



Boston Trust Walden

Principled Investing.

ESG IMPACT REPORT

Second Quarter 2022

GETTING TO NET ZERO

Strengthening our commitment to address the climate crisis, Boston Trust Walden joined the Net Zero Asset Managers (NZAM) initiative last year, which galvanizes 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 are required to set targets to meet their commitment for a percentage of assets under management (AUM).

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. Notably, our targets include Small and SMID cap equity holdings, which comprise a significant portion of our firm's AUM. Though smaller companies may need greater support and time to build capacity, we believe all companies have a role to play in addressing direct and systemic climate risk. Furthermore, our multi-faceted active ownership strategy uniquely positions us to take on this challenge.

WEIGHING IN WITH THE SEC ON CLIMATE DISCLOSURE

The decisions companies make today to address the climate crisis will have long-term impacts on the health of not only the planet and its people but also the economy. Investors require new levels of disclosure to understand if and how companies are evaluating, preparing for, and managing the transition to a lower carbon economy.

In response to rising investor demand, the Securities and Exchange Commission (SEC) released a proposed rule in early 2022 requiring companies to disclose *complete, consistent, comparable, and decision-useful* climate risk information in their annual financial statements. 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.



THE 2022 PROXY SEASON

Each year at company annual meetings, shareholder proposals enable proponents to harness the collective voice and vote of supportive stockholders to improve company policies, practices, and performance. In November 2021, the SEC issued new guidance restoring shareholder rights related to the filing of shareholder proposals and signaling intention to omit fewer ESG proposals from the proxy ballot. This guidance set the stage for the 2022 proxy season, and — according to preliminary data from proxy advisor Institutional Shareholder Services (ISS) — delivered on its promise.

According to ISS, among the more than 650 proposals filed this proxy season were a record breaking 531 environmental and social-related proposals, surpassing last year's historic 416. Notably, the SEC approved the omission of just 9% of proposals from proxy ballots, a substantial decrease from the 17% omitted in 2021.²

Tying the record previously set in 2021, 34 resolutions to date have received majority shareholder support. The top issues garnering majority votes — climate change/environment, equality/human rights, and public policy influence — tell a story. As the country continues to navigate challenges posed by a changing climate, systemic racial injustice, and political gridlock, these ballot results make clear that investors increasingly recognize the connection between ESG issues and long-term economic and societal prosperity.

BOSTON TRUST WALDEN SHAREHOLDER RESOLUTIONS

Shareholder resolutions are a critical lever of our active ownership strategy — one we employ when engagement via dialogue is unproductive. During the 2022 proxy season, Boston Trust Walden led or participated in 15 shareholder resolutions.

While a resolution is a valuable tool, it is not by itself indicative of progress until it yields measurable improvement in ESG policies, practices, or performance. Moreover, our most successful shareholder resolutions may never make it to the printed proxy statement, but instead are withdrawn upon the achievement of meaningful agreements with the engaged companies.

In 2022, more than 70% of the resolutions we filed were withdrawn based on negotiated corporate commitments. Of the three resolutions that went to vote, we received an average of 28% shareholder support.³ However, given that two of the three companies (Alphabet and UPS) have stock with unequal voting rights, voting support is likely understated.

Boston Trust Walden
withdrew 70% of
resolutions filed after
negotiating corporate
commitments.

BOSTON TRUST WALDEN RESOLUTIONS AND RESULTS

Category	Request	Resolutions Voted (% Supported)	Resolutions Successfully Negotiated and Withdrawn
Climate Action & Lobbying	Evaluate and report on alignment of direct and indirect lobbying activity with the Paris Agreement's ultimate goal to limit average global warming to 1.5 °C and address plans to mitigate the risks presented by any misalignment	Alphabet (19%)*	Amgen JPMorgan Chase Merck & Co. Union Pacific UnitedHealth Group
Equality	Report on actions to enhance board diversity, such as implementing leading practice nominating and governance policies and proxy disclosure	CorVel (pending)	Cactus
	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)		Dollar General SEI Investments
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	UPS (29.6%) The Walt Disney Company (34.3%)*	
	Issue an annual report describing the company's environmental, social, and governance (ESG) policies, practices, and performance goals and metrics		Cathay General Bancorp East West Bancorp Green Dot

*In order, these shareholder resolutions co-filed by Boston Trust Walden were led by Zevin Asset Management and Mercy Investment Services.

Note: Voting support may be 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. Shares with super-voting rights accounted for approximately 60% of the votes at Alphabet and 65% at UPS, according to the company annual reports as of December 31, 2021.

SEASON TRENDS

Climate Lobbying Transparency

Companies continue to play an outsized role in influencing public policymaking, which is why we ask companies to increase transparency on climate lobbying, and align their direct and indirect policy advocacy with the goals of the Paris Agreement. We are not alone — last season there was 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 year, more than 80% were withdrawn based on negotiated agreements.⁴

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

Heightened Focus on Racial Equity

One of the most significant trends this season was the increase in proposals focused on racial equity. Twenty-two resolutions called for an independent audit of the company's broader impacts on civil rights and/or racial equity, more than doubling the number of proposals in 2021. Importantly, average support for these proposals rose to 45% (from 34% in 2021) and 11 proposals were withdrawn based on company commitments.⁵

The Rise of "Anti-ESG"

There was a dramatic increase in “anti-ESG” shareholder proposals this season filed by groups seeking to compel company action antithetical to the objectives of traditional shareholder proponents. While these proposals generally mirrored those of ESG-related investor requests, the accompanying rationales soliciting support often advocated for the exact opposite. For example, in a shareholder proposal seeking an audit of corporate diversity training materials, the rationale provided focused on assessing the perceived negative impact of these programs on “non-diverse” employees, rather than how they support greater diversity, equity, and inclusion. Nearly 50 “anti-ESG” proposals were filed this season, doubling the figure from 2021, yet these resolutions generally received less than 5% shareholder support.⁶

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 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 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 — can be an important driver of more sustainable business policies and practices.

The high number of environmental and social proposals filed in the 2022 season introduced a higher number of prescriptive resolutions, underscoring the immense value of Boston Trust Walden’s deliberative approach to consider each individual proposal *and* evaluate the merit of the request to address significant ESG risks and opportunities and foster creation of long-term shareholder value. In 2022, we also strengthened the role proxy voting plays as an integrated component of our corporate engagement strategies. In cases where Boston Trust Walden voted against management’s recommendations related to our priority focus areas (climate, equality, and governance), we conducted additional written outreach to more than 100 companies 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.

We conducted outreach to more than 100 companies, communicating our voting rationale and setting the stage for future engagement.

HOW BOSTON TRUST WALDEN VOTED

For the year ended June 30, 2022

During the 2022 proxy season, Boston Trust Walden supported at least one shareholder proposal at 87% of the 76 annual meetings of portfolio companies. Often multiple resolutions are filed at a single annual meeting, therefore, careful consideration is required to evaluate the specific financial and ESG risk and opportunity implications of each individual proposal. As a result of Boston Trust Walden's diligent approach to proxy voting, we supported 67% of the 227 unique shareholder proposals filed with portfolio companies. Boston Trust Walden also voted against at least one management recommendation on the ballot at 69% of company annual meetings.

In the chart at the right, we highlight our voting record on topic areas that appeared on multiple proxy ballots. These resolutions collectively represent 62% of the 227 shareholder proposals.

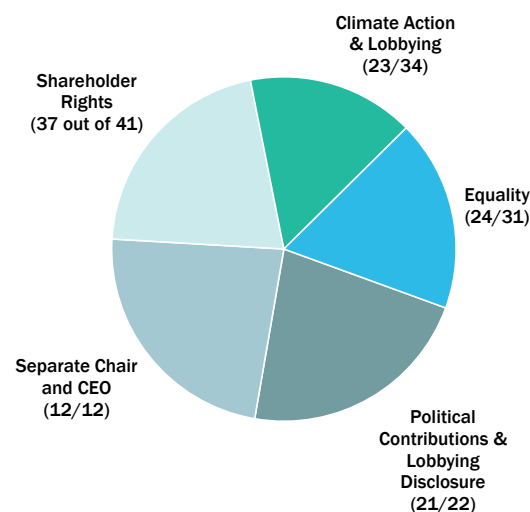
Directors

Board diversity is a critical attribute of a well-functioning board and a measure of sound corporate governance. In 2022, we voted against at least one director at 42% of companies, an increase from 20% last year. Our reasoning to vote against directors included 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. Our approach led to votes against executive compensation programs at 26% of companies, a notable increase from 18% in 2021 and 10% in 2020. The impact was more pronounced among large cap companies, where we opposed over 36% of compensation packages.

Notable Resolutions We Supported by Category



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

² Marshall, Georgina, Michael Fassil, and Kathy Belyeu. "How is Activism Driving the Agenda: U.S. Shareholder Proposals of 2022." ISS Governance Week, Boston, Massachusetts. June 6, 2022.

³ Resolutions filed with Alphabet, Walt Disney, and UPS. As of June 30, 2022, Boston Trust Walden had one outstanding proposal with CorVel to be voted on at the company's August 6th AGM.

⁴ Welsh, Heidi. Sustainable Investments Institute Engagement Monitor Search. June 24, 2022. Sustainable Investments Institute. <https://siinstitute.org/>

⁵ Ibid.

⁶ Ibid.

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