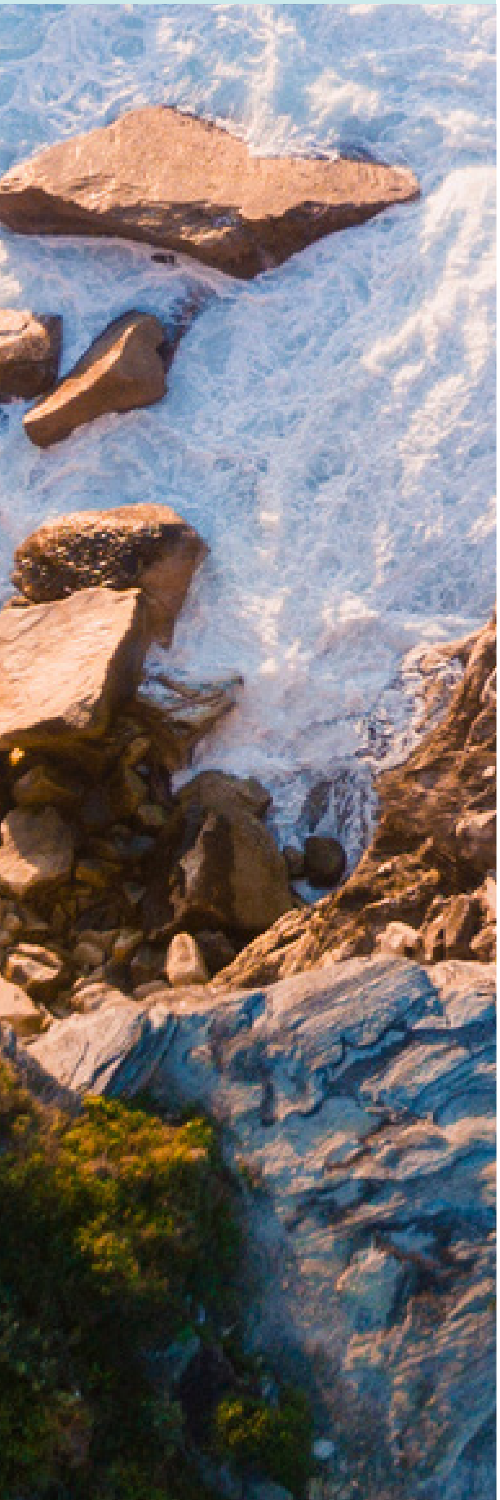
Boston Trust Walden
Principled Investing.

ESG IMPACT REPORT

Fourth Quarter 2021



The tides are turning. At the start of 2021, we observed the potential for significant policy change as the Biden Administration signaled intent to tackle head on the systemic challenges of inequity, racism, and the global climate crisis, and resolved to correct the prior administration's efforts to call to question the validity of ESG investing. **This quarter, public policy advocacy proved once again to be among Boston Trust Walden's most powerful and critical levers for change.**

TURNING PROMISES TO ACTION: REFLECTIONS ON COP26

Freezing temperatures blanketing an unprepared Texas; devastating floods displacing populations from Europe to Sudan; uncontrollable wildfires once again enveloping Northern California in flames and smoke. These global natural catastrophes — once described as unprecedented but now quickly becoming the norm — set the stage for November's UN Climate Change Conference in Glasgow (COP26) and sent a clear message that the time for promises has long since passed.

Yet despite the ever-mounting urgency of the challenges before us, the outcomes of COP26 can best be described as incremental progress. Notably, via the Glasgow Climate Pact, the nearly 200 countries involved in the COP26 negotiations more formally acknowledged the latest climate science presented by the Intergovernmental Panel on Climate Change (IPCC) that calls for limiting global temperature rise to well below 2 degrees Celsius and pursuing a limit of 1.5 degrees Celsius above pre-industrial levels. Countries also expressed "alarm and utmost concern that human activities have caused around 1.1 [degrees Celsius] of warming to date, that impacts are already being felt in every region, and that carbon budgets consistent with achieving the Paris Agreement temperature goal are now small and being rapidly depleted."[1]

To achieve the goals set forth by the Paris Agreement, countries stressed the need to reduce global greenhouse gas emissions 45 percent by 2030. The existing Nationally Determined Contributions (NDCs) set by each individual country, however, continue to fall short. To address this ambition gap, countries agreed to announce stronger climate action plans in 2022 – and their ambitions will now be assessed annually, instead of every five years.

While some bright spots of increased ambition are encouraging, the limited evidence of impact underscored the critical need to quickly transition from lofty commitments to tangible action by public and private sector actors alike.

INVESTOR COLLABORATION FOR CLIMATE ACTION

In the lead up to COP26, we joined with other investors to send a strong message to both the public and private sector. This year, Boston Trust Walden:

- Became a signatory of the Net Zero Asset Manager (NZAM) Initiative, an affiliate of the Glasgow Financial Alliance for Net Zero (GFANZ). In so doing, we committed to make investment decisions informed by climate science and to do our part in reaching net zero emissions by 2050.
- Signed the Global Investor Letter to Governments on the Climate Crisis alongside 733 other investors representing over $52 trillion in assets, urging countries to strengthen their NDCs to help reduce global carbon emissions 45 percent by 2030, and reduce all GHG emissions on a path to net zero emissions by 2050 or sooner.
- Joined 408 businesses and investors via the We Mean Business Coalition, calling on the Biden Administration to adopt a target which would enable the US to reduce its GHG emissions at least 50% by 2030.
- Joined investor members of the FAIRR Initiative, urging G20 governments to include specific greenhouse gas (GHG) emission reduction targets for the animal agriculture industry, within or alongside their NDCs.
- Signed ICCR and Ceres coalition letters calling on the Biden Administration to rapidly strengthen and expand methane regulations for the US oil and gas sector.

PARIS-ALIGNED CLIMATE LOBBYING

As a firm, Boston Trust Walden will continue to conduct climate-related policy advocacy on global, national, and subnational levels as opportunities are presented, and we will also continue to urge companies in our clients' portfolios to do the same. Companies continue to play an outsized role in influencing public policymaking, which is why we are asking portfolio companies to increase transparency on climate lobbying and align their direct and indirect policy advocacy with the goals of the Paris Agreement.

Two years ago, Boston Trust Walden was a founding partner of a collaborative initiative – led by 8 investors and supported by hundreds of others – asking nearly 50 major US companies included on the Climate Action 100+ initiative focus list to publish an assessment outlining how their climate policy priorities align with their trade associations' positions. Boston Trust Walden is currently engaging with more than a dozen portfolio companies on this issue and has filed six climate lobbying shareholder proposals in advance of the 2022 company annual meetings.[2] With raised awareness, we continue to see companies strengthen oversight and transparency of public policy advocacy, and we expect even more progress in 2022.

POLICY WIN

Following an investor signatory letter Boston Trust Walden signed in November 2021 to Senators serving on the Appropriations Committee, the Senate removed from appropriations bills a "poison pill" rider added in 2015 preventing the SEC from finishing and implementing a rule requiring companies to disclose political spending.

INVESTORS DEMAND DIVERSITY DISCLOSURE

Earlier this year SEC Chair Gensler stated, "Investors are looking for consistent, comparable, and decision-useful disclosures so they can put their money in companies that fit their needs." So, when months later the SEC signaled intent to increase corporate accountability on workforce demographics, Boston Trust Walden moved swiftly to act.

In November, we spearheaded a letter to Chair Gensler in coordination with the Connecticut State Treasurer, Illinois State Treasurer, Washington State Investment Board, and 59 other investor organizations representing nearly $1 trillion in assets, calling for the SEC to mandate disclosure of "EEO-1" data — reports submitted annually to the Equal Employment Opportunity Commission (EEOC) detailing employee composition by gender, race, and ethnicity across all job categories. With virtually no incremental cost to companies, such disclosure provides the consistent, comparable, and decision-useful data needed to better assess the effectiveness of corporate diversity, equity, and inclusion (DEI) practices and, importantly, to foster progress in hiring and advancing women and people of color. Upon the release of the SEC proposal in early 2022, and during the formal comment period that should follow, we anticipate another opportunity to underscore our position.

Boston Trust Walden holds firm in our belief that effective DEI management is essential to addressing economic inequality and is linked to long-term shareholder value creation. The importance of our decades-long advocacy regarding transparency on workforce composition was laid bare by the COVID pandemic and the ongoing national debate over persistent, unequal treatment of people of color.

Our targeted company engagement on this issue began in 1991 with an equal employment opportunity survey of portfolio holdings that included, even then, a request for EEO-1 data and was followed by countless related dialogues and shareholder resolutions. And still relevant today is our 1994 testimony to the bipartisan Federal Glass Ceiling Commission urging increased disclosure of diversity data to address barriers to advancement faced by racial minorities and women.

As part of Boston Trust Walden's multi-year initiative to urge all portfolio holdings to annually disclose workforce composition, in 2021 we engaged with more than eighty companies and filed shareholder resolutions for the 2022 annual meetings of Dollar General and SEIC Investments. We are pleased to have already withdrawn both resolutions upon commitments from both companies to disclose EEO-1 reports annually.

As we continue to witness more companies voluntarily releasing workforce composition data, we remain optimistic of meaningful SEC policy change in the not-too-distant future.

On this issue, momentum finally appears to be a force for progress.

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US REGULATORS CHANGING THE RULES OF THE GAME

Throughout 2021, we highlighted positive changes happening amongst US regulators to reverse the actions taken by the previous administration to curtail shareholder rights and obstruct the integration of ESG considerations in investment decision-making. Recent communications and policy changes from the US Securities and Exchange Commission (SEC) and Department of Labor (DOL) reflect the overwhelming consensus of investor advocacy in recent years, Boston Trust Walden's efforts included, and continue to bolster confidence that ESG considerations are once again recognized by regulators as material to investment decision-making.

We provide an update below on where these changes stand and where Boston Trust Walden has advocated directly with policymakers.

DOL Releases Proposed Rule, *Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights*

In October 2021, the DOL released the proposed rule: *Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights*. The newly proposed rule addresses concerns raised by Boston Trust Walden and other investment fiduciaries in response to the rules put in place by the Trump administration, and now reflects a fundamental understanding of ESG integration in investment decisions. In line with Boston Trust Walden's investment philosophy, the proposed rule acknowledges that ESG factors are no different than other 'traditional' material risk-return factors and clears the way for investment managers to consider ESG issues through the lens of risk, return, and fiduciary considerations. Importantly, the proposed rule also recognizes the proxy vote as an ownership responsibility and helps ensure ESG related ballot items presented by both management and shareholders in annual proxy statements receive appropriate attention.

In November 2021, Boston Trust Walden submitted a formal letter of commentary commending the DOL for addressing concerns we and other investor fiduciaries raised related to the previous administration's rules and expressed support for its recognition of the relevance of ESG considerations in retirement investments. The final rule is expected in early 2022.

SEC Legal Bulletin 14L re Rule 14a-8

In November 2021, the SEC issued a new Staff Legal Bulletin regarding the application of Rule 14a-8, which serves to govern the shareholder resolution process. This latest staff bulletin specifically rescinds guidance previously issued allowing for the exclusion of certain ESG-related proposals deemed "ordinary business" from going to a shareholder vote. It further communicates the SEC's intent to consider certain types of resolutions non-excludable, specifically citing reasons related to significant social impact and false claims of micromanagement. The bulletin cites human capital management related proposals as an example, stating staff will now consider "whether the proposal raises issues with a broad societal impact, such that they transcend the ordinary business of the company." The bulletin goes on to narrow the application of claims related to micromanagement, "recognizing that proposals seeking detail or seeking to promote timeframes or methods do not per se constitute micromanagement." In this case, the bulletin references climate change related proposals that request either specific timeframes or targets for performance improvement as examples of non-excludable resolutions.

This is a notable shift in SEC policy that is aligned with, and foreshadows, additional SEC policy change expected in early 2022. The bottom line: Boston Trust Walden and other investor proponents can once again be confident that our shareholder proposals addressing employment discrimination, climate risk, and sustainability reporting, among other issues, will be included in company proxy statements and voted at annual meetings.

Forthcoming SEC Proposed Rule Guiding Climate Risk Disclosure

In addition to the SEC's increased focused on human capital management disclosure, the regulator is also developing guidance for mandatory climate risk reporting. In July 2021, the SEC closed its public comment period focused on the forthcoming proposed rule guiding climate risk disclosure. Response to the Commission's request resulted in the submission of more than

550 comment letters, Boston Trust Walden's included. Among investor respondents, 70 percent called for alignment with the already established Taskforce for Climate-related Financial Disclosure reporting framework and 65 percent called for comprehensive disclosure of greenhouse gas emissions (Scopes 1, 2 and 3).[3] Investor response to the proposed rule reflects the rising demand for companies to not only measure and report material risks related to climate change, but to also provide insight into climate scenario analyses, governance structures, performance targets, and strategies for transitioning to a net-zero emissions economy.

On December 9th, Boston Trust Walden submitted additional commentary to the SEC in advance of its release of the proposed rule guiding climate risk disclosure. This commentary, which built upon a Boston Trust Walden letter submitted in **June of 2021**, urged SEC Chair Gensler to release the strongest proposed ruling possible with specific note of requirements related to scope 3 emissions disclosure, methane emissions disclosure for the oil & gas industry, and climate-related political spending and lobbying disclosure. The SEC is set to issue the proposed rule in early 2022.

[1] https://www.un.org/en/climatechange/cop26
[2] 2022 climate lobbying resolutions filed with Alphabet Inc., Amgen Inc., JPMorgan Chase & Co., Merck & Co., Union Pacific Corporation, and UnitedHealth Group Incorporated
[3] Ceres, 2021. SEC enforcing 2010 guidance on climate change disclosure and releasing a proposed rule for mandatory disclosure in early 2022.
https://wakelet.com/wake/2Q9snMxAuwtbxhYPYDdLI

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