



Boston Trust Walden

Principled Investing.

ESG IMPACT REPORT

Second Quarter 2021

Historic. Groundbreaking. Extraordinary.

These are just a sampling of superlatives in the media accurately characterizing the 2021 proxy season.

By late June, 34 shareholder resolutions (or proposals) on environmental, social, and governance (ESG) topics earned majority shareholder support, far surpassing last year's record high of 21 and the 8 that passed in 2019.¹

Each year at company annual meetings, shareholder proposals enable proponents to harness the collective voice and vote of supportive stockholders to advance company ESG policies, practices, and performance. Juxtaposed against recent Securities and Exchange Committee (SEC) actions curtailing this shareholder right and challenging the appropriateness of ESG considerations in investing and proxy voting, the season's results appear to be an investor rebuke via the proxy ballot.

The top issues garnering majority support are telling—corporate political activity (14 resolutions), equality/equity (9), and climate change/environment (8).² This past year, we witnessed a highly charged presidential election, a nation grappling with racial injustice, and a cacophony of evidence on the need to act now to avoid catastrophic consequences of climate change. Through their proxy votes, investors made clear the connection between ESG issues and long-term economic and societal prosperity.



SHAREHOLDER RESOLUTIONS

Boston Trust Walden filed 14 shareholder resolutions for company annual meetings in the 2021 proxy season, including 5 we led or co-led. A majority, or 8, were successfully negotiated and withdrawn, including all resolutions we led or co-led. Our shareholder proposal at ExxonMobil seeking an assessment and alignment of lobbying activities with the Paris Climate Agreement was among the majority vote winners, with 64% of shareholders voting in favor. The average level of support for our 6 resolutions that went to a vote was 33%, higher than last year's average of 27%.

BOSTON TRUST WALDEN SHAREHOLDER RESOLUTIONS AND RESULTS

Engagement Category	Request	Resolutions Voted	Resolutions Successfully Negotiated and Withdrawn
Climate Action & Lobbying	Report on plans to measure and disclose greenhouse gas footprint of financing activities		JP Morgan Chase*
	Evaluate and report on lobbying activity alignment with the goal of limiting average global warming to well below 2 degrees Celsius and address plans to mitigate any misalignment	ExxonMobil* (64%)	
	Review and report on proxy voting policies and practices related to climate change	T. Rowe Price Group* (17%)	BlackRock*
Equality	Prepare a report assessing the feasibility of integrating sustainability metrics, including diversity among senior executives, into compensation plans	Alphabet* (12%)	
	Report on actions to enhance board diversity, such as implementing leading practice nominating and governance policies and proxy disclosure		German American Bancorp IPG Photonics U.S. Physical Therapy
	Commit to annual disclosure of a comprehensive breakdown of the workforce by race, ethnicity, and gender according to the Equal Employment Opportunity Commission's defined job categories (EEO-1 Report)		Home Depot*
Corporate Governance	Report on policies and procedures regarding direct, indirect, and grassroots lobbying; disclose payments used for lobbying and non-tax-exempt payments to trade associations and other entities to influence public policy	Chevron* (48%) UPS (26%) Walt Disney* (33%)	Comcast* Pfizer*

Note: Voting support is understated for Alphabet and UPS because they have stock with unequal voting rights (super-voting rights) that translates to significant insider control of the proxy vote. According to analysis by the Council of Institutional Investors updated in March 2021, shares with super-voting rights account for 61% of the votes at Alphabet and 70% at UPS.

*In order, these shareholder resolutions co-filed by Boston Trust Walden were led by: As You Sow, BNP Paribas Asset Management, Zevin Asset Management, Mercy Investment Services (co-led by Boston Trust Walden), Zevin Asset Management, Comptroller of the City of New York, City of Philadelphia Public Employees Retirement System, Friends Fiduciary, International Brotherhood of Teamsters General Fund, Mercy Investment Services.

Our proposal filed in 2020 at four funds managed by Vanguard requesting a review of proxy voting practices related to climate change is ongoing, as mutual funds are not required to file proxy statements annually. Still, our conversations have continued and the company has demonstrated progress; Vanguard updated its proxy voting policies, and voting bulletins published in 2021 point to greater support for climate-related shareholder proposals.

Examples of Positive Outcomes



Diversity and Inclusion

Fostering board and workforce diversity remains a Boston Trust Walden engagement priority, underscored by our belief in the critical role of investors in dismantling systemic barriers, facilitating economic mobility, and closing the opportunity gap within the workplace.

Unquestionably, public companies are hearing and acting on calls to increase board diversity. Over the last year, 145 companies in the S&P 500 added at least one Black director, Latino recruits quadrupled, and women comprised one-third of director positions overall.³ But, among the Fortune 500, 2020 director composition was approximately 9% Black, 4% Latinx, and 27% women,⁴ revealing why our work to diversify boardrooms remains essential, especially when considering the disparity is magnified among smaller capitalization companies.

In our first quarter impact [report](#), we shared the good news regarding the withdrawal of our resolution at Home Depot once the company committed to annually disclose its workforce composition data (the EEO-1 report)—data that will allow us to better evaluate over time its progress advancing women and people of color. We also successfully withdrew our three shareholder proposals seeking actions to increase representation of people of color and women on boards of directors. German American Bancorp revised its Nominating Committee Charter to explicitly consider gender, race, and ethnicity in selecting directors and committed to good faith efforts to include women and people of color in each candidate pool. IPG Photonics also updated its board selection criteria to include women and people of color in candidate searches and added two women to its board of directors. U.S. Physical Therapy enacted a new Diversity Policy, memorializing similar commitments and disclosed the gender and ethnicity of each board member in its proxy statement.



Climate Risk

Given the current trajectory of global emissions, successfully achieving the goal of carbon neutrality by 2050 requires interim goals and plans for meaningful action by a range of companies and stakeholders. Hence, Boston Trust Walden's resolutions addressing climate risk take different forms.

We withdrew our proposal at JP Morgan Chase on greenhouse gas emissions (GHG) associated with financing activities ("financed emissions") based on its commitment to assess and disclose GHG emissions attributable to financing activities for three sectors (oil & gas, electric power, and auto manufacturers), report annually on its portfolio decarbonization status, and consider joining the Partnership for Carbon Accounting Financials.

Our resolution asking BlackRock to review and report on climate-related proxy voting policies and practices was withdrawn after continued dialogue convinced us of its more proactive approach. With the bulk of the 2021 proxy season behind us, we can observe how BlackRock put its stockholder muscle behind more climate risk resolutions, including our proposal at ExxonMobil, stating:

Given the reputational risk to the company of misalignment in public positions on key strategic policy issues, we supported this proposal because we believe such a report would help investors' understanding of Exxon's climate-related lobbying and participation in trade associations.

BlackRock Vote Bulletin (May 26, 2021)

Without a doubt, support from the world's largest asset managers on this and other initiatives will contribute to more positive outcomes.

PROXY VOTING

Each year Boston Trust Walden casts votes on hundreds of proxy ballots, far greater than the number of shareholder proposals we file. Proxy voting is a key element of our fiduciary duty, enabling us to leverage our position as shareholders to elect directors, address management proposals, and support shareholder resolutions on climate risk mitigation, inclusive and equitable human capital management, and transparent public policy advocacy, among other topics. A strong level of shareholder support—even when not a majority—is an important driver of more sustainable business policies and practices.

How Boston Trust Walden Voted

Management Recommendations

For the year ended June 30, 2021, Boston Trust Walden voted against at least one management recommendation on the ballot at 51% of company annual meetings.

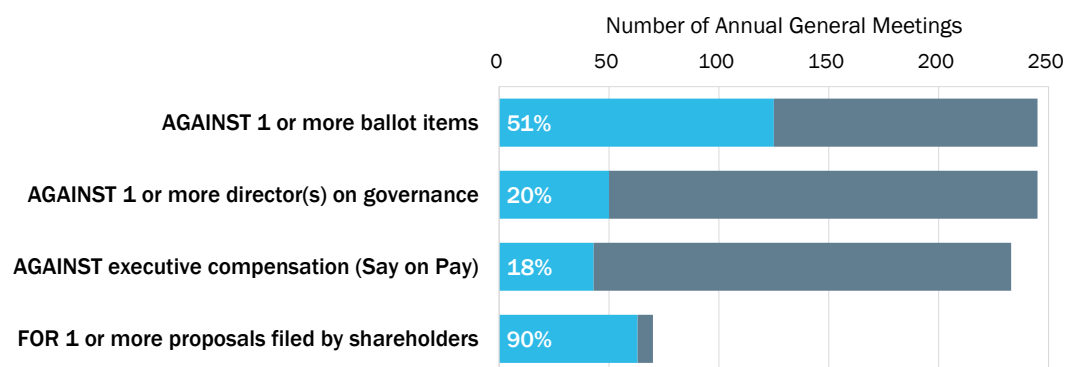
Directors

We voted against at least one director at 20% of companies due to inadequate board diversity, overboarding of directors, or demonstrable failures in ESG risk management.

Executive Compensation

Annual meetings routinely give us the opportunity to affirm company compensation programs for executives (“Say on Pay”) and provide a mechanism and impetus for constructive engagement between shareholders and directors on pay issues. Boston Trust Walden believes that executive pay programs should be fair, competitive, and create appropriate incentives to promote long-term shareholder value. In the 2021 proxy season, we implemented stricter guidelines for Say on Pay votes, considering both company performance relative to peers as well as components of pay packages. The revised policy led to votes against executive compensation programs at 18% of companies, a notable increase from 10% in 2020. The impact was more pronounced among large cap companies, where we opposed over 23% of compensation packages.

Boston Trust Walden Voting Summary



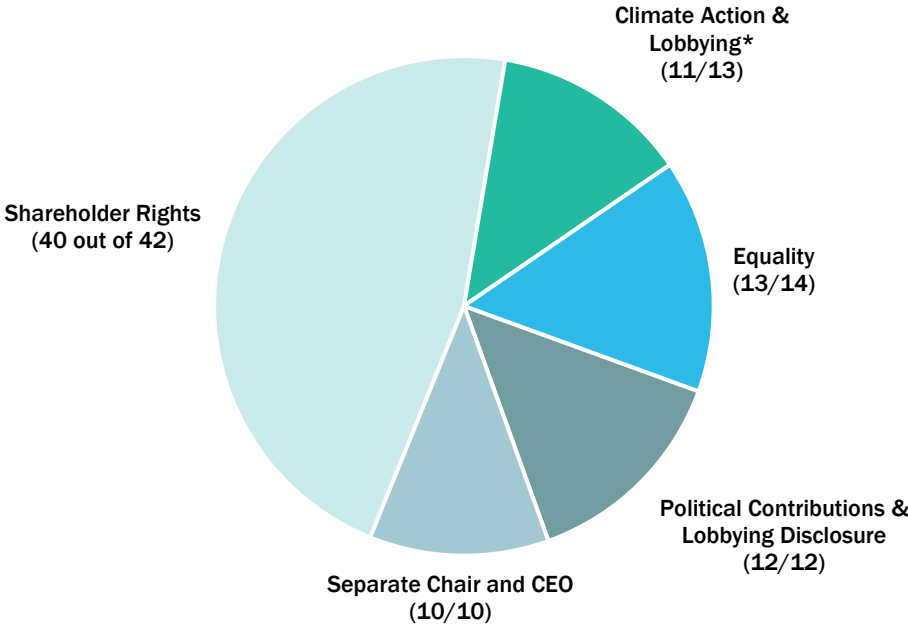
Boston Trust Walden may have voted against more than one management recommendation at an annual general meeting.

Note: Boston Trust Walden’s proxy voting results are for companies held in our investment strategies as of June 30, 2021, excluding the Boston Trust Walden International Equity Fund.

Shareholder Resolutions

Boston Trust Walden supported 68% of the 159 proposals at portfolio companies, reflecting our careful consideration of the specific financial and ESG risk and opportunity implications of each proposal at each company. Below we highlight our voting record on topic areas that appeared on multiple proxy ballots that collectively represent 60% of shareholder proposals.

Notable Resolutions Boston Trust Walden Supported by Category



*We excluded from this count eight climate-related shareholder proposals at Equinor, a Norwegian oil company. While we supported one resolution calling on the company to set GHG reduction targets, we determined the other seven resolutions to be overly prescriptive.

Voting Highlights



David vs. Goliath

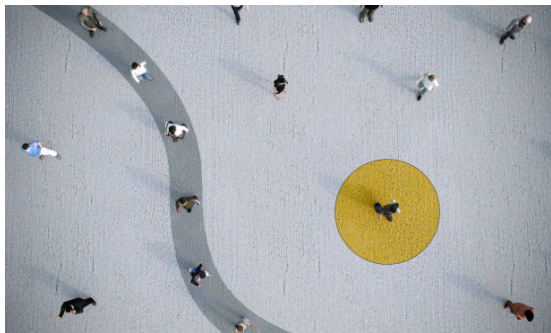
History was made this proxy season when a little-known hedge fund named Engine No. 1 initiated a campaign to gain seats on the board of directors at ExxonMobil—and won. Proxy contests brought by activist investors to replace board members are not a new phenomenon, but the centrality of ESG concerns in the campaign’s arguments was unique. Engine No. 1 argued that ExxonMobil was poorly positioned for a global energy transition and needed an infusion of energy savvy leadership. The outcome—3 of 4 dissident directors were elected—is proof of investor agreement on the critical need for board oversight of climate risk.

Boston Trust Walden supported the dissident slate of directors because we believe ExxonMobil has not been sufficiently responsive to widespread shareholder concerns regarding how the company is preparing for the energy transition and mitigating climate risk. Shareholders benefit by knowing the company is adequately considering the full range of risks and opportunities that exist in a rapidly evolving industry, particularly when allocating shareholder capital.

An Evolving Landscape

The human and economic turmoil prevalent in 2020 inspired a host of new proposal topics at major corporations in 2021. We take a deliberative approach when encountering novel proposals to determine whether the proponent’s request of management effectively addresses significant ESG risks and opportunities and fosters the creation of long-term shareholder value.

- **Racial inequality.** The heightened reckoning on racial inequality in the US led to several proposals at financial institutions requesting an independent audit of each company’s impacts on nonwhite stakeholders and communities of color. We supported these proposals, which addressed critical risks in a sector with a checkered history regarding financial inclusion and discriminatory practices.
- **Political spending.** In the wake of a uniquely contentious presidential election season, several proposals asked companies to analyze the congruency of political expenditures against corporate values and policies. Boston Trust Walden has long advocated for enhanced transparency in corporate political contributions and lobbying, and for companies to take action to remedy any inconsistencies with their own publicly stated commitments. Hence, we supported each of these resolutions.



Other Quarterly Highlights

Climate Risk

We published our third annual [report](#) aligned with the TCFD framework, outlining Boston Trust Walden's approach to climate governance, strategy, risk management, and metrics/targets.

We also [responded](#) to an SEC request for public testimony on climate-related financial disclosure, endorsing mandatory company reporting on management oversight of climate risk.

Shareholder Rights

We issued a public [statement](#) in support of an investor action against the SEC for rule changes to shareholder proposals promulgated under the prior administration, seeking a reversal to fully restore this shareholder right.

Human Rights

We supported a [statement](#) endorsed by over 180 global investors calling on companies to recommit to the Bangladesh Accord on Fire and Building Safety, which was drafted in response to the collapse of Rana Plaza where thousands of workers were injured or lost their lives.

We did not support several proposals we judged impractical, not feasible, or potentially the wrong tool to mitigate risk. Examples include:

- **Public Benefit Corporations.** Six companies received proposals instructing the Boards to amend their articles of incorporation to become Public Benefit Corporations (PBC). While we expect companies to consider the interests of all stakeholders (not just investors), we do not believe a new business model is required to be a good corporate steward.
- **Pricing of COVID therapeutics and vaccines.** Two healthcare companies received proposals requesting disclosure of how financial support from governments would affect the pricing of COVID-19 therapeutics and vaccines. Access to COVID vaccines is critical to emerging from the pandemic and supporting broader economic stability, which is why we signed an investor statement organized by the Access to Medicine Foundation in support of global equitable access to COVID-19 vaccines and diagnostics. In our evaluation of the proposals, we noted the urgency of the need to develop successful vaccines, the likelihood of competition between the numerous companies working to find solutions, and already high government and public scrutiny of the pricing of therapeutics and vaccines. We will re-evaluate our position if evidence suggests that pricing practices were predatory.

Sources

¹ ["Record Breaking Year for Environmental, Social, and Sustainable Governance \(ESG\) Shareholder Resolutions."](#) Sustainable Investments Institute. June 24, 2021.

² Ibid

³ Green, Jeff. ["Boards Are Adding More Women and Minorities Ahead of Nasdaq Rule."](#) Bloomberg. May 14, 2021.

⁴ Gupta, Alisha Haridasani. ["Surprise: Women and Minorities Are Still Underrepresented in Corporate Boardrooms."](#) New York Times. June 7, 2021.