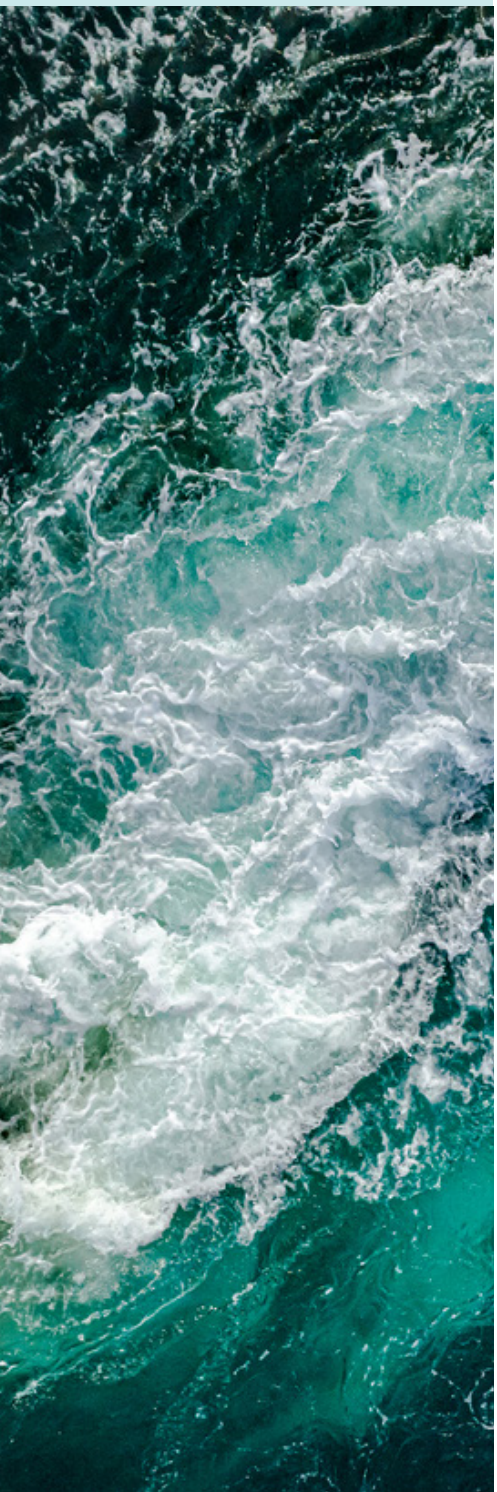
Boston Trust Walden
Principled Investing.



PRINCIPLED INVESTING AND CLIMATE RISK

2023

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°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.

As investors, we have the ability and responsibility to influence corporate leadership to embrace its role as a significant part of the solution to the climate crisis. This is why, in March 2021, Boston Trust Walden became an early signatory to the Net Zero Asset Managers (NZAM) Initiative. This initiative galvanizes asset management firms to use their influence in the capital markets to bring the world closer to achieving the goals of the Paris Agreement. In June 2022, we formally announced our own targets, which focus on two key areas: moving the companies we invest in to set science-based greenhouse gas (GHG) emissions reduction targets and reducing carbon intensity across our investment strategies.

Boston Trust Walden employs 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, with or without exposure to fossil fuel producers. We also engage companies, vote proxies, and advocate for public policies that accelerate climate action. By using all the tools available to investors, we do our part to achieve positive climate-related impact on behalf of our clients.

TASK FORCE ON CLIMATE RELATED DISCLOSURE RECOMMENDATIONS

In this report, we provide an update on our efforts to manage climate risk at Boston Trust Walden using the framework provided by the Task Force on Climate-Related Financial Disclosures (TCFD) to guide our disclosure. We also encourage companies we invest in to do the same.

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

SECTION 1: Governance

SECTION 2: Strategy

SECTION 3: Risk Management

SECTION 4: Metrics/Targets

BOSTON TRUST WALDEN REPORT 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. Boston Trust Walden systematically integrates climate-related risks and opportunities into securities analysis across investment strategies. Our analysts 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 set firm-wide commitments supporting the goal of reaching net zero by 2050 or sooner.**

  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 greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°Celsius. 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. Our targets focus on two key areas: encouraging the companies we invest in to set science-based greenhouse gas (GHG) emissions reduction targets and reducing carbon intensity across our investment strategies.

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

Notably, our targets 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.

- **We seek to manage and mitigate climate risk through company engagement and proxy voting.**

  Boston Trust Walden uses a multifaceted approach to manage and mitigate climate risk. Our in-house team uses a range of tools and tactics refined over our nearly five decades of experience engaging companies and policymakers both directly and in coalition. Our tactics include a combination of portfolio construction (managing portfolios with lower carbon risk, whether with or without exposure to fossil fuel producers) and active ownership (including company engagement, proxy voting, and public policy advocacy).

  In 2022, we directly engaged 218 companies, or 81% of the companies held across our investment strategies on environmental, social, and governance (ESG) topics. Of those engagements, 140 focused on issues related to climate risk.

- **We are making clear progress toward achieving our firm-wide climate commitments.**

  The weighted average carbon intensity of most of our investment strategies's models are significantly lower (better) than their respective benchmarks. Our firmwide carbon intensity continues to remain 50% below the 2019 baseline benchmark, in line with our 2030 target. Further, the percentage of equity AUM invested in companies with science-based targets rose to 27% as of year-end 2022, with an additional 15% of equity AUM invested in companies having committed to do so, positioning us to achieve our mid-term target for 40% of discretionary equity AUM to be invested in companies with science-based targets by 2025.

The metrics above are based on the strategy's model portfolio and are not actual results from client portfolios.

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 board and management-level roles in our employee-owned organization. They oversee investment activities of Boston Trust Walden, including investment strategy and implementation that is 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 one of the Co-CEOs and manages an eight-person, in-house ESG team responsible for ESG assessment, ESG integration, and active ownership strategies, including direct engagement, proxy voting, public policy, and thought leadership. All these functional areas have a significant climate risk mitigation component.

The Investment Committee (IC), comprised of portfolio managers and analysts, assesses potentially material factors, including ESG considerations. In its review of individual securities, the IC is ultimately responsible for ESG integration, including assessing climate risks and opportunities.

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, AOC includes a Co-CEO, the Director of ESG Investing, the Manager of ESG Integration, and other investment professionals.

The ESG Research and Engagement Committee (REC) also plays an important role. Chaired by the Director of ESG Investing, REC includes a Co-CEO, directors, 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.

Boston Trust Walden Board and Management Oversight

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

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 or more 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:

- **Automotive Parts**: The transition to electric vehicles could present a real headwind for some automotive parts manufacturing and retail companies. While evaluating several companies in the sector, 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 those companies developing goods and services for the future of transportation will be better positioned to benefit from the transition, while others may find their product portfolio at risk of obsolescence.

- **REITs**: During our analysis of real estate investment trusts (REITs), we considered the potential physical risks facing properties. We also continued to observe 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 climate goals while bolstering their own revenue growth.

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

- **Oilfield Service Providers**: The transition to a net zero economy, including efforts to phase out the use of hydrocarbons, presents long-term secular risk to the oil and gas industry. In the interim, companies are expected to decrease the emissions intensity of operations and their value chain. As such, oilfield service providers (OFS) supporting these companies face risk and opportunity to serve their oil and gas producing customers. In our analysis of the OFS industry, we found several companies offering technologies for customers to cost-effectively reduce emissions, including operational methane emissions. We anticipate several of these companies may experience tailwinds from the energy transition while positively contributing to emissions reductions.

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

We systematically integrate ESG risks and opportunities 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, including climate: Investment Committee (IC), Active Ownership Committee (AOC), and ESG Research & Engagement Committee (REC). IC considers climate risks and opportunities related to security selection, inclusive of ESG integration (research for investment decision-making). AOC oversees and affirms Boston Trust Walden activities related to proxy voting, company engagement, and public policy advocacy. REC routinely assesses climate risks and opportunities, reviews and discusses active ownership efforts, (including climate-focused 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.

Our dedicated in-house ESG analysts are responsible 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 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 impacts associated with 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 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, as described in the Boston Trust Walden Policy on Coal and Other Fossil Fuel Investments, our portfolios avoid exposure to companies primarily engaged in coal (the most carbon intensive fossil fuel) or the development of oil sands (also among the highest carbon intensity sources).

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 risk.

The current state of voluntary climate risk disclosure makes it especially challenging for investors to systematically consider risks, underscoring the importance of the TCFD framework. While voluntary climate risk disclosure has been on the rise in recent years, the lack of a regulatory mandate has led to inconsistent information provided across multiple reporting regimes. This inconsistency has allowed companies to self-select which metrics and information to disclose and has caused confusion among investors about which disclosures to trust and use.

In the absence of standardized climate risk disclosure requirements (read more about our efforts to support and influence climate risk disclosure frameworks on page 11), 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 building transmission and distribution infrastructure may benefit from an increase in new renewable energy assets; and a company providing advanced technology to improve the water use in the agricultural industry 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 surveys, 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 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 2022 ESG Impact Report for examples.

Finally, we measure and track the weighted average carbon intensity of our model portfolios. We scrutinize the results from an absolute perspective (i.e., which companies are the largest contributors?) and relative perspective (i.e., how does the portfolio compare to its benchmark?). Read more about the 2022 weighted average carbon intensity of our model portfolios, including details related to our largest contributors, on page 13.

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.

As investors, we have the ability and responsibility to influence corporate leadership to embrace its role as a significant part of the solution to the climate crisis. We encourage the companies in which we invest to pursue a path toward a net zero emissions future by asking them to:

- set GHG emissions reduction targets based on widely accepted scientific research; and
- advocate for and support science-based climate policy with lawmakers at the local, state, national, and international levels.

The two components of our climate risk engagement strategy are interrelated and 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. With an informed and effective public policy framework in place, companies are better able to mitigate climate risk and achieve climate-related goals.

In 2022, we engaged more than 80% of the companies held across our investment strategies — 218 companies in total. We engaged nearly 140 of these companies on climate risk.

Setting Science-Based Targets

A primary focus of our NZAM commitment is to encourage companies held across our investment strategies to set science-based GHG emissions reduction targets (read more about our goals, methodologies, and progress on page 12). Active ownership, including direct company engagement and proxy voting, is the primary means by which we will achieve this objective.

In addition to our direct company engagement, we also continue to prioritize investor collaborations to scale our efforts. Since 2020, CDP has facilitated a Science-Based Targets (SBT) campaign calling on companies to set GHG emissions reduction goals aligned with 1.5°Celsius climate goal and to achieve net zero emissions by 2050. In 2022, Boston Trust Walden once again joined the SBT campaign alongside investors representing more than $29 trillion in assets. Boston Trust Walden and the other investor signatories issued letters to more than 1,600 companies, including more than 60 companies held in Boston Trust Walden client portfolios.

Climate Lobbying

Corporate lobbying activities 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 the rapid emissions reductions needed in the market. Too often, however, corporate lobbying efforts are misaligned with companies' stated sustainability commitments, undermining efforts to effectively manage climate risks.

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. In 2020-21, we saw 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 16 climate lobbying proposals filed in 2023, more than a third were withdrawn based on negotiated agreements.[2]

As a founding member of the Climate Action 100+ investor initiative, and a leading member of the ICCR Paris-Aligned Climate Lobbying Initiative, Boston Trust Walden is among the most active asset managers on this issue.

We directly engaged more than a dozen companies on climate lobbying and filed six shareholder proposals throughout the 2021-22 proxy season, and these efforts continued into the 2022-2023 season. As a result of constructive engagement and company commitments, we successfully withdrew shareholder proposals at Amgen, JPMorgan Chase, Merck, Union Pacific, and UnitedHealth Group. We continue our engagement as these companies expand disclosures to better demonstrate how direct and indirect lobbying activities are supportive of science-based climate policies at the state, national, and international levels.

Beginning in 2022, we also sent letters to nearly 80 holdings communicating our expectation that the companies in which we invest advocate for and support science-based climate policymaking.

Power of Collaboration

Over multiple decades, our firm has played a core role in advancing climate solutions with company and policy influencers both directly and in coalition. On its own, Boston Trust Walden has had the opportunity to influence the decision-making of hundreds of companies — advocating for improved disclosures and practices that mitigate material ESG risks and capitalize on key business opportunities. And while direct engagement remains foundational to our work and our primary mechanism for fostering positive change at the companies in which we invest client assets, it is our ongoing commitment to a multi-faceted, collaborative active ownership strategy that accelerates and amplifies the results we achieve on behalf of our clients. Our dedication to investor collaboration and public policy advocacy allows us to not only influence the decision-making of those companies held across our investment strategies, but potentially hundreds — if not thousands — more.

One example of a powerful investor collaboration is Food Emissions 50. The global food system is responsible for approximately one-third of global greenhouse gas emissions, and for many companies in the food sector, emissions from the value chain can represent over 80% of a company's total GHG footprint. Organized by Ceres, this initiative seeks to align the food sector with a 1.5°Celsius future by engaging 50 of the highest-emitting public food companies in North America. Via this initiative, investors are asking companies to commit to three key actions to demonstrate alignment with the goals of the Paris Agreement:

- disclose GHG emissions across the entire value chain;
- establish science-based GHG emissions reduction targets; and
- develop comprehensive climate transition plans detailing the actions to be taken to achieve emissions reduction goals.

In 2022, Boston Trust Walden actively engaged via the initiative. Texas Roadhouse, a restaurant chain held in smaller-cap Boston Trust Walden client portfolios, has yet to take significant action to address material climate risks to its business – making it an outlier

[2] Welsh, Heidi. Sustainable Investments Institute Engagement Monitor Search. July 31, 2023. Sustainable Investments Institute. https://siinstitute.org/

amongst its peers. Read the full story of how Boston Trust Walden leveraged investor collaboration via Food Emissions 50 to engage the company on climate risk.

Climate Disclosure

In response to growing investor demand, the Securities and Exchange Commission (SEC) released in early 2022 a proposed rule that would require companies to disclose in their annual financial statements complete, consistent, comparable, and decision-useful climate risk information. In June 2022, 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. Throughout 2022 and the first half of 2023, Boston Trust Walden directly engaged SEC Commissioners and their staff members to communicate our perspective and feedback ahead of the planned release of the final rule.

Outside the US, the International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB). To help meet the demand for a comprehensive global baseline of sustainability-related disclosure standards, the ISSB released a draft common framework to guide corporate disclosure of material information across significant sustainability risks and opportunities. This important effort seeks to align disclosures with existing frameworks, such as the SASB Standards and the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. In July 2022, Boston Trust Walden submitted two public comment letters — the first in response to the ISSB's General Requirements proposal and the second providing feedback on the ISSB's framework guiding climate risk disclosure. In the first half of 2023, we continued our active engagement with IFRS, serving on the ISSB Investor Advisory Group and providing guidance for implementation of the ISSB inaugural standards on general sustainability- and climate-related disclosures.

The standardization of climate risk disclosure — here in the US and globally — will enable investors to better evaluate the direct risk exposure of an individual issuer and gain valuable insight into strategies and systems in place for monitoring and managing both direct and systemic climate risk.

Proxy Voting

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 issues important to our firm, including climate risk mitigation 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.

We routinely support shareholder proposals calling for companies to set GHG emissions reduction targets and improve climate risk disclosure, though exceptions are made. In cases where Boston Trust Walden voted against management's recommendations related to our priority focus areas (inclusive of climate), we conduct additional written outreach 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.

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 March 2021, Boston Trust Walden became an early signatory to the Net Zero Asset Managers (NZAM) initiative. The initiative galvanizes asset management firms to use their influence in the capital markets to bring the world closer to achieving the goals of the Paris Agreement. 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 manage the risks associated with a changing climate; as such, we believe investors and companies alike should set science-based targets.

The NZAM initiative also closely aligns with our firm's position on climate risk and our long history of advancing climate solutions via active ownership.

In June 2022, we announced our firm-wide NZAM targets. Our initial targets focus on the discretionary equity assets we manage, which represented 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 target 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. We do not expect progress toward our target to be linear as portfolio holdings and weightings change over time.

We utilized the Science Based Targets (SBT) Portfolio Coverage Method to establish our primary target. For simplicity, to identify our interim target, we linearly extrapolated from our baseline of 23% to our target of 40%. As a result, 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 emissions.

Secondary Target: Carbon Intensity

Our secondary 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.

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.

Measuring Progress

Portfolio Carbon Intensity

Starting over a decade ago, Boston Trust Walden began disclosing the carbon intensity of its model investment strategies. 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 table below presents the weighted average carbon intensity for nearly all of Boston Trust Walden's equity models as of year-end 2022. Consistent with previous years, our model strategies were 25% to 81% less carbon intensive than their respective benchmarks in 2022. These results affirm our firmwide carbon intensity remains 50% below the 2019 baseline benchmark, in line with our 2030 target.

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

	Small Cap	SMID Cap	Mid Cap	Large Cap Core	Fossil Fuel Free Large Cap Core
Carbon Intensity—Boston Trust Walden	102	74	50	104	101
Carbon Intensity—Benchmark	146	167	272	139	139
Carbon Intensity (relative to benchmark*)	-31%	-56%	-81%	-25%	-27%
Attribution: Sector Allocation	2	-13	-33	-60	-82
Attribution: Stock Selection	-47	-80	-188	25	44
#1 Contributing Stock	IDA	IDA	MRO	APD	APD
#2 Contributing Stock	HP	HP	ATO	XOM	UNP
#3 Contributing Stock	MTX	PKG	OGS	UNP	UPS

Source: Boston Trust Walden, MSCI
*In order, the benchmarks are as follows: Russell 2000®, Russell 2500™, Russell Midcap®, S&P 500, S&P 500.
We applied the most recent available carbon data (12/31/21) to portfolios as of 12/31/22. The metrics above are based on the strategy's model portfolio.

Past performance does not guarantee future results. The holdings of any particular account may vary based on any investment restrictions applicable to the account. This information is for illustrative purposes only and is subject to change at any time. The securities identified do not represent all the securities purchased, sold, or held for accounts. There is no guarantee that holding the securities identified was or will be profitable.

The Small and SMID Cap model strategies outperformed their benchmarks on carbon intensity by 31% and 56%, respectively. These strategies are managed to be sector comparable to the benchmark and thus, as expected, the outperformance is largely attributable to the selection of more carbon efficient companies. Stock selection decisions were responsible for all the Small Cap strategy's outperformance and more than 85% of the SMID Cap strategy's outperformance.

Idacorp, a regulated utility providing generation, transmission, and distribution in the Idaho region was the top contributor to Boston Trust Walden's Small and SMID Cap strategies' carbon intensity. For context, Idacorp is responsible for nearly half of the Small Cap strategy's weighted average carbon intensity, with emissions intensity nearly four times that of Helmerich & Payne, the second highest emitter. Boston Trust Walden has actively engaged Idacorp for several years through our active ownership activities, and the company has a robust decarbonization strategy aiming to achieve 100% clean energy provision by 2045. Idacorp has already reduced its carbon intensity from generating activities 25% since 2005, and we expect this trend to continue as the company transitions to a less carbon intensive energy mix. Helmerich & Payne, the second most carbon intensive company in the Small and SMID Cap strategies contributes approximately 13% and 16% of each respective strategy's carbon intensity. Oilfield service providers such as Helmerich & Payne offer technology and services that enable companies to decrease the carbon efficiency of their operations; the company has set a goal to improve its emission intensity performance.

Among Boston Trust Walden's investment strategies, the Mid Cap strategy has the best relative carbon intensity performance. More than half of the outperformance can be attributed to the avoidance of utilities with carbon-intensive electricity generating assets. The top contributor is Marathon Oil, an exploration and production company with projects in the US and Equatorial Guinea. Marathon Oil is responsible for nearly 25% of the strategy's carbon intensity. Marathon Oil has established goals to reduce its methane and operational emissions intensity by 80% and 70% respectively, by 2030. The utilities Atmos and One Gas are the other top contributors, collectively accounting for an additional 25% of the strategy's carbon intensity. Both Atmos and One Gas have carbon intensities several times lower than the median benchmark utility.

Both the Large Cap Core and Fossil Fuel Free (FFF) Large Cap model strategies exhibit lower carbon intensity than their respective benchmarks. This performance stems from beneficial sector allocation effects, while security selection generally served as a headwind. As of year-end, neither the Large Cap Core nor FFF strategies held utilities, which improved performance by avoiding a high emitting sector. Further, our FFF strategy excludes the energy sector and many utilities, which also contributed to that strategy's outperformance. Air Products and Union Pacific are among the most carbon-intensive names in both strategies. These companies offer products that enable customers to achieve greater carbon efficiency — a factor that is not reflected in their emissions profiles. For instance, the green and blue hydrogen offered by Air Products plays a crucial role in the decarbonization of hard-to-abate sectors, and Union Pacific's railway transportation represents a relatively carbon-efficient mode of transport. ExxonMobil is once again one of the most carbon-intensive names in the Large Cap Core strategy, reflecting the energy intensity of exploring, producing, processing, and refining oil and gas. ExxonMobil has committed to reducing the GHG emissions associated with its operations to net zero by 2050 and reducing emissions 20-30% company wide by 2030 (from a 2016 baseline).

Readers may be surprised that the carbon intensity of the FFF Large Cap Core portfolio is approximately equal to the unrestricted Large Cap Core portfolio. This result reflects the fact that the carbon intensity metric does not capture the emissions associated with the use of products. The FFF strategy would likely appear superior to the Large Cap Core strategy if the metric included the emissions associated with the use of the oil and gas produced by relevant portfolio holdings, or Scope 3 emissions.

The shortcomings of carbon footprint 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 emissions footprint going forward or whether a company's products have a positive or negative impact from a climate perspective.

Given these methodology challenges, we advise caution when interpreting and acting upon the results. Just as an investor would be ill-advised to buy or sell a stock based on a single financial metric, investors should consider more than just the weighted average carbon intensity of a portfolio when assessing its exposure to climate-related investment risk.

Company Emissions Reductions and Science-Based Targets

If an investor chooses to sell a company or avoid an industry because of its GHG emissions intensity, it may help manage financial risk to the portfolio. However, this decision does not directly lead to a reduction in real-world emissions, or GHGs emitted into the atmosphere. There is no reduction in GHG emissions until a company meaningfully changes its business practices. This is why our primary NZAM commitment is focused on the science-based GHG emissions reduction commitments of companies held across Boston Trust Walden's investment strategies.

We are pleased to report that in 2022 we made positive progress towards the achievement of our interim target. The percentage of equity AUM invested in companies with science-based targets increased from 23% to 27%, and the percentage of equity AUM invested in companies committed to setting science-based targets increased from 7% to 15%. This progress sets us on a clear path toward meeting our mid-term target for 40% of discretionary equity AUM to be invested in companies with science-based targets by 2025, and our longer-term target of 100% of discretionary equity AUM to be invested in companies with such targets by 2040.

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.