



Boston Trust Walden
Principled Investing.

Our Commitment to the Net Zero Asset Managers Initiative

To keep global warming to no more than 1.5°C — as called for in the Paris Agreement — greenhouse gas emissions need to reach net zero by 2050.

About NZAM

The Net Zero Asset Manager's (NZAM) initiative was launched in December 2020 to galvanize asset management firms to use their access and influence in the capital markets to bring the world closer to achieving the goals of the Paris Agreement. These asset managers commit to work in partnership with clients to decarbonize the assets they manage on their behalf by 2050 or sooner.

The initiative sets out a range of actions¹ asset managers can take to meet their commitment. Asset managers are expected to prioritize actions that achieve emissions reductions in the real economy. This can include the factors they use in investment decision-making, the products they create, how they vote proxies, and how they engage company leaders and policymakers. Asset managers are required to set targets to meet this commitment for a percentage of assets under management (AUM) and disclose their progress over time.

As of May 2022, 236 asset management firms had signed on to the initiative, representing over \$60 trillion in global AUM.

Why We Joined

Boston Trust Walden was an early signatory to the initiative in March 2021. We joined because we believe the changing climate is an extraordinary environmental challenge with far-reaching economic, environmental, and societal implications, creating risks and opportunities for companies and investors. We believe broad-based, absolute greenhouse gas emissions reductions are the best way to achieve net zero emissions; as such, we believe investors and companies alike should set science-based targets².

The NZAM initiative also closely aligns with our firm's [position on climate risk](#) and our long history advancing climate solutions.

OUR TARGETS

The scope of our initial targets focuses on the discretionary equity assets we manage, which represent approximately **80% (\$11.8 billion) of firm-wide AUM** as of December 31, 2021. We aim to increase the scope of our targets over time.

Primary Target: Science-Based Targets

Our primary focus is for 40% of discretionary equity AUM to be invested in companies with science-based targets by 2025, and 100% of discretionary equity AUM to be invested in companies with such targets by 2040. Active ownership, including direct company engagement and proxy voting, is the primary means by which we will achieve this objective; our investment discipline will remain focused on investing in high quality companies. Progress toward our targets may not be linear as portfolio holdings and weightings change over time.

Notably, our active ownership efforts *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. Smaller companies typically have fewer resources to focus on target setting and may need time to build capacity. With decades of experience engaging smaller companies, Boston Trust Walden is uniquely positioned to take on this challenge.

We utilized the Science Based Targets (SBT) Portfolio Coverage Method to establish our primary target. For simplicity, we used linear extrapolation of model holdings in equity strategies (US and International) as of year-end 2019. Each year approximately 4% of additional discretionary equity assets need to be invested in companies with science-based targets for us to meet our 2025 goal. Our target includes reductions in Scope 1 and 2, and for many sectors, Scope 3 emissions³.

Secondary Target: Carbon Intensity

Our secondary target is for 100% of discretionary equity AUM to have a weighted average carbon intensity (WACI)⁴ of at least 50% less than respective benchmarks by 2030.

Since the carbon intensity of our model portfolio strategies* is already 54% lower than the weighted average benchmark intensity as of year-end 2021, our objective over the coming years is to maintain our current WACI. We also expect that our core focus on engagement, if our efforts are successful, could result in more carbon efficient portfolios.

We used elements of the methodology guidance developed by the Paris Aligned Investment Initiative's Net Zero Investment Framework to establish this target. It is based on a WACI calculation of Scope 1 and 2 emissions of the companies in which we invest. As data quality and associated methodologies improve for calculating Scope 3 emissions, we may evolve our approach.

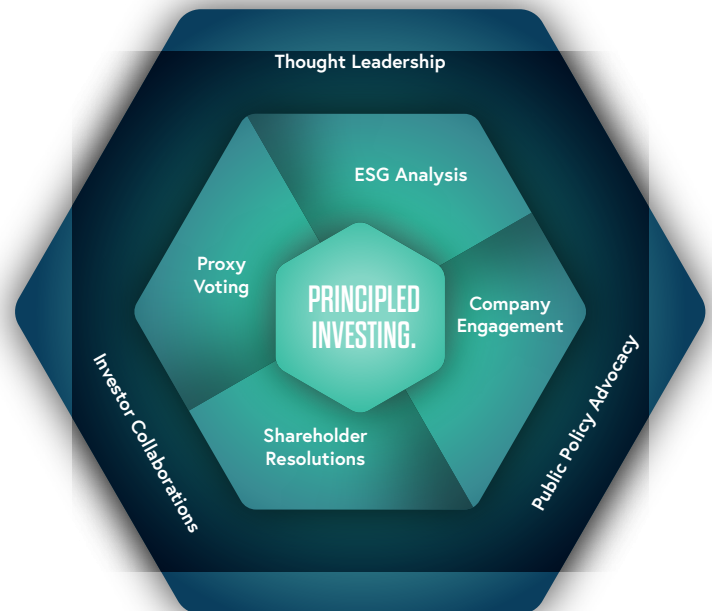
*The figures presented are based on model portfolios that do not equal the investment composition, weights, or holdings of securities as those of client portfolios. The securities are not owned or traded by the model. Actual client portfolio holdings and results differ due to, tax status, client direction, and other investment considerations. The allocations to the securities within the model are rebalanced periodically however there is no guarantee that the manager would have traded or acted similarly or will act similarly to the model so there is no guarantee that an actual account would have achieved the same composition of holdings as the results presented.

HOW WE WILL MEET OUR COMMITMENT

Boston Trust Walden has the tools and experience necessary to meet its commitment to the initiative, including a rigorous investment discipline and multi-faceted approach to active ownership.

- **ESG analysis:** invest in high quality companies and evaluate their strategies, commitments, and performance to address climate risk
- **Company engagement:** encourage companies to set or improve greenhouse gas emissions targets and adopt responsible climate lobbying
- **Shareholder resolutions:** file proposals for vote at company annual general meetings (AGMs) compelling companies to address climate risk
- **Proxy voting:** vote proxies to promote accountability regarding climate action and disclosure
- **Investor collaborations:** leverage participation in investor initiatives to amplify the scope and scale of our impact beyond portfolio holdings
- **Public policy advocacy:** advocate for and support climate policy at the regional, national, and international levels
- **Thought leadership:** educate stakeholders and lead by example on climate action

Our active ownership efforts are self-reinforcing: as companies set science-based targets, they signal to lawmakers that addressing climate change makes *good business sense*, enabling legislators and regulators to develop *sound public policy solutions* to mitigate climate change; with an informed and effective public policy framework in place, companies are better able to achieve climate-related goals.



TERMS

¹Net Zero Asset Managers 10-Point Commitment

1. Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the IPCC special report on global warming of 1.5°C
2. Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
3. Prioritize the achievement of real economy emissions reductions within the sectors and companies in which we invest
4. If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions
5. As required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions
6. Provide asset owner clients with information and analytics on net zero investing and climate risk and opportunity
7. Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner
8. Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner
9. Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global net zero emissions by 2050 or sooner
10. Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organizations for review to ensure the approach applied is based on a robust methodology

²**Science-Based Targets:** According to Science Based Targets initiative (SBTi), “Science-based targets provide a clearly-defined pathway for companies and financial institutions to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.” SBTi considers targets as science-based if they are in line with limiting global warming to 1.5°C.”

³Scope Emissions

Scope 1: Direct GHG emissions associated with the company’s operations (e.g., company vehicles)

Scope 2: Indirect GHG emissions associated with the company’s energy use (e.g., heating facilities)

Scope 3: Indirect GHG emissions associated with the company’s value chain (e.g., waste disposal)

⁴**Weighted Average Carbon Intensity (WACI):** Asset managers can measure carbon emissions and intensity from the operations of companies in their portfolios relative to a given benchmark. The Task Force on Climate-related Financial Disclosure (TCFD) recommends using the weighted average carbon intensity metric to ascertain exposure to carbon-intensive companies, expressed in tons of CO₂ equivalent per million dollars of revenue. Read our piece on [measuring carbon impact](#) for more information.

TCFD: The Task Force on Climate-related Financial Disclosure (TCFD) develops recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change. Read our most recent [response to the TCFD questionnaire](#).

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