climate lobbying disclosure.

Our active ownership efforts span decades. In 1990, we filed our first climate-related shareholder resolution, asking the company to commit to the Valdez Principles, one of the first corporate environmental codes of conduct. Today, we work independently and in partnership with others to move toward a carbon-neutral future.

CLIMATE ENGAGEMENT BEYOND PORTFOLIO HOLDINGS

Over multiple decades, Boston Trust Walden has played a core role in advancing climate solutions with company and policy influencers both directly and in coalition.

Global investor initiatives offer us an opportunity to collectively address urgent issues and expand our reach and influence beyond portfolio holdings. A case in point is the [Climate Action 100+](#) that is focused on engaging the world's largest GHG emitters to improve climate governance, curb emissions in line with the Paris Agreement, and strengthen climate-related financial disclosure.

In September, under the banner of climate governance, Boston Trust Walden co-led a global investor letter asking 47 of the largest U.S. publicly traded companies¹ to align their climate lobbying with the goals of the Paris Agreement. The letter² was sent as part of the Climate Action 100+ engagement agenda from 200 institutional investors representing \$6.5 trillion in assets under management.

Corporate lobbying expenditures have a significant influence on climate policy and can either complement or contradict a company's public commitments. Smart climate policies are essential to catalyze rapid emissions reductions needed in the market, but, unfortunately, too many companies have lobbying efforts misaligned with their stated commitments to effectively manage the climate risks they are facing.

Given the urgency of the climate crisis and the important role of policy in advancing solutions, it is crucial that companies play a constructive role. The results from these collaborative engagements are still unfolding, but we expect measurable progress in the coming year.

¹ www.ceres.org/sites/default/files/US%20Companies%20receiving%20the%20Investor%20Letter%20on%20Corporate%20Lobbying%20on%20Climate%20Change%209.19.pdf

² www.ceres.org/sites/default/files/Final%20Generic%20SIGN-ON%20PACKET%20Investor%20Expectations%20on%20Climate%20Lobbying%20sign-on%20packet%20September%202019.pdf



FOCUS AREA: EQUALITY

Effective management of human capital is a matter of good governance and a critical component of long-term business success. It can also facilitate economic mobility, close the opportunity gap within the workplace, and level the playing field across an organization. Employers that foster a culture of diversity and inclusion, including robust equal employment opportunity (EEO) policies and practices, benefit from increased worker satisfaction and productivity, an enhanced ability to attract and retain top talent, and reduced employee turnover and associated training costs. Moreover, diverse leadership improves decision-making processes and better reflects demographic trends within customer markets. In contrast, poor management of human capital exposes companies to reputational and litigation risk.

We encourage companies to:

- Increase representation of women and people of color on boards of directors.
- Disclose workforce composition statistics. This information promotes accountability for hiring, retaining, and advancing women and people of color and enables investors to assess and monitor progress.
- Adopt inclusive EEO policies that explicitly protect employees from discrimination. We specifically ask that policies be inclusive of sexual orientation and gender identity and expression, given the absence of federal protections and disparate state and local laws.

"We know that for every woman or person of color elevated to a senior management position, so grows the pool of candidates for board director searches nationwide."

Heidi Soumerai, CFA,
Managing Director,
Boston Trust Walden

EQUALITY ENGAGEMENT IN PRACTICE

Among Russell 3000® companies, 19% of board seats are held by women and 10% by people of color.³ Yet among the most senior executives—the top 1.6% of employees who are generally the focus of director recruitment—women comprise 30% and people of color 15% of the positions.⁴ Even within this limited recruitment universe, qualified, diverse board candidates should be readily identifiable.

Our "asks" of each company we engage are specific and customized based on its corporate policies, practices, and transparency regarding board diversity. We encourage corporate governance policies that describe the value of board diversity and explicitly consider gender and race and/or ethnicity in the nomination process. We support director searches that do not limit candidates to C-suite experience, and consider qualified individuals from academia, government, and non-governmental organizations. Robust board evaluation and refreshment practices are also key to progress. Most importantly, borrowing from the National Football League's "[Rooney Rule](#)" process, we communicate that best practice director searches commit to include gender and racial and/or ethnic diversity in each candidate search. Finally, we ask all companies to be transparent about these policies and practices, as well as any challenges they face, through enhanced proxy disclosure.

Simultaneously, we often raise broad questions about workforce diversity because inclusive representation in the workplace is at least as important to business success as it is to board oversight. Moreover, there is a corollary benefit to connecting these conversations. We know that for every woman or person of color elevated to a senior management position, so grows the pool of candidates for board director searches nationwide.

The results for 2019 are promising: we have written or spoken with 105 companies in our clients' portfolios, of which 24 have recently added one or more directors who add to their board's diversity. Numerous others have adopted or committed to Rooney Rule disclosure and/or enhanced corporate governance documents and proxy disclosure. We expect these positive trends to continue.

³ ISS Analytics: U.S. Board Diversity Trends in 2019, an analysis of 2,175 Russell 3000® companies as of May 30, 2019.

⁴ 2017 EEO-1 aggregate data from the Equal Employment Opportunity Commission (most recent available).

EXAMPLES OF PROGRESS ON EQUALITY

Objective	Progress	Companies
Increase representation of women and people of color on boards of directors	Adding one or more directors to board who increase its gender, racial, and/or ethnic diversity	American Financial; Amphenol; Cerner; C.H. Robinson; Cincinnati Financial; Commerce Bancshares; Discover Financial; Dril-Quip; Emerson; Ensign Group; Hubbell; Lamar Advertising; Lancaster Colony; Minerals Technology; New Jersey Resources; Nordson; O'Reilly Auto Parts; PerkinElmer; Polaris; Service Corporation International; Silgan Holdings; Sysco; Texas Roadhouse; U.S. Physical Therapy
	Improving governance documents and/or proxy disclosure regarding diversity in new director nominations	Boston Brewing; Bridge Bancorp; Cheesecake Factory; Chemed; Cooper Companies; Digital Realty Trust; Forward Air; Hil-Rom Holdings; Tompkins Financial; Watts Water Technologies
Disclose workforce composition statistics	Publicly disclosing or committed to publishing workforce diversity statistics (EEO-1 data)	Choice Hotels; Dollar General; SEI Investments
	Responding to the Workforce Disclosure Initiative (WDI) on workplace and supply chain labor practices	Burberry; Canadian National Railway; Cisco; Compass Group; Intel Corporation; JPMorgan Chase; Microsoft; National Grid; Nestle; Reckitt Benckiser; Schneider Electric
Adopt inclusive Equal Employment Opportunity (EEO) policies that explicitly protect employees from discrimination	Expanding EEO policy to be more LGBTQ inclusive	Helmerich & Payne
	Publicly disclosing LGBTQ inclusive EEO policy	Brown & Brown; Bryn Mawr Bank; Flowers Foods; Helmerich & Payne

"We believe benefits associated with board and management 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. In essence, good board diversity is a strong indicator of good governance."

Amy D. Augustine,
Director of ESG Investing,
Boston Trust Walden

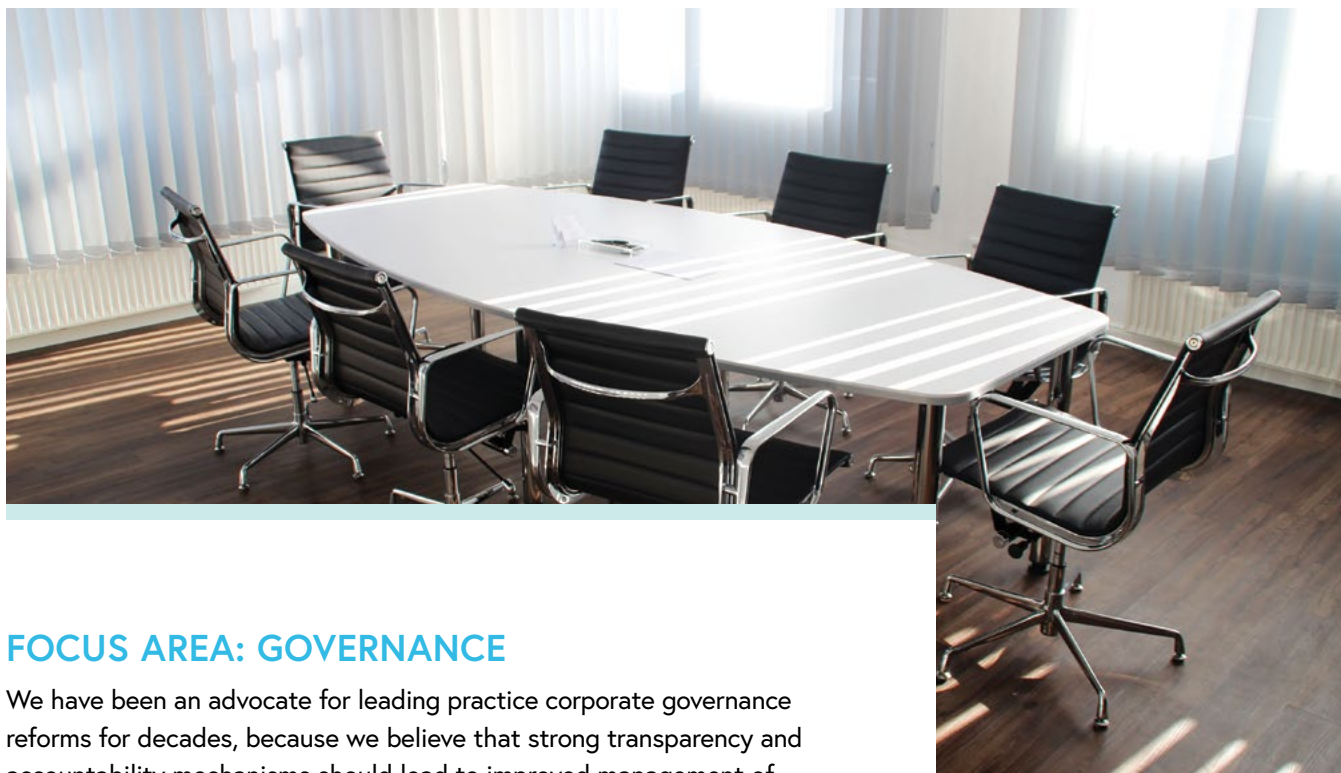
EQUALITY ENGAGEMENT BEYOND PORTFOLIO HOLDINGS

As co-chair of the institutional investor committee of the [Thirty Percent Coalition](#) with California State Teachers' Retirement System, representing approximately \$5 trillion in assets, and an active member of the [Northeast Investors' Diversity Initiative](#), Boston Trust Walden's advocacy for board diversity extends well beyond our portfolio companies.

The Thirty Percent Coalition brings together public and private companies, professional services firms, institutional investors, government officials, and other major advocacy organizations that collaborate to increase gender diversity in corporate boardrooms, including women of color. The Coalition announced that its "Adopt a Company" campaign counted 275 new women directors since its launch in 2012, including 85 out of 250 companies engaged in the most recent year ending July 2019.

Boston Trust Walden's Tim Smith, as co-chair of the institutional investors committee, remarked: "We believe disclosure of board composition and the company's commitment to expanding board diversity should be publicly stated as a business priority... [W]e are actively encouraging companies to disclose the present racial, ethnic, and gender composition of their boards and plans for improvement going forward in proxy statements⁵."

⁵ www.30percentcoalition.org/news/coalition-news/coalition-press-release?highlight=WYJ0aW0iLCJzbWl0aCIsImNvLWNoYWlyliwidGltIHNTaXRoliwidGltIHNTaXRolGNvLWNoYWlyliwic21pdGggY28tY2hhaXIiXQ==



FOCUS AREA: GOVERNANCE

We have been an advocate for leading practice corporate governance reforms for decades, because we believe that strong transparency and accountability mechanisms should lead to improved management of environmental, social, and governance (ESG) risks and opportunities. These reforms include encouraging companies to adopt policies requiring independent board chairs and annual elections of directors; increasing representation of women and people of color on boards of directors; and promoting executive compensation accountability through shareholder approval of pay packages (known as Say-on-Pay).

Our current focus is to encourage companies to:

- Publish comprehensive sustainability reports that include actionable ESG metrics and goals, which help investors and other stakeholders understand how companies manage and measure ESG risks and opportunities, as well as evaluate progress toward achieving their goals.
- Be transparent regarding lobbying policies, oversight, and expenditures, including indirect lobbying activities through third parties such as trade associations and think tanks.
- Integrate ESG considerations into proxy voting and engagement (applicable to asset management firms only). These managers have the potential to meaningfully affect voting outcomes, given their significant ownership stake in portfolio companies. Historically, however, many large firms have voted against, or abstained from, most environmental or social proposals on proxy ballots.

GOVERNANCE ENGAGEMENT IN PRACTICE

The power of proxy voting to transform corporate behavior is real. Through the height of the 2019 proxy voting season, shareholders had the opportunity, and responsibility, to vote on 177 shareholder resolutions addressing environmental and social issues and sustainable governance⁶.

Boston Trust Walden has an ongoing, multi-year initiative to hold asset managers accountable for thoughtfully incorporating long-term ESG considerations in their proxy voting practices. We engaged eight companies over the year, among them the largest global investment firms such as BlackRock, JPMorgan Chase, and Vanguard Group, where we filed shareholder resolutions seeking a review of their 2019 proxy voting practices on proposals addressing climate change. While these engagement initiatives previously fostered positive changes in proxy voting policies, we believe the firms' actual voting records contradict their public messaging on the urgency and financial materiality of climate change.

Our goal is to help translate better proxy voting policies by investment firms into high levels of support at the ballot box, in turn fostering more sustainable business practices.

EXAMPLES OF PROGRESS IN GOVERNANCE		
Objective	Progress	Companies
Publish comprehensive sustainability reports that include actionable ESG metrics and goals	Publishing inaugural sustainability report	Brinker International; Charter Communications
	Strengthening sustainability reporting	Cincinnati Financial; Expedia Group; Hub Group; Johnson & Johnson; SunTrust Banks (now Truist Financial); Texas Roadhouse; Wabtec
Disclose lobbying policies, oversight, and expenditures	Expanding disclosure of lobbying practices	Equinor; JPMorgan Chase; Nestle; Oracle; PepsiCo; State Street; Verizon
	Advocating in support of sustainable policies and/or practices	Nestle; PepsiCo
Integrate ESG considerations into proxy voting and engagement (investment firms only)	Strengthening proxy voting practices regarding environmental and social proposals	Artisan Partners; Cohen & Steers; State Street
	Improving proxy voting record on environmental and social proposals	Eaton Vance

⁶ Sustainable Investments Institute, Proxy Season Mid-Year Review: Social, Environmental & Sustainable Governance Shareholder Proposals in 2019, August 13, 2019.

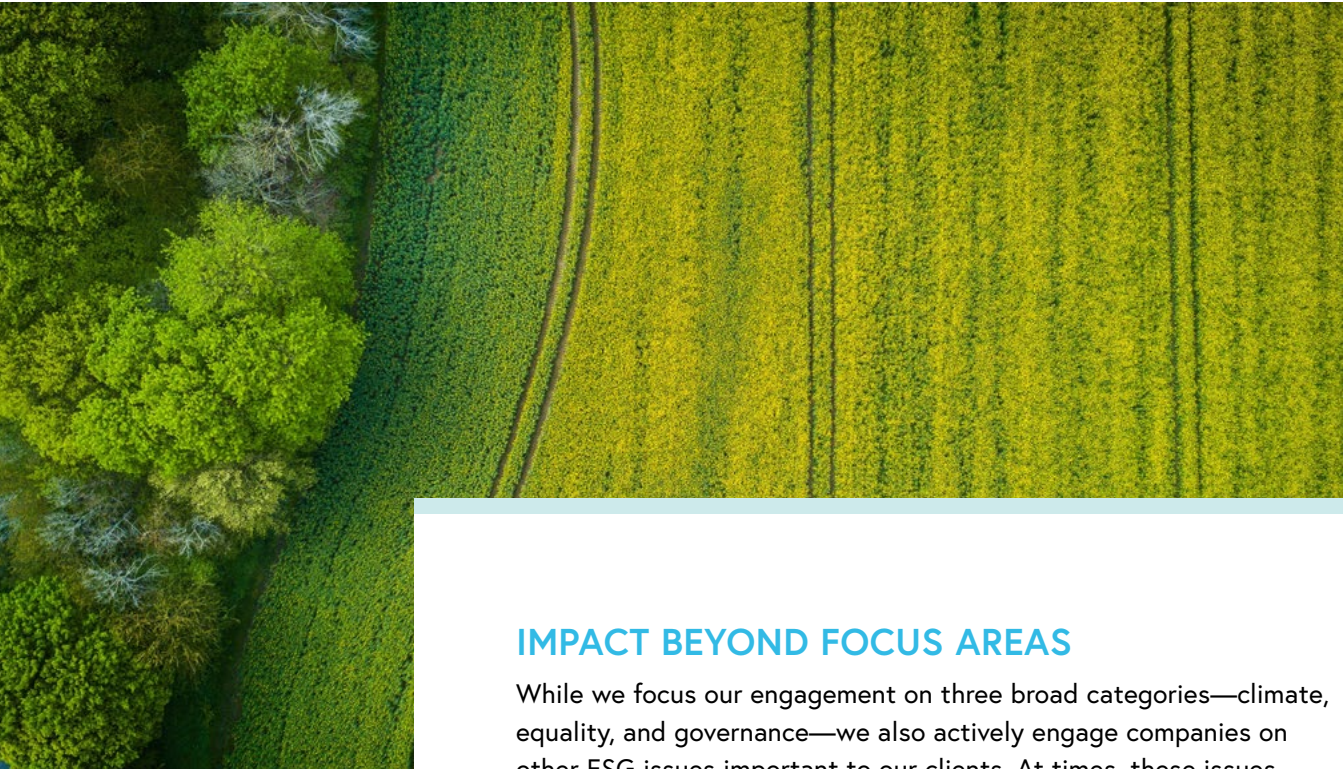
GOVERNANCE ENGAGEMENT BEYOND PORTFOLIO HOLDINGS

In order to extend our reach and bolster our impact beyond portfolio holdings, Boston Trust Walden often collaborates with other investors, civil society organizations, and foundations. Since 2011, we have co-led with AFSCME a broad-based coalition of investors seeking greater corporate accountability on lobbying activities. In that time, nearly 400 shareholder proposals have been filed leading to more than 75 agreements to enhance corporate lobbying practices and disclosure, and more than 80 departures from the American Legislative Exchange Council (ALEC)⁷, a trade association with a record of opposing climate policies and regulation.

Ensuring alignment between a company's lobbying and its publicly stated commitments and goals, especially regarding climate, remained a focus for 2019 and has heightened importance in the 2020 presidential election cycle. To address potential reputational and financial risks associated with misaligned lobbying practices, proposals were filed by at least 70 investors asking 33 companies to produce reports that disclosed company policies and practices governing lobbying; federal, state, and trade association lobbying payments; and management and board oversight of lobbying⁸.

⁷ www.afscme.org/news/press-room/press-releases/2019/institutional-investors-continue-to-press-companies-for-disclosure-of-lobbying-in-2019

⁸ Ibid.



IMPACT BEYOND FOCUS AREAS

While we focus our engagement on three broad categories—climate, equality, and governance—we also actively engage companies on other ESG issues important to our clients. At times, these issues intersect with one or more of our focus areas providing opportunities to expand our reach and impact. In other instances, we have a chance to explore an emerging issue. In all cases, we benefit from the opportunity to collaborate with partners seeking meaningful change in areas including:

Issue	Representative Partner
Animal welfare	FAIRR
Carbon and water risk	CDP
Human rights	ICCR/ Investor Alliance for Human Rights
Ocean plastics pollution	As You Sow
Poverty and global health	Access to Medicine, Global Impact Sourcing Coalition
Supply chain management	Workforce Disclosure Initiative

SUSTAINABLE DEVELOPMENT GOALS

OUR APPROACH TO INCORPORATING THE SDGs

Boston Trust Walden is one of the leading U.S. investor voices on the United Nations' Sustainable Development Goals (SDGs), which we believe represent an important tool in global efforts to end poverty, reduce inequality, protect the natural environment, and pursue peace and stability.

Comprising 17 goals and 169 sub-targets, the SDGs serve as a global framework for sustainable development through 2030. Recognizing achievement of these objectives will be good for the global community and economy, as well as our clients and their investments, we seek to advance the goals through investment decision-making and active ownership.

Companies can have an impact on SDG-related issues through their products and services, management of their workforces and supply chains, and interactions with policymakers and governments. Yet public policy advocacy is often overlooked as a mechanism that can either foster or block progress towards achieving the SDGs. As long-term shareholders of publicly traded companies, we work to ensure alignment between a company's lobbying and its stated commitments and goals, especially regarding its management of climate risks. A case study⁹ authored for PRI demonstrates how our engagement on corporate public policy lobbying contributes to achievement of the SDGs.

We are also members of the PRI Advisory Committee on the SDGs and the PRI Working Group on the SDGs and Active Ownership. We find our partnership with PRI to be a valuable platform for connecting with other interested investors.

Boston Trust Walden was the first U.S. based signatory to the Stockholm Declaration in support of the SDGs (2017).

⁹ www.unpri.org/sdgs/sdg-case-studies/engaging-on-corporate-public-policy-lobbying

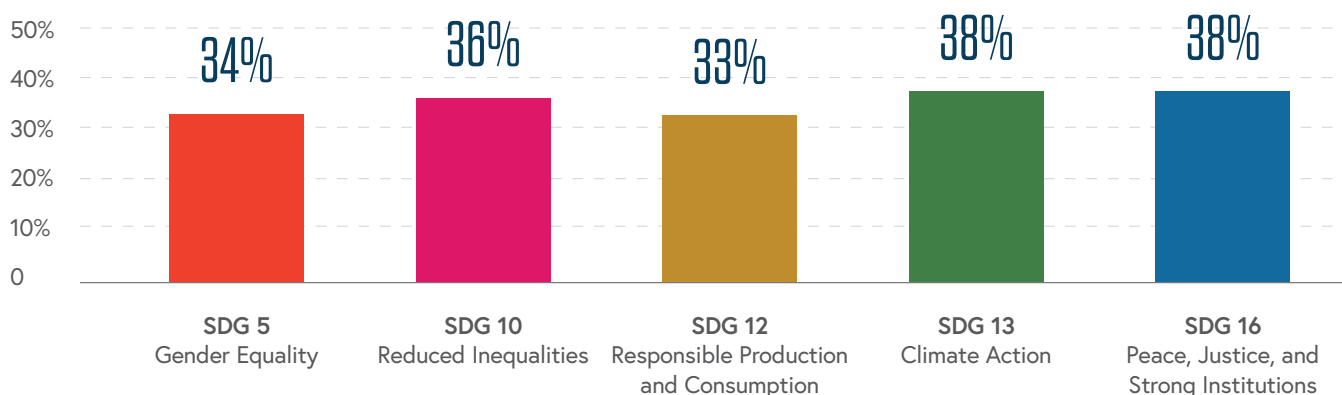
2019 IMPACT RELATIVE TO THE SDGS

The preamble to the SDGs¹⁰ highlights the interconnectedness of the goals, which has allowed us to concentrate our engagement efforts on those SDGs most aligned with our focus areas of climate, equality, and governance and still positively contribute to the advancement of the broader set of goals. In 2019, our engagement work touched on topics related to at least 12 of the 17 goals. Company engagement remains a central component of our approach to advancing the SDGs.

NUMBER OF COMPANIES WE ENGAGED



IMPACT RATE BY ENGAGEMENT FOCUS AREA



Impact Rate is expressed as the percentage of companies demonstrating improvement relative to the companies reached through engagement. Also, 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.

¹⁰ www.sustainabledevelopment.un.org/post2015/transformingourworld

"AS AN INVESTOR THAT CONSIDERS THE RISKS POSED BY CLIMATE CHANGE AND INEQUALITY TO LONG-TERM ECONOMIC GROWTH, WE UNDERSTAND WE HAVE AN IMPORTANT ROLE TO PLAY IN SUPPORTING THE SDGS. AND WE REMAIN COMMITTED TO ADVANCING THEIR OBJECTIVES THROUGH OUR INVESTMENT DECISION-MAKING AND ACTIVE OWNERSHIP EFFORTS."

AMY D. AUGUSTINE

Director of ESG Investing,
Boston Trust Walden

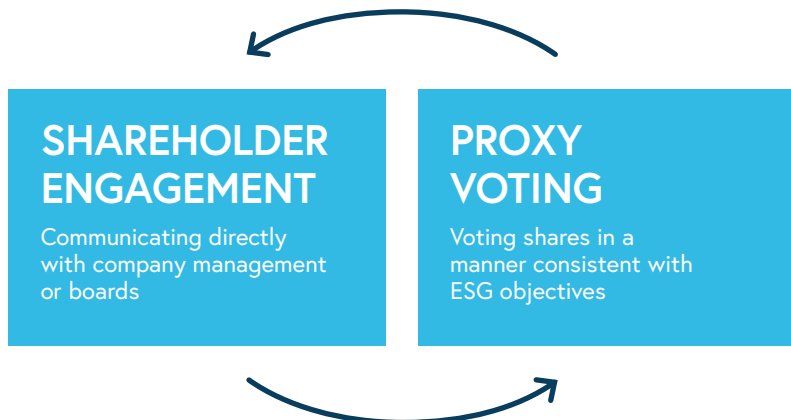
PROXY VOTING

PROXY VOTING PHILOSOPHY AND POLICY

Voting company- and shareholder-sponsored proposals is a fiduciary responsibility having economic value. We take this responsibility seriously and vote in opposition to management recommendations when we consider it to be in the long-term best interests of our clients.

A guiding principle of our voting policies is: resolutions that reduce shareholder rights are generally not supported and, conversely, resolutions that sustain or increase shareholder value and rights are supported. We also believe resolutions calling for greater disclosure and accountability on significant financial and environmental, social, and governance (ESG) topics such as climate risk and human capital management are generally beneficial.

Importantly, our approach integrates proxy voting and company engagement in an ongoing, self-reinforcing manner. For example, most conversations with portfolio companies about board diversity stem from our annual follow-up with those that do not meet our threshold (at least 30% of board members being diverse, inclusive of at least one or more women and person of color and/or ethnic minority), which generally triggers a vote against directors serving on nominating committees. We have also supported the vast majority of shareholder proposals addressing board diversity and have sponsored many of our own over the years.



2019 PROXY VOTING RECORD

This proxy season, we voted on management and shareholder proposals in the annual proxy statements of nearly 250 portfolio companies across investment strategies.

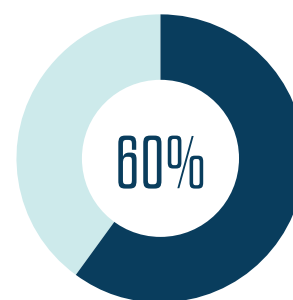
We voted against at least one management recommendation 60% of the time. Moreover, we voted in favor of the vast majority of shareholder resolutions, which include virtually all environmental and social proposals.

Our voting policy on board diversity accounted for the most significant departure from company recommendations on management-sponsored ballot items, resulting in votes against directors serving on nominating committees at 31% of U.S. based portfolio companies. We also voted against directors whom we deemed serve on too many boards (16%) and against advisory votes on executive compensation (12%).

On shareholder proposals, in order of frequency, we voted for improved disclosure of political contributions and lobbying (15 out of 16 resolutions), independent board chairs (15/15), increased shareholder rights (12/12), addressing gender wage gaps (5/5), and conducting human rights risk assessments (5/5).

COMPANY ANNUAL MEETINGS

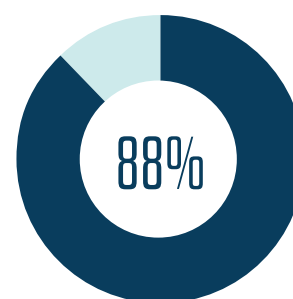
249 companies



60% voted "against" management on shareholder or management proposal on at least 1 ballot item

SHAREHOLDER-SPONSORED PROPOSALS

108 proposals



88% voted "against" management

For the year ended June 30, 2019. The charts summarize how Boston Trust Walden voted on company and shareholder-sponsored proposals for companies held in our investment strategies as of June 30, 2019. The analysis utilizes model portfolios and excludes the Walden International Equity Fund.

*The percentages are based on 232 companies headquartered in the United States.



PUBLIC POLICY ADVOCACY

Global Investor Statement to Governments on Climate Change

In advance of the G20 Summit, Boston Trust Walden joined a record 631 investors managing more than \$37 trillion in signing the [Global Investor Statement to Governments on Climate Change](#). The statement reiterates investors' support for the Paris Agreement and urges all governments to take necessary action to achieve the Paris Agreement's goals, accelerate private sector investment into the low carbon transition, and commit to improving climate-related financial reporting.

Other Examples of Public Policy Actions

- Urged the U.S. Environmental Protection Agency to uphold regulations for methane emissions produced by oil & gas companies
- Encouraged companies to end forced arbitration for sexual harassment claims
- Called on the Bangladesh government to maintain a strong independent body to oversee workplace safety in the Bangladeshi garment industry
- Asked apparel and home goods brands and retailers to sign the Turkmen Cotton Pledge and support the YESS: Yarn Ethically and Sustainably Sourced Initiative

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 local, state, national, and international levels is needed to solve many long-term environmental, social, and governance (ESG) challenges we face.

PROTECTING SHAREHOLDER RIGHTS

We remain determined to protect shareholders' right to file resolutions. In 2019, the Securities and Exchange Commission (SEC) made announcements that put at risk investors' rights to exercise their fiduciary duty through responsible proxy voting and, when necessary, the shareholder resolution process.

In a June SEC-hosted stakeholder meeting to review the 2019 proxy season, we made the case that the current shareholder resolution process is effective and functioning well. We also wrote letters individually and as part of an investor coalition to members of the U.S. House Financial Services Committee. We helped organize an investor call with the CEO and other senior leadership from the Business Roundtable, a leading advocate for substantial changes in the existing rules for filing resolutions.

In September, the SEC announced a significant change to the shareholder resolution process whereby SEC staff may choose not to publish its rulings on corporations' [no-action](#) requests seeking SEC approval to omit the resolutions from their proxies and, in fact, may not weigh in at all on certain requests.

In November, the SEC proposed additional changes, including reviewing the shareholder proposal and resubmission thresholds, among many others. Taken together, we believe these changes would undermine shareholder rights and have a chilling effect on what has proven to be an effective process for shareholders to provide useful input to company management and boards of directors. We have and will continue to communicate our concern to the SEC directly and in concert with industry peers and partner organizations. While the outcome is uncertain, our commitment to protecting these basic shareholder rights remains undeterred.

THOUGHT LEADERSHIP

We seek to continually raise the bar with respect to environmental, social, and governance (ESG) incorporation and active ownership, both independently and collaboratively, as evidenced throughout this report and in the examples provided below:

- **Global Impact Sourcing Coalition (GISC).** We contributed to the GISC's recently released Reducing Poverty through Employment Toolkit¹¹ that provides a strategic roadmap and practical set of tools and resources for companies committed to reducing global poverty through inclusive employment practices.
- **Sustainability Accounting Standards Board (SASB).** We serve on the SASB Investor Advisory Group (IAG) to support its framework for consistent, comparable, and reliable disclosure of financially material, decision-useful ESG information. We lead and facilitate collaborative IAG engagements with companies to encourage adoption of the standards.
- **Interfaith Center on Corporate Responsibility (ICCR).** We issued a report¹² on a two-year collaboration with ICCR to encourage companies to adopt science-based greenhouse gas emissions targets (SBTs) that resulted in meaningful corporate action to mitigate and respond to climate change. Specifically, nearly half of the 105 companies engaged have set SBTs, of which one-quarter were validated by the high standards of the Science-Based Targets Initiative (SBTI), and 39 companies indicated their intention to set an SBT, with nearly half planning for SBTI validation.

¹¹ www.bsr.org/reports/Reducing_Poverty_through_Employment.pdf

¹² www.bostontrustwalden.com/wp-content/uploads/2019/08/ICCR-SBT-Company-Engagement-Report-2017-2019.pdf

FIRMWIDE ESG PERFORMANCE

COMMITMENT TO A POSITIVE WORKPLACE

One of Boston Trust Walden's strategic priorities is to foster a positive workplace. This includes increasing the diversity of our staff. We have a good record hiring, retaining, and advancing women, both absolutely and relative to our industry. With respect to people of color, we need to improve; this is a shared concern in our industry.

Initiatives to identify a diverse pool of candidates for all open positions have been successful. Over the three-year period ending December 31, 2019, we hired 21 individuals, of whom 16 added racial and/or gender diversity to our employee population.

DIVERSITY PROFILE

	Women	People of Color
Staff	53%	19%
Managers	51%	6%
Board Members	44%	11%

ENVIRONMENTAL IMPACT

Boston Trust Walden offsets carbon emissions from business travel. We purchase certified renewable energy certificates for all energy use. Our materials are printed on 100% post-consumer recycled paper with soy-based ink, and we source our gifts from a vendor that focuses on sustainable products. Our office is located in a platinum LEED-EB certified building.

EMPLOYEE & COMMUNITY ENGAGEMENT

Boston Trust Walden encourages employees to give back to our local community. The firm offers paid time for employees to volunteer and matches financial commitments up to \$100 per year.

We also formally support and partner with nonprofits that focus on leadership and skill-building for young adults in our Boston community, including Sociedad Latina, YearUp, and YouthBuild Boston.

For the eighth year in a row, many 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 vegetables in the fall at Ward's Farm in Sharon, Mass., with the Boston Area Gleaners, which distributes the fresh produce to local food banks and meal programs.





Boston Trust Walden
Principled Investing.

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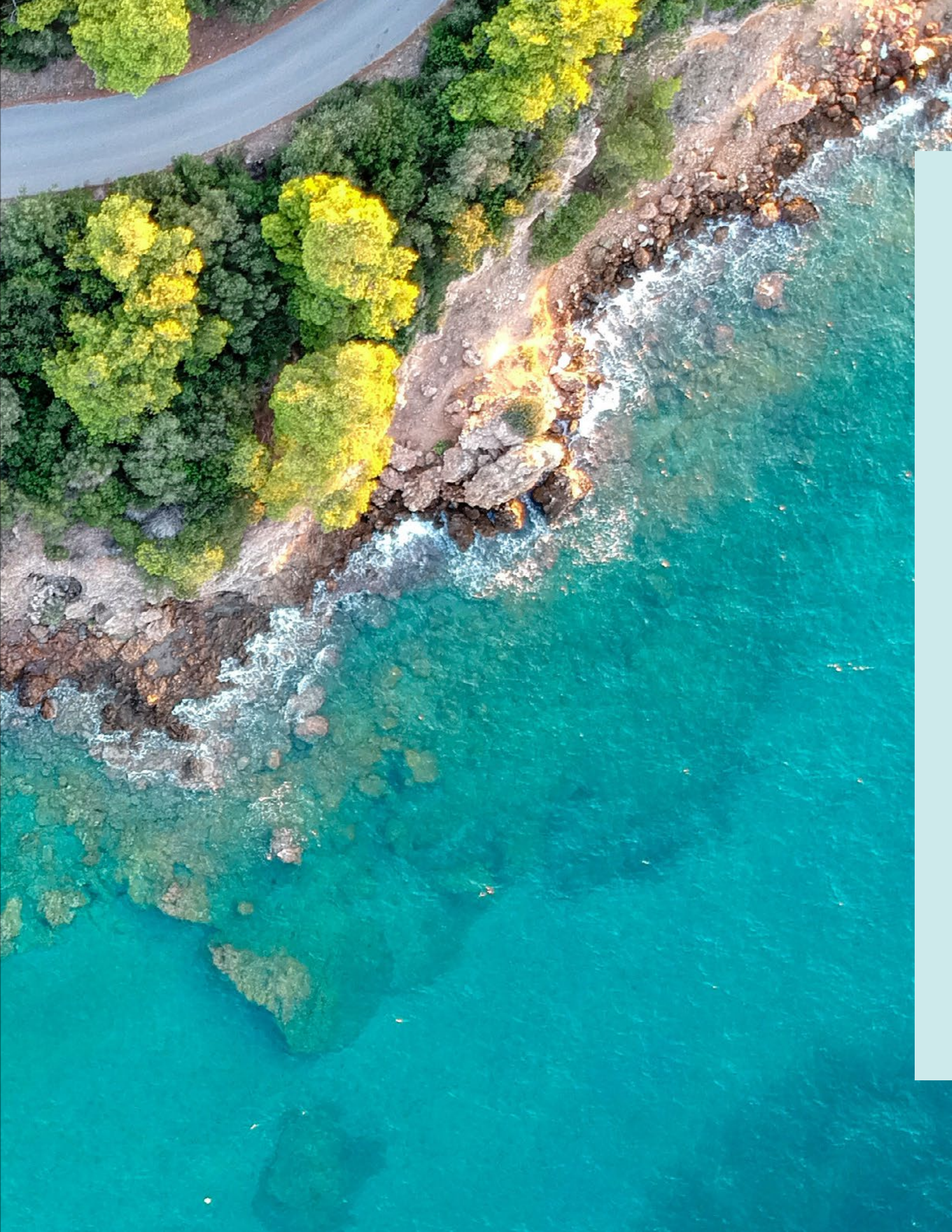
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