



**Boston Trust Walden**

Principled Investing.

# ESG IMPACT REPORT

Third Quarter 2023

## ON THE ROAD TO NET ZERO

In May 2023, the World Meteorological Organization reported with increasing certainty that global temperatures will reach record levels over the next five years.<sup>1</sup> This daunting prediction arrived amidst an already record-breaking year. In the US alone, 23 different billion-dollar weather and climate disasters occurred in just the first eight months of 2023.<sup>2</sup>

At Boston Trust Walden, we have long recognized the reality that the climate crisis has enormous economic, environmental, and human consequences. This is why our firm systematically integrates climate-related risks and opportunities into securities analysis across investment strategies. And why in March 2021, we became an early signatory to the Net Zero Asset Managers (NZAM) 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°C.

We joined NZAM because we believe the changing climate introduces both risks and opportunities for companies and investors. We also recognize broad-based, absolute greenhouse gas emissions reductions as the best way to manage the risks associated with a changing climate.

In June 2022, we formally announced our own NZAM targets, which cover the discretionary equity assets we manage on behalf of clients. These assets represent approximately 80% (\$11.8 billion) of our firm's assets under management (AUM) as of year-end 2022. Our targets focus on two key areas: encouraging the companies we invest in to set science-based greenhouse gas (GHG) emissions and reducing carbon intensity across our investment strategies.

<sup>1</sup> <https://public.wmo.int/en/media/press-release/global-temperatures-set-reach-new-records-next-five-years>

<sup>2</sup> <https://www.ncei.noaa.gov/news/national-climate-202308>



We recently released [Principled Investing and Climate Risk](#) — a report providing insight into how we manage climate risk in investment decision-making and an update on our targets. We are pleased to note that one year in, we are making clear progress toward achieving our firmwide climate commitments.

## Science-Based Targets

Our primary NZAM target is for 40% of discretionary equity AUM to be invested in companies with science-based targets by 2025, increasing to 100% by 2040. As of year-end 2022, the percentage of equity AUM invested in companies with science-based targets (SBTs) rose to 27%, with an additional 15% of equity AUM invested in companies having committed to set an SBT.<sup>3</sup> This progress positions us well to achieve our mid-term target by 2025. Active ownership, including direct company engagement and proxy voting, is the primary means by which we will achieve this objective.

Different than most peers, our goal spans the market capitalization range — and includes 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. While "small," these companies also face risks and opportunities associated with climate change, and as such should take active steps to mitigate impact. In 2022, Boston Trust Walden engaged nearly 70 Small and SMID Cap equity holdings on the topic of climate risk — representing approximately half of the companies we engaged on this issue. Smaller companies typically have fewer resources to focus on target setting and may need time to build capacity. Our engagement with these companies provides opportunities to educate and offer valuable resources as they strive to develop the systems and practices needed to set and achieve these commitments. We anticipate the proportion of portfolio holdings with forward-looking climate goals will continue to increase over time.

## Portfolio Carbon Intensity

Starting over a decade ago, Boston Trust Walden began disclosing the carbon intensity<sup>4</sup> of our model investment strategies. Since the carbon intensity of our model portfolio strategies has been historically lower than their respective benchmarks, our objective in the coming years is to maintain our current levels. Specifically, our NZAM portfolio carbon intensity target is for 100% of discretionary equity AUM to have a weighted average carbon intensity (WACI) of at least 50% less than respective benchmarks by 2030, as compared to the baseline year of 2019.

As of year-end 2022, the weighted average carbon intensity of most of our investment strategies' models was significantly lower (better) than their respective benchmarks. By extension, our firm's aggregate weighted average carbon intensity remains 50% below the 2019 baseline benchmark, in line with our 2030 target.

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<sup>3</sup> These metrics above are based on the strategy's model portfolio and are not actual results from client portfolios.

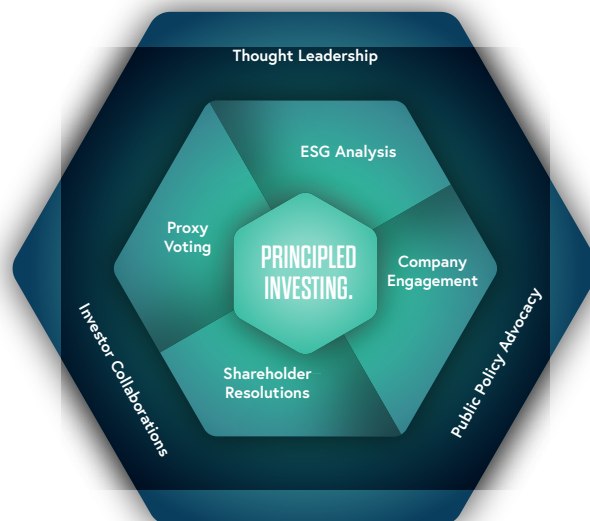
<sup>4</sup> The carbon intensity of each portfolio is a function of how much carbon each company emits, normalized by revenue, and the relative weights of the holdings in each strategy.

## THE ROAD AHEAD

At Boston Trust Walden we employ 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. We also engage companies, vote proxies, and advocate for public policies that accelerate 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.

By using all the tools available to investors, we do our part to achieve positive climate-related impact on behalf of our clients.



## COUNT US IN

In June 2023, Boston Trust Walden signed the Human Rights Campaign's (HRC) [Count Us In Pledge](#), affirming our continued support for LGBTQ+ equality. The pledge is consistent with our firm's multidecadal work to advance workplace equality via active ownership. To date, Boston Trust Walden has successfully encouraged more than 200 companies to adopt fully inclusive equal employment opportunity (EEO) policies and practices. In fact, Boston Trust Walden was one of the first investment firms to ask companies to adopt these policies and we continue to advance LGBTQ+ practices at the companies in which we invest client assets.

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