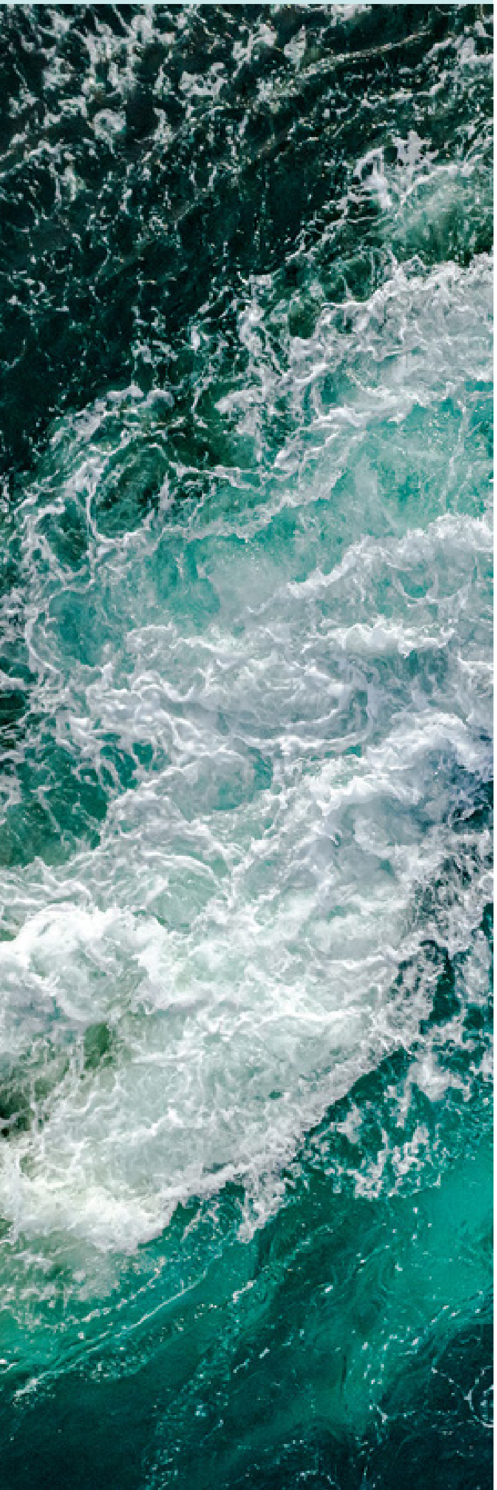
Boston Trust Walden
Principled Investing.

CLIMATE RISK AND INVESTMENT DECISION-MAKING



The changing climate is an extraordinary environmental challenge with far-reaching economic, environmental, and societal implications, creating risks and opportunities for companies and investors. As fiduciaries, we aim to manage the associated risks and opportunities. We support efforts to reach carbon neutrality by 2050 to limit warming to 1.5° Celsius above pre-industrial levels and avoid the most catastrophic consequences of climate change. Given the current trajectory of global emissions, successfully achieving the 2050 target requires interim goals and plans for meaningful action by a range of stakeholders.

As investors, we have the ability and responsibility to influence corporate leadership to embrace its role as a significant part of the solution to the climate crisis. This is why in March 2021 Boston Trust Walden became an early signatory to the Net Zero Assets Manager Initiative. This initiative galvanizes asset management firms to use their influence in the capital markets to bring the world closer to achieving the goals of the Paris Agreement. In June 2022, we formally announced our own targets, which focus on two key areas: move the companies we invest in to set science-based emission reduction targets and reduce carbon intensity across our strategies.

Boston Trust Walden employs a multifaceted approach to manage and mitigate climate risk, which is critical for us to achieve our stated targets. We integrate ESG considerations into securities analysis and seek to construct portfolios with lower carbon risk than respective benchmarks, with or without exposure to fossil fuel producers. We also engage companies, vote proxies, and advocate for public policies that accelerate climate action. By using all the tools available to investors, we do our part to achieve positive climate-related impact on behalf of our clients.

TASK FORCE ON CLIMATE RELATED DISCLOSURE RECOMMENDATIONS

In this report, we provide an update on our efforts to manage climate risk at Boston Trust Walden using the framework provided by the Task Force on Climate Related Financial Disclosure (TCFD) to guide our disclosure. We also encourage companies we invest in to do the same.

The TCFD's recommendations cover four thematic areas that represent the core elements of how organizations operate. The themes are interlinked and inform one another.

SECTION 1: Governance

SECTION 2: Strategy

SECTION 3: Risk Management

SECTION 4: Metrics/Targets

BOSTON TRUST WALDEN REPORT SUMMARY

- **We have a robust process to identify and assess climate risks.**

  The climate crisis has enormous economic, environmental, and human consequences; however, the extent and path of the societal and market responses remain uncertain. Boston Trust Walden systematically integrates climate-related risks and opportunities into securities analysis across investment strategies. Our analysts gather information from a variety of sources and perspectives, consider transition and physical risks, and utilize proprietary research tools to examine how risks may uniquely affect the companies in which we may invest. Our process involves members of the board and senior management, ensuring high-level oversight and attention.

- **We set firm-wide commitments supporting the goal of reaching net zero by 2050.**

  To further bolster our active ownership efforts, in March 2021, we became an early signatory to the Net Zero Asset Managers Initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°Celsius. In June 2022, we formally announced our own targets, which cover the discretionary equity assets we manage and represent approximately 80% ($11.8 billion) of firm-wide AUM.[1] Our targets focus on two key areas: moving the companies we invest in to set science-based emission reduction targets and reducing carbon intensity across our strategies.

  [1] AUM as of December 31, 2021. Read more at: https://bit.ly/3ONEJa7

Notably, our targets span the market capitalization range — and include Small and SMID cap equity holdings, which comprise a significant portion of our firm's AUM. We believe all companies have a role to play in addressing direct and systemic climate risks.

- **We seek to manage and mitigate climate risk through company engagement and proxy voting.**

  Boston Trust Walden uses a multifaceted approach to manage and mitigate climate risk. Our in-house team uses a range of tools and tactics refined over our nearly five decades of experience engaging companies and policymakers both directly and in coalition. Our tactics include a combination of portfolio construction (managing portfolios with lower carbon risk, whether with or without exposure to fossil fuel producers) and active ownership (including company engagement, proxy voting, and public policy advocacy).

  In 2021, we directly engaged 284 companies, or 75% of the companies held across our investment strategies on environmental, social, and governance (ESG) topics. Of those engagements, 102 focused on climate change, with approximately 33% resulting in demonstrable impact.

- **The weighted average carbon intensity of most of our investment strategies is significantly lower (better) than their respective benchmarks.**

  Using the weighted average carbon intensity metric, Boston Trust Walden model portfolios were 46% to 74% less carbon intensive than respective benchmarks. The outlier this year was the Small Cap strategy, which had a carbon intensity about in line with the benchmark. The carbon intensity was driven largely by one holding, which has established a clear path to reducing its emissions.

  The metrics above are based on the strategy's model portfolio and are not actual results from client portfolios.

SECTION 1: GOVERNANCE

Describe the board's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities.

Boston Trust Walden's eight managing directors have board and management-level roles in our employee-owned organization. They oversee all investment activities of Boston Trust Walden, including investment strategy and implementation that is inclusive of climate-related issues.

Boston Trust Walden's Co-Chief Executive Officers (Co-CEOs) manage the strategic priorities of the firm. The Director of ESG Investing reports to one of the Co-CEOs and manages an eight-person in-house ESG team responsible for ESG analysis, ESG integration, and active ownership strategies, including direct engagement, proxy voting, public policy, and thought leadership. All these functional areas have a significant climate risk mitigation component.

The Active Ownership Committee (AOC) oversees and affirms Boston Trust Walden activities related to proxy voting, company engagement, and public policy advocacy, including climate-related efforts. Chaired by a Portfolio Manager, AOC includes a Co-CEO, the Director of ESG Investing, the Manager of ESG Integration, and other investment professionals.

The ESG Research and Engagement Committee (REC) also plays an important role. Chaired by the Director of ESG Investing, REC includes a Co-CEO, directors, portfolio managers, securities analysts, and dedicated ESG professionals. The committee reviews and discusses active ownership efforts, including company engagements and public policy priorities, and provides input on emerging or complex ESG research issues. This process incorporates our assessment and management of climate-related risks and opportunities.

Boston Trust Walden Board and Management Oversight

- Board of Directors
- Co-CEOs
- Chief Investment Officer
- Active Ownership Committee
- ESG Research and Engagement Committee

SECTION 2: STRATEGY

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

Boston Trust Walden considers multiple dimensions and timeframes associated with climate-related risks and opportunities in security selection and portfolio construction. Climate-related risks are apparent in the short, medium, and long term. At Boston Trust Walden, we consider short-term to be 1-2 years, medium-term to be 3-10 years, and long-term to be 10 or more years.

The TCFD framework organizes risks into two broad categories — transition and physical impact risks. It makes clear climate risk is relevant to nearly all industries and manifests itself in a variety of ways. We have long shared this perspective and integrate climate-related risk into our securities analysis, assessing how risk factors such as changing technologies, new regulations, and natural disasters could affect a company's direct operations, value chain, and reputation.

Below we provide several examples to illustrate how we factor risks and opportunities into our investment strategies:

- **Automotive Parts**: The transition to electric vehicles could present a real headwind for some automotive parts manufacturing and retail companies. While evaluating several companies in the sector, analysts identified challenges to growth in product categories that focus on traditional internal combustion engine technology as lower GHG emitting technologies become more prevalent. Though we do not expect the market for traditional combustion engine technology to disappear immediately, it is clear those companies developing goods and services for the future of transportation will be better positioned to benefit from the transition, while others may find their product portfolio at risk of obsolescence.
- **REITs**: During our analysis of real estate investment trusts (REITs), we considered the potential physical risks facing properties. We also continued to observe market opportunity for REITs that have made investments in more climate-friendly properties. Since the built environment is responsible for nearly 40% of total direct and indirect carbon dioxide emissions, REITs can help clients reach their climate goals while bolstering their own revenue growth.
- **Utilities**: The electric and gas utility industries are particularly exposed to transition risk. A case in point is the Biden Administration's goal of 100 percent carbon pollution-free electricity by 2035. Independent power producers with significant coal-fired generating fleets have faced stranded asset risk as natural gas-fired generating units became cheaper and regulation increased the cost of environmental compliance for coal-fired plants. New climate-related goals and the economics of renewable power generation now pose a threat to gas-fired generation. The future for local gas distribution companies (LDCs) is also uncertain. We continue to assess and discuss the risks LDCs face in a scenario in which regulation pushes consumers away from gas and toward electricity for home heating. We have tended to avoid investment in utilities with generating assets of any kind, and we engage companies with distribution assets to better understand risks.

- **Oilfield Service Providers**: The transition to a net zero economy, including efforts to phase out the use of hydrocarbons, presents long-term secular risk to the oil and gas industry. In the interim, companies are expected to decrease the emissions intensity of operations and their value chain. As such, oilfield service providers (OFS) supporting these companies face risk and opportunity to serve their oil and gas producing customers. In our analysis of the OFS industry we found several companies offering technologies for customers to cost-effectively reduce emissions, including operational methane emissions. We anticipate several of these companies may experience tailwinds from the energy transition while positively contributing to emissions reductions.

Describe how climate-related risks and opportunities are factored into relevant products or investment strategies.

We systematically integrate ESG risks and opportunities into investment decisions. We believe a thorough assessment of climate-related risks and opportunities is appropriate for all investment strategies across market capitalization, style, and geography.

Three committees serve as the primary forums for discussion of key risks and opportunities related to ESG issues: Investment Committee (IC), Active Ownership Committee (AOC), and ESG Research & Engagement Committee (REC). IC considers climate risks and opportunities related to security selection. AOC oversees and affirms Boston Trust Walden activities related to proxy voting, company engagement, and public policy advocacy. REC routinely assesses climate risks and opportunities relevant to ESG integration (research for investment decision-making), engagement priorities, and public policy advocacy.

Our dedicated in-house ESG analysts are responsible for identifying climate-related risks and opportunities, communicating with executive leadership and traditional financial analysts regarding their findings, and making recommendations to address risks and opportunities, as appropriate. The Manager of ESG Integration and the ESG analyst team are responsible for staying current on climate trends, data sources, and analytical processes to help guide our decision-making on products and services offered, research and engagement strategies, and public policy advocacy.

Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2-degree Celsius or lower scenario. Describe how each product or investment strategy might be affected by the transition to a lower-carbon economy.

Countless scientific studies describe how a changing climate is driving rising sea levels, changing weather patterns, and increasing severity of storms, all of which have economic, environmental, and human consequences. In contrast to the visible impacts associated with climate change, the extent and path of societal and market responses are far more uncertain. The impact of a transition to a lower carbon economy on our investment strategies depends on the path taken and the pace of change, among other variables. Like many investors and companies, we look for indicators to determine if, and to what extent, the world is indeed on a path to a lower carbon economy.

Notwithstanding significant uncertainty, there are sectors of the economy that appear more likely to be negatively affected by a transition to a low carbon economy. We have generally avoided carbon intensive industries, such as cruise lines and airlines. With respect to investment in the energy sector and fossil fuel companies and utilities, Boston Trust Walden seeks to identify companies that contribute to more efficient energy production while minimizing overall environmental impacts. More specifically, as described in the Boston Trust Walden Policy on Coal and Other Fossil Fuel Investments, our portfolios avoid exposure to coal companies (the most carbon intensive fossil fuel) and oil sands (also among the highest carbon intensity sources).

As the TCFD framework makes clear, climate risk is not limited to energy companies and utilities. We have long considered the supply side of climate risk (fossil fuel companies and utilities), as well as the demand side (all other companies). The impact on demand side companies is more challenging to discern and is further affected by the range of potential responses to climate risk.

The current state of voluntary climate risk disclosure makes it especially challenging for investors to systematically consider risks, underscoring the importance of the TCFD framework. While voluntary climate risk disclosure has been on the rise in recent years, the lack of a regulatory mandate has led to inconsistent information provided across multiple reporting regimes. This inconsistency has allowed companies to self-select which metrics and information to disclose and has caused confusion among investors about which disclosures to trust and use.

In the absence of standardized climate risk disclosure requirements (read more about our efforts to influence climate risk disclosure frameworks on page 10), one metric frequently disclosed is the estimated direct carbon emissions of a company. This has led investors to assess the carbon footprint of portfolios, despite shortcomings of the metric. We disclose the carbon intensity of Boston Trust Walden model portfolios in Section 4 (Metrics/Targets).

SECTION 3: RISK MANAGEMENT

Describe the organization's processes for identifying, assessing, and managing climate-related risks for each product or investment strategy.

The potential materiality of climate-related issues depends on a company's sector/industry and its operating model. Our in-house ESG analysts and traditional securities analysts review a company's climate-related risks and opportunities, considering short- to long-term impacts. Risks include:

- Regulatory risk (e.g., how prepared sectors/industries/companies are for carbon regulation)
- Operational risk (e.g., business operations at risk due to impacts of climate change)
- Reputational risk (e.g., how companies are viewed by key stakeholders and customers)
- Litigation risk (e.g., lawsuits against fossil fuel companies for alleged failure to disclose climate risk)

Our analysts also consider opportunities afforded to companies with products, services, or processes that mitigate climate risk. For example, a company with filtration technology stands to benefit from more stringent clean air regulations; a utility building transmission and distribution infrastructure may benefit from an increase in new renewable energy assets; and a company providing advanced technology to improve the water use in the agricultural industry may benefit from increased demand for its products as water stress becomes more apparent.

Our analysts utilize a variety of resources, including company reports, company responses to the CDP surveys, third-party ESG data providers, academic and NGO research, and as appropriate, primary company research.

The ESG materiality assessment (inclusive of climate risk) is reviewed and affirmed by designated members of one of the two Securities Research Committees (overseen by the Investment Committee), usually including the CIO or the leader of the relevant investment strategy. The assessment is presented to members of the Committee by the securities analyst, and as needed, the ESG analyst. The Committee, comprised of portfolio managers and analysts, analyzes material factors, including ESG considerations, in its review of individual securities and is ultimately responsible for ESG factor integration. Most of these investment professionals have some cross-functional experience in traditional and ESG factor research. The work of the Committee results in a thorough and consistent assessment of a company's appropriateness for client portfolios. Individual portfolio managers are responsible for constructing portfolios from the firm's approved list of securities, taking into consideration client-specific objectives, including ESG and climate objectives.

During the research process, analysts also consider the potential for shareholder engagement to encourage improved management of climate-related risks and opportunities. See Boston Trust Walden's 2021 ESG Impact Report for examples.

Finally, we measure and track the weighted average carbon intensity of our model portfolios. We scrutinize the results from an absolute perspective (i.e., which companies are the largest contributors?) and relative perspective (i.e., how does the portfolio compare to its benchmark?).

Describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks.

We engaged 102 companies held across investment strategies in 2021 on climate issues. Of those engaged, approximately 33% demonstrated measurable progress (an increase from 16% in 2020), including establishing science-based GHG emissions reduction targets, improving climate risk management, and expanding climate lobbying disclosure.

Over multiple decades, our firm 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+ focused on engaging the world's largest GHG emitters to improve climate governance, curb emissions in line with the goals of the Paris Agreement, and strengthen climate-related financial disclosure.

Setting Science-Based Targets

Building on the success of previous investor collaborations, in 2020 CDP initiated a Science-Based Targets (SBT) campaign calling on companies to set GHG emissions reduction goals aligned with the 1.5°Celsius climate goal and to achieve net zero emissions by 2050. In 2021, Boston Trust Walden joined the SBT campaign alongside investors representing nearly $30 trillion in assets. The campaign issued letters to more than 1,600 companies, including approximately 60 client portfolio holdings. More than 130 companies across our investment strategies have set, or committed to set, science-based targets, and we continue to directly engage companies that have yet to do so.

Climate Lobbying

Corporate lobbying activities 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. Too often, however, corporate lobbying efforts are misaligned with company stated commitments, undermining efforts to effectively manage climate risks.

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. In 2020-21 we saw a groundswell of shareholder support for climate lobbying proposals (averaging 61% majority support), sending a clear signal to companies that investors are increasingly interested in this issue. Companies appear to be listening. Of the 17 climate lobbying proposals filed this last year, more than 80% were withdrawn based on negotiated agreements.[2]

Welsh, Heidi. Sustainable Investments Institute Engagement Monitor Search. June 24, 2022. Sustainable Investments Institute. https://siinstitute.org/

As a founding member of the Climate Action 100+ investor initiative, Boston Trust Walden is among the most active asset managers on this issue. We directly engaged more than a dozen portfolio companies and filed six shareholder proposals throughout the 2021-22 proxy season. As a result of constructive engagement and company commitments, we successfully withdrew shareholder proposals from Amgen, JPMorgan Chase, Merck, Union Pacific, and UnitedHealth Group.

Climate Disclosure

To price risks appropriately and allocate capital responsibly and efficiently, investors require access to rigorous, standardized, and high quality corporate disclosures. In 2022, Boston Trust Walden continued our decades-long active engagement with regulators and standard setters to drive efforts to improve corporate disclosure of material ESG information, seizing a pivotal opportunity to influence the creation of standards in the US and globally.

In early 2022, the Securities and Exchange Commission (SEC) released a proposed rule requiring companies to disclose in their annual financial statements consistent, comparable, and decision-useful climate risk information. In June 2022, Boston Trust Walden took this critical opportunity to issue a public comment letter communicating our support for the proposed rule, describing the value of increased access to rigorous, standardized, and high quality corporate climate disclosures, and offering suggestions for where the rule could be strengthened to better meet investor needs.

Outside the US, the International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB). To help meet the demand for a comprehensive global baseline of sustainability-related disclosure standards, the ISSB released a draft common framework to guide corporate disclosure of material information across significant sustainability risks and opportunities. This important effort seeks to align disclosure with existing frameworks, such as the SASB indicators and the TCFD recommendations. In July 2022, Boston Trust Walden submitted two public comment letters — the first in response to the ISSB's General Requirements proposal and the second providing feedback on the ISSB's framework guiding climate risk disclosure.

The standardization of climate risk disclosure — here in the US and globally — will enable investors to better evaluate the direct risk exposure of an individual issuer and gain valuable insight into strategies and systems in place for monitoring and managing both direct and systemic climate risk.

Proxy Voting

Proxy voting is a key element of our fiduciary duty in stewarding the assets of our clients. We take a thoughtful, principled approach when casting votes at company annual meetings, enabling us to leverage our position as shareholders to elect directors, address management proposals, and support shareholder resolutions on issues important to our firm, including climate risk mitigation and transparent public policy advocacy, among other topics. A strong level of shareholder support — even when not a majority — can be an important driver of more sustainable business policies and practices.

We routinely support shareholder proposals calling for companies to set GHG emissions reduction targets and improve climate risk disclosure, though exceptions are made. In cases where Boston Trust Walden voted against management's recommendations related to our priority focus areas (inclusive of climate), we conduct additional written outreach to communicate the rationale for our vote and set the stage for future engagement. We consider this to be a critical element of the cyclical and reinforcing design of Boston Trust Walden's active ownership strategy.

SECTION 4: METRICS/TARGETS

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

In 2018, based on the recommendations of the TCFD, we began reporting the weighted average carbon intensity of our model strategies, which normalizes emissions based on revenue. In previous years, we reported the carbon footprint, which normalizes emissions based on the market value of the strategy. In 2018, we also expanded our analysis to include additional investment portfolios to disclose carbon metrics for the majority of assets under management.

In 2021, the carbon intensity of most model strategies was significantly lower than their respective benchmarks, which is consistent with previous years. The model strategies' carbon intensity ranged from 2% more (worse) to 74% less (better) than respective benchmarks. The outlier this year was the Small Cap Strategy, which had a carbon intensity about in line with the benchmark. The carbon intensity was driven largely by one holding, which has established a clear path to reducing its emissions.

BOSTON TRUST WALDEN RESULTS
WEIGHTED AVERAGE CARBON INTENSITY (tCO_2e/$MILLION SALES)

	Small Cap	SMID Cap	Mid Cap	Large Cap Core	Fossil Fuel Free Large Cap Core
Carbon Intensity—Boston Trust Walden	122	79	54	66	74
Carbon Intensity—Benchmark	120	159	208	120	120
Carbon Intensity (relative to benchmark*)	**2%**	**-50%**	**-74%**	**-45%**	**-39%**
Attribution: Sector Allocation	16	10	13	-20	-64
Attribution: Stock Selection	-12	-89	-166	--34	17
#1 Contributing Stock	IDA	IDA	H	APD	APD
#2 Contributing Stock	SXT	RPM	RPM	XOM	UNP
#3 Contributing Stock	CPK	ATO	OGS	UNP	UPS

Source: Boston Trust Walden, MSCI
*In order, the benchmarks are as follows: Russell 2000®, Russell 2500™, Russell Midcap®, S&P 500, S&P 500.
We applied the most recent available carbon data (12/31/20) to portfolios as of 12/31/21. The metrics above are based on the strategy's model portfolio and are not actual results from client portfolios.

Past performance does not guarantee future results. The holdings of any particular account may vary based on any investment restrictions applicable to the account. This information is for illustrative purposes only to demonstrate process and is subject to change at any time. The securities identified do not represent all the securities purchased, sold, or held for accounts and should not be interpreted as a recommendation. There is no guarantee that holding the securities identified was or will be profitable.

The shortcomings of carbon footprinting methodologies are well established. For example, most approaches do not include value chain emissions (Scope 3), which usually dwarf emissions from direct operations. The footprint also gives no indication of industry dynamics in scenarios that incorporate a price on carbon, which may help predict winners and losers. Furthermore, the underlying data do not reflect commitments companies may have made to reduce their emissions footprint going forward (which is the case with IDA, noted in the chart above), or whether a company's products have a positive or negative impact from a climate perspective.

To address this final concern, we track additional metrics regarding the science-based GHG emissions reduction commitments of companies across Boston Trust Walden's investment strategies. As of December 31, 2021, approximately 126 companies had set or committed to set science-based GHG emissions reductions goals, and, of these, approximately 46 companies have announced a longer-term ambition to achieve net zero emissions by 2050 or sooner. We anticipate the proportion of portfolio holdings with forward-looking climate goals will continue to increase over time.