



Boston Trust Walden

Principled Investing.

ESG IMPACT REPORT

Third Quarter 2024

Every year, during the month of September, global leaders in business, capital markets, government, and civil society come together in New York City for Climate Week. Designed to increase awareness of the mounting impacts of climate change and inspire solutions-based action, these gatherings remind us what's possible with human ingenuity, technological advancements, and capital investments.

Boston Trust Walden took the stage in a panel focused on the acceleration of climate action in the food sector. Speaking alongside leaders in the industry who relayed stories of initiatives underway to address the climate impacts already facing their business plans, we emphasized the importance of climate transition plan, disclosures that provide investors insight into what companies are doing to minimize material financial, regulatory, physical, and systemic risks posed by climate change. While the panelists addressed climate risk from different vantage points, we all shared a similar message – there is no time to lose.

Indeed, just days after the conclusion of Climate Week 2024, Hurricane Helene left a devastating path of destruction across 500 miles of the southeastern United States. The 1-in-1,000 year storm¹, exacerbated and strengthened by changing climate conditions, broke countless records for rainfall, storm surge, and flooding. It's being described as North Carolina's Hurricane Katrina and, according to the North Carolina State Climate Office, "...may take years to document – not to mention to recover from."²

¹ <https://climate.ncsu.edu/blog/2024/09/rapid-reaction-historic-flooding-follows-helene-in-western-nc/>

² <https://www.cbsnews.com/news/hurricane-helene-biblical-devastation-north-carolina-near-worst-case-scenario/>



Florida communities, still reeling from the impacts of Hurricane Helene, quickly had to prepare for another brutal storm. In a matter of days, Milton rapidly strengthened into a Category 5 hurricane, barreling across the Gulf of Mexico. The storm, characterized by hurricane experts as a worst case scenario, unleashed damage along the western shores of Florida and across the state.

At Boston Trust Walden, we have long recognized the reality that the climate crisis has enormous economic, environmental, and human consequences. In recent years, we have witnessed these risks intensify and the results can be costly. For companies, these impacts may manifest directly in the form of physical risks (e.g., extreme weather, drought, flooding) and/or transition risks (e.g., technology shifts, rising commodity costs). Companies may also face indirect risks (e.g., supply chain disruption) and systemic risks (e.g., economywide impacts on worker productivity due to heat stress).

In our role as fiduciaries, our firm systematically integrates climate-related risks and opportunities into securities analysis across investment strategies. We seek to assess how risk factors such as changing technologies, new regulations, and natural disasters could affect a company's direct operations, value chain, and reputation.

But as active owners, we don't stop at research. Our ESG investment professionals employ a **multifaceted, solutions-oriented, and relationship-focused** approach to advancing sustainable business practices at the companies in which we invest client assets, combining ESG analysis with company engagement, proxy voting, and public policy advocacy. Last year, we directly engaged nearly 140 companies on issues related to climate risk, encouraging establishment of science-based greenhouse gas (GHG) emissions reduction targets, strengthened disclosure, and science-aligned lobbying, and supporting the capacity-building required to decarbonize their businesses.

We believe our blend of ESG integration and active ownership enables us to make a positive, sustained impact on behalf of clients in a manner consistent with their investment objectives that also has a tangible, economic benefit for portfolio companies, society, and the natural environment.

WALKING THE TALK ON CLIMATE RISK

We believe it is important to hold ourselves to the same standards of transparency and accountability we expect from portfolio companies. Given the current trajectory of global GHG emissions, avoiding the most catastrophic consequences of climate change requires interim goals and plans for meaningful, current action by a range of stakeholders. This is why, as a signatory of the Net Zero Asset Managers (NZAM) initiative, we set [climate commitments](#), including a target focused on moving the companies in which we invest client assets to set science-based GHG emissions reduction targets.

Learn more about how Boston Trust Walden manages climate risk in investment decision-making and our progress toward achieving our climate commitments, in our recently released report [Principled Investing and Climate Risk](#).

Our primary target is for 40% of discretionary equity assets under management to be invested in companies with science-based targets by 2025, increasing to 100% by 2040. Active ownership, including direct company engagement and proxy voting, is the primary means by which we will achieve this objective.

We are on a clear path toward achieving our commitments, as more companies in which we invest client assets set science-based GHG targets. At the end of 2023, the percentage of our equity AUM invested in companies with science-based targets increased to 33% – up from 27% in the year prior. Further, the percentage of companies formally committing to set science-based targets within the next two years rose to 17%. This progress sets us on a clear path toward meeting our 2025 net zero goal.

Demanding Investor-Grade Climate Disclosure

Despite the growing urgency of the crisis before us, the implications of climate risk for the financial markets can only be partially understood with current voluntary corporate disclosure. The decisions companies make today – and the information provided to investors to inform decision-making – will have long-term impacts on the health of not only the planet and its people, but also the economy.

In 2022, Boston Trust Walden sent a letter to the US Securities and Exchange Commission (SEC), describing investor demand for information that would help us better understand how companies are assessing and managing climate risk. The SEC agreed, and in March 2024 finalized rulemaking requiring public companies to provide investors with more consistent, comparable, and decision-useful climate-related disclosures. Just days later, however, the rule was challenged in court. This is why, in August 2024, Boston Trust Walden joined a group of investors – representing more than \$2 trillion in assets under management – to file an [Amicus Brief](#) in support of the SEC and its authority to require these disclosures. The case is currently being heard in the US Eighth Circuit Court of Appeals.