Boston Trust Walden
Principled Investing.

Climate Risk and Investment Decision Making

2021

TCFD Recommendations

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

- Governance
- Strategy
- Risk Management
- Metrics/Targets

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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 degrees 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.

We have a unique ability and responsibility to influence corporate leadership to embrace its role as a significant part of the solution to the climate crisis. As the scientific consensus evolves, we will encourage companies to accelerate their climate action goals and plans accordingly. We believe Boston Trust Walden's multifaceted approach is a highly effective way for investors to manage and mitigate climate risk. The levers we utilize are portfolio construction (managing portfolios with lower carbon risk, whether with or without exposure to fossil fuel producers); company engagement; proxy voting; and public policy advocacy. Using all tools available to investors enables us to achieve maximum positive impact.

In this report, we provide an update on our efforts to manage climate risk at Boston Trust Walden. For the third year, we use the framework provided by the Task Force on Climate Related Financial Disclosure (TCFD) to guide our disclosure and to encourage companies we invest in to do the same. We commit to continuing robust climate-related disclosure in the coming years.

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. Climate-related risks and opportunities are systematically integrated into securities analysis across all investment strategies. We 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 seek to manage and mitigate climate risk through company engagement and proxy voting.

Foremost among our efforts to manage risk and mitigate the worst impacts of climate change, we encourage companies to aggressively pursue a path toward a carbon neutral future through the adoption of science-based greenhouse gas (GHG) emissions reduction goals. We also seek to galvanize companies' active support of effective climate policy at the local, state, national, and international levels. As investors who hold shares of publicly traded companies, we have a unique ability and responsibility to influence corporate leadership to embrace their role as a significant part of the solution to climate change.

We work in partnerships with others, including Ceres, CDP, Climate Action 100+, and the Interfaith Center on Corporate Responsibility (ICCR). In 2020, we engaged 219, or 73%, of our portfolio companies on environmental, social, and governance (ESG) topics. 103 engagements focused on climate change, with approximately 16% resulting in demonstrable impact. We routinely support shareholder proposals calling for companies to set GHG emissions reduction targets and improve climate risk disclosure, though exceptions are made for those that have substantially implemented these requests.

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 GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°Celsius.

The weighted average carbon intensity of our investment portfolios 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.

We are pleased to once again align our firm's public climate disclosure with the TCFD recommendations. While our process has not materially changed since our 2020 report, there are substantive updates in Section 3 (Risk Management) reflecting our climate-related engagement and public policy work and in Section 4 (Metrics/Targets) regarding the carbon intensity of our investment strategies.

Board and Management Oversight

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

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 both board and management-level roles in our employee-owned organization. They oversee all investment activities of Boston Trust Walden, including investment strategy and implementation, 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 the Chief Investment Officer (CIO) and also meets regularly with the Co-CEO responsible for investment practices to establish, monitor, review, and revise objectives and priorities. The Director of ESG Investing oversees ESG research, ESG integration, ESG engagement, and proxy voting. In addition to the Director of ESG Investing, dedicated ESG staff includes two senior professionals, the Manager of ESG Integration, three ESG analysts, and one ESG associate. 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, additional members include one of the Co-CEOs, the CIO, the Director of ESG Investing, and two other investment professionals.

The ESG Research and Engagement Committee (REC) also plays an important role. Chaired by the Director of ESG Shareowner Engagement, REC includes various Executive Committee and Boston Trust Walden board members, as well as 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.

SECTION 2: STRATEGY

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

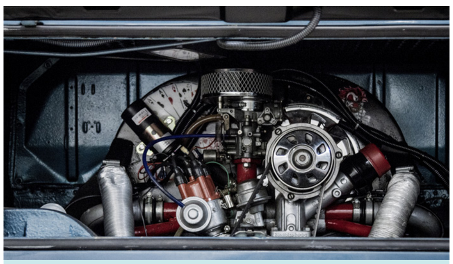
Boston Trust Walden considers multiple dimensions and timeframes associated with climate-related risks and opportunities in security selection and portfolio construction.

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 plus years.

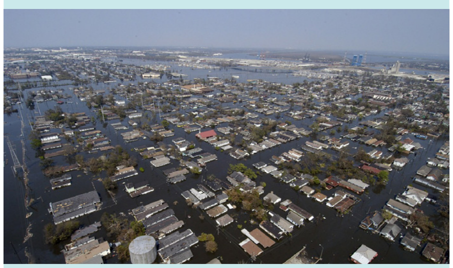
The TCFD framework organizes risks into two broad categories—transition and physical impact risks. It makes clear climate risk is relevant to nearly all industries and manifests itself in a variety of ways. We have long shared this perspective and integrate climate-related risk into our securities analysis, 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 and services.

EXAMPLES OF RISKS AND OPPORTUNITIES



Automotive Parts: While evaluating several automotive parts companies, 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 the transition to new technologies could present a real headwind to growth. These companies were not approved for investment.



REITs: Part of our analysis of real estate investment trusts (REITs) includes scrutiny of the location of properties to assess potential physical risks. We have also observed a 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 environmental targets to bolster their own revenue growth.

Utilities: The electric and gas utility industries are particularly exposed to transition risk. The Biden Administration's recently announced goal of 100 percent carbon pollution-free electricity by 2035 in the US is a case in point. 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.

Oil & Gas: In 2020, our energy analyst reviewed and presented to Boston Trust Walden's Investment Committee several scenario analyses that provided context for conversations about the investment risks of the energy sector and the oil & gas industry specifically. Scenarios provided by the International Energy Agency (IEA) and Vivid Economics were used to explore various futures for energy demand and potential implications for relevant holdings.

Boston Trust Walden systematically integrates ESG risks and opportunities into investment decisions.

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

ESG risks and opportunities are systematically integrated 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, including climate-related efforts. REC routinely assesses climate risks and opportunities relevant to ESG integration (research for investment decision-making), engagement priorities, and public policy advocacy.

Dedicated in-house ESG analysts have primary responsibility 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 and increasingly certain calamitous impacts associated with unmitigated 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

Climate risk is likely to materially affect nearly every industry.

SASB
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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, portfolios avoid exposure to coal companies (the most carbon intensive fossil fuel) and oil sands (also among the highest carbon intensity sources). We favor natural gas, a lower carbon fossil fuel that, in combination with resource conservation and energy efficiency measures, can be an important energy source in the transition to cleaner fuel technologies.

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.

The current state of disclosure from companies makes it especially challenging for investors to systematically consider risks, underscoring the importance of the TCFD framework. TCFD analysis indicates many companies currently disclose some information, but there is room for significant improvement. 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).

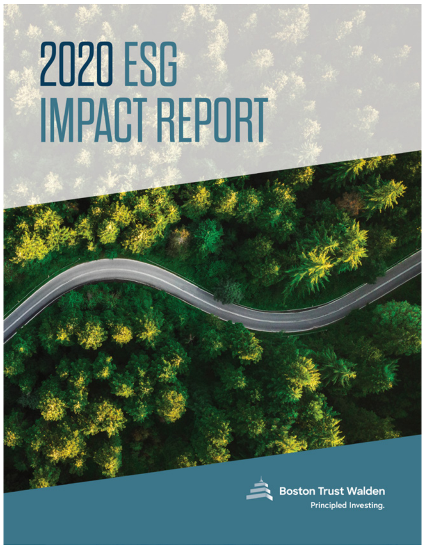
SECTION 3: RISK MANAGEMENT

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's building transmission and distribution infrastructure may benefit from an increase in new renewable energy assets, and a company providing advanced technology to improve the utilization of water in its agricultural process 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 climate survey, 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 2020 ESG Impact Report for examples.

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

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 103 companies held across investment strategies in 2020 on climate issues. Of those engaged, approximately 16% demonstrated measurable progress, 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 Paris Agreement, and strengthen climate-related financial disclosure.

In 2020, we joined over 300 businesses and investors in a virtual public policy advocacy day “on” Capitol Hill.

In 2020, under the banner of climate governance, we again co-led a global investor letter asking 47 of the largest US publicly traded companies to align their climate lobbying with the goals of the Paris Agreement. The letter was sent as part of the Climate Action 100+ engagement agenda from 500 institutional investors representing $47 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 multi-year collaborative engagements are still unfolding, but we have seen strengthened oversight of, and transparency around, company public policy advocacy, and we expect more progress in the coming year.

To complement the above mentioned efforts, we joined over 300 business and investors in *LEAD on Climate 2020*, a virtual public policy advocacy day “on” Capitol Hill that called on US lawmakers to build back a better economy by integrating long-term climate solutions aligned with the Paris Agreement’s goals into economic recovery plans.

We also urged the US Federal Reserve and 8 other financial regulators to consider how to address climate change as a systemic financial risk, and supported investor calls to strengthen regulations for methane emissions produced by oil and gas companies in Pennsylvania and New Mexico.

Our proxy voting record reinforces our engagement efforts. We routinely support shareholder proposals calling for companies to set GHG emissions reduction targets and improve climate risk disclosure, though exceptions are made for those that have substantially implemented these requests.

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 portfolios, which normalizes emissions based on revenue. In previous years, we reported the carbon footprint, which normalizes emissions based on the market value of the portfolio. In 2018, we also expanded our analysis to include additional investment portfolios to disclose carbon metrics for the majority of assets under management.

In 2020, Boston Trust Walden portfolios' carbon intensity compared favorably to benchmarks, which is consistent with the past several years. The portfolios' carbon intensity ranged from 33% to 70% less (better) than respective benchmarks.

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

	Small Cap	SMID Cap	Mid Cap	Large Cap	Fossil Fuel Free Large Cap
Carbon Intensity—Boston Trust Walden	82	65	59	73	89
Carbon Intensity—Benchmark	126	158	200	135	135
Carbon Intensity (relative to benchmark*)	**-33%**	**-59%**	**-70%**	**-46%**	**-34%**
Attribution: Sector Allocation	21	43	47	1	-7
Attribution: Stock Selection	-62	-136	-188	-64	-40
#1 Contributing Stock	IDA	RPM	PKG	APD	APD
#2 Contributing Stock	COR	PKG	RPM	UNP	UNP
#3 Contributing Stock	CPK	COR	OGS	XOM	UPS

Source: Boston Trust Walden, MSCI
*In order, the benchmarks are as follows: Russell 2000®, Russell 2500™, Russell Midcap®, Russell 1000®, Russell 1000®.
We applied the most recent available carbon data (12/31/19) to portfolios as of 12/31/20. The metrics above are based on the strategy's model portfolio.

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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 carbon footprints going forward, or whether a company's products have a positive or negative impact from a climate perspective.

To address this final concern, in 2018 we began tracking a new metric: the carbon reduction commitments of companies in the Boston Trust Walden Large Cap strategy. Over 80% of companies in the portfolio, or 64 out of 80, had either absolute or intensity-based GHG reduction goals as of December 31, 2020. Of these, approximately 37.5% have committed to set, or have established, science-aligned or net zero GHG emission reduction goals.

In 2020, we expanded this tracking effort to account for company commitments across all strategies. Over 62% of companies in all strategies had either absolute or intensity-based GHG reduction goals as of December 31, 2020, and, of these, approximately 32% have announced or set a similar ambition to achieve net zero emissions by 2050 or sooner.

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