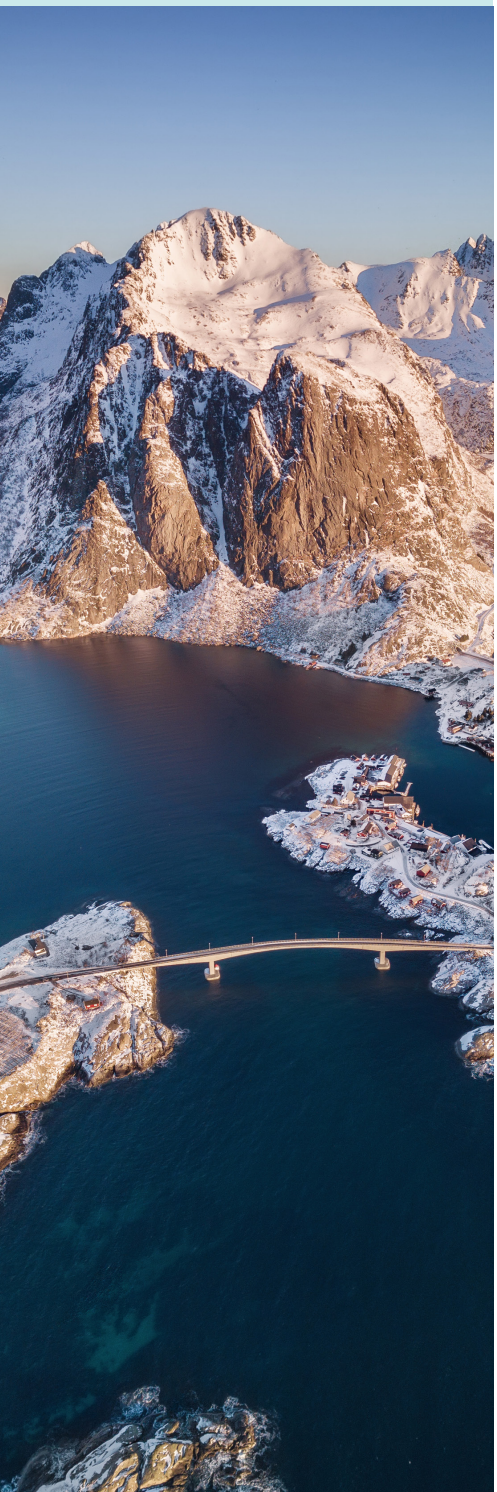
Boston Trust Walden
Principled Investing.



PRINCIPLED INVESTING AND CLIMATE RISK

2024

Since 1975, Boston Trust Walden Company has integrated ESG risks and opportunities into investment decision-making on behalf of and at the direction of our clients. Doing so is integral to our investment philosophy and part of our fiduciary duty to ensure client assets are invested in a set of securities well positioned to minimize risk and produce sustainable returns over a long-term investment horizon. To be competitive, companies must effectively manage material ESG risks and capitalize on emerging opportunities.

At Boston Trust Walden, we believe integrating ESG considerations into investment decision-making and actively engaging companies to improve sustainable business practices is critical to managing risk and — within our overall framework to identify higher quality companies — helps produce attractive, long-term investment results on behalf of our clients. As fiduciaries, our firm systematically integrates climate-related risks and opportunities into securities analysis across investment strategies. 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 (e.g., supply chain) and systemic risks (e.g., economy-wide impacts on worker productivity due to heat stress).

In March 2021, we became an early signatory to the Net Zero Asset Managers (NZAM) initiative — an international group of asset managers with individual commitments to achieve net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius and avoid the most catastrophic consequences of climate change. In June 2022, we formally announced our targets, which focus on two key areas: the science-based GHG emissions reduction targets of the companies in which we invest and the carbon intensity across our investment strategies.

Refined over our nearly five decades of experience engaging companies and policymakers, Boston Trust Walden uses a multifaceted approach to manage and mitigate portfolio risk, including climate risk. Our approach includes portfolio construction and active ownership (including company engagement, proxy voting, and public policy advocacy). Engagement with portfolio companies is in complement to Boston Trust Walden's independent climate commitments and supports our fiduciary duty to ensure client assets are invested in securities well situated to minimize risk and produce sustainable returns.

ABOUT THIS REPORT

This report provides an overview and update on our efforts to manage climate risk at Boston Trust Walden. The report leverages guidance from the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. In 2023, the International Sustainability Standards Board (ISSB) became home to the TCFD as well as the industry recognized SASB standards. The ISSB strategically leveraged these frameworks as a foundation and subsequently published the first globally aligned disclosure standards in June of 2023. These standards include the IFRS S2 standards, which guide climate-related disclosures.

As consumers of corporate ESG disclosures, we actively encourage companies to use frameworks that deliver decision-useful corporate ESG disclosures and we also engage regulators and standard setters to increase alignment across rulemaking and disclosure frameworks. We support use of the ISSB standards as a globally recognized framework for consistent, comparable, and reliable disclosure of financially material, decision-useful sustainability-related information.

The TCFD recommendations and IFRS S2 standards guide disclosure across four thematic areas that represent the core elements of how organizations operate. The themes are interlinked and inform one another. This report is informed by and aligned with these four thematic areas:

SECTION 1: Governance

SECTION 2: Strategy

SECTION 3: Risk Management

SECTION 4: Metrics and 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 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.**

  In March 2021, we became an early signatory to the Net Zero Asset Managers (NZAM) initiative — an international group of asset managers with individual commitments to achieve net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius and avoid the most catastrophic consequences of climate change. In June 2022, we formally announced our targets, which focus on two key areas: the science-based GHG emissions reduction targets of the companies in which we invest and the carbon intensity across our investment strategies. 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.**

  Our approach to active ownership is multifaceted, solutions-oriented, and relationship-focused. We prioritize constructive dialogue via multiyear, multiphased engagements that complement our long-term investment approach. We strive to build trust with the companies engaged, offer guidance and resources, and effectively communicate a strong business case for the change we seek. Engagement with portfolio companies on the issue of climate risk is in complement to Boston Trust Walden's independent climate commitments and supports our fiduciary duty to ensure client assets are invested in securities well situated to minimize risk and produce sustainable returns.

  In 2023, we directly engaged nearly 140 companies on issues related to climate risk, including science-based GHG emissions reduction targets, climate transition plans, climate policy advocacy, and science-aligned lobbying. Leveraging our approach to active ownership, we help companies advance climate risk mitigation and adaptation, encouraging more robust disclosure and supporting the capacity building required to decarbonize their businesses.

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

  The weighted average carbon intensity of most of our investment strategies' models are significantly lower (better) than their respective benchmarks. Our firm-wide carbon intensity continues to remain 50% below the 2019 baseline benchmark, in line with our 2030 target. Further, the percentage of discretionary equity AUM invested in companies with science-based targets rose to 33% as of year-end 2023. Notably, an additional 17% of equity AUM is 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 **managing directors** have board and management-level roles in our employee-owned organization. They oversee investment activities of Boston Trust Walden, including Boston Trust Walden's responsible 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 the team responsible for ESG integration and active ownership strategies, including direct engagement, proxy voting, public policy, and thought leadership. 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)**, comprised of the **CIO**, Director of ESG Investing, Manager of ESG Integration, Manager of Proxy Voting, and other investment professionals, oversees and affirms activities related to proxy voting, company engagement, and public policy advocacy.

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 and industry trends. 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 or more years.

As fiduciaries, our firm systematically integrates climate-related risks and opportunities into securities analysis across investment strategies. 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 (e.g., supply chain) and systemic risks (e.g., economywide impacts on worker productivity due to heat stress).

While climate risk is relevant to nearly all industries, it may manifest itself in a variety of ways. As such, we 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 Suppliers and OEMs**: The transition from internal combustion engines to electric vehicles presents opportunities and risks to suppliers and manufacturers. While evaluating companies in the industry, analysts identified opportunities for growth in product categories that focus on EV technologies and service, as well as inherent risks associated with exploring new business models and technology innovations.
- **REITs**: During our analysis of real estate investment trusts (REITs), we considered the potential physical risks facing properties. We also continued to observe market opportunities 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 become cheaper and regulation increases the cost of environmental compliance for coal-fired plants. New climate-related goals and the economics of renewable power generation may pose a threat to gas-fired generation over time. The future for local gas distribution companies (LDCs) is also complicated. 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, the oilfield service providers (OFS) supporting these companies face risk and opportunity. 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 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 and industry trends. This process incorporates our assessment and management of climate-related risks and opportunities.

Our dedicated ESG investment analysts are responsible for identifying climate-related risks and opportunities, communicating with leadership and traditional financial analysts regarding their findings, and making recommendations, as appropriate. The ESG Investing team and the Manager of ESG Integration 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. Given our firm's focus on high quality securities, 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, we will not invest client assets in companies whose primary business is coal mining (the most carbon intensive fossil fuel) or the development of tar sands (also among the highest carbon intensity sources).[1]

Yet, 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 ISSB reporting standards. 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, 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 (discussed below). We disclose the weighted average carbon intensity of Boston Trust Walden model portfolios in Section 4 (Metrics/Targets).

[1] Boston Trust Walden applies de minimis thresholds to investment decisions based in part on company products or services. These thresholds consider market share, assets, reserves, production, and/or revenue dependence.

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 numerous factors, including, but not limited to, a company's sector/industry, its competitive landscape, and its operating model. Our ESG investment 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 climate 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 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 primary research, company publications, responses to CDP surveys, government agencies, nongovernmental organizations, technical experts and academics, the media, and third-party ESG data providers.

The ESG materiality assessment (inclusive of climate risk) is reviewed and affirmed by designated members of the respective 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 investment analyst, and as needed, the ESG analyst. The Committee, comprised of portfolio managers and analysts, evaluates material factors, including ESG risks and opportunities, in its review of individual securities and is ultimately responsible for ESG integration. Most of these investment professionals have some cross-functional experience in traditional and ESG integration 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 2023 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 2023 weighted average carbon intensity of our model portfolios, including details related to our largest contributors in Section 4: Metrics and Targets.

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.

Our approach to active ownership is multifaceted, solutions-oriented, and relationship-focused. We prioritize constructive dialogue via multiyear, multiphased engagements that complement our long-term investment approach. We strive to build trust with the companies engaged, offer guidance and resources, and effectively communicate a strong business case for the change we seek. Engagement with portfolio companies on the issue of climate risk is in complement to Boston Trust Walden's independent climate commitments and supports our fiduciary duty to ensure client assets are invested in securities well situated to minimize risk and produce sustainable returns.

In line with our management of climate-related risks and opportunities, where relevant, we encourage the companies in which we invest client assets 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;
- align direct and indirect lobbying policies and activities with the goals of the Paris Agreement; and
- advocate for and support science-based climate policy with lawmakers at the local, state, national, and international levels.

The three 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 2023, Boston Trust Walden engaged 66% of companies held across our investment strategies on issues of climate risk. This translates to engagement with 137 companies on issues including setting science-based GHG emissions reduction targets, developing climate transition plans, climate policy advocacy, and science-aligned lobbying.

Company Engagement: Science-based Targets

In June 2022, Boston Trust Walden formally announced our net zero targets, which focus on two key areas:

1. science-based greenhouse gas (GHG) emissions reduction targets of the companies in which we invest client assets; and
2. carbon intensity across our investment strategies.

Our primary NZAM 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. In 2023, we designed and initiated a multiyear, multiphased engagement strategy focused on those companies held across strategies without science-based targets. Leveraging our approach to active ownership, we help companies advance climate risk mitigation and adaptation, encouraging more robust disclosure, and supporting the capacity building required to set and achieve science-based targets.

Different from most peers, our net zero goal spans the market capitalization range and includes discretionary small and SMID cap equity holdings, which comprise a significant portion of our firm's assets under management. We believe companies, no matter their size, 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 2023, Boston Trust Walden engaged 94 companies held across our investment strategies on setting science-based GHG emissions reduction targets; of those, nearly 70% (or 64 companies) were small or SMID cap equity holdings.

Company Engagement: Aligning Political Activity with Climate Commitments

Corporate lobbying activities have a significant influence on climate policy and can either complement or contradict a company's public commitments. Too often corporate lobbying efforts are at odds with companies' stated commitments. Non-transparent and misaligned lobbying and political expenditures can create reputational risks that harm shareholder value and may undermine corporate initiatives to address direct and systemic material ESG risks.

Public policies aligned with the latest science are essential for catalyzing the rapid emissions reductions needed to avoid the most catastrophic consequences of a changing global climate. In 2023, major advances in policymaking unfolded to support the transition to a net zero emissions future. In the US, the Inflation Reduction Act unlocked capital to help businesses and communities address climate change, putting the country on a path toward realizing a 42% reduction in emissions by 2030.[2] On the global stage, the COP28 climate conference concluded with an unprecedented framework for nations across the world to begin "transitioning away from fossil fuels."[3]

The significance of these milestones is not to be understated, but the need for additional climate science–aligned policymaking remains to ensure companies are supported in mitigating climate risk and leveraging opportunities. At Boston Trust Walden, we view climate science-aligned public policy engagement as an integral element of a company's fulsome climate transition plan.

In 2023, as a complement to our active ownership efforts focused on science-based targets, Boston Trust Walden expanded our corporate engagement on climate-science aligned lobbying to include companies across market cap sizes — including many companies within our small and SMID cap equity strategies. Our engagement focused on the importance of aligning both direct and indirect lobbying and political spending activity, underscoring the critical impact of political activity conducted on behalf of companies by their trade associations and other membership organizations.

[2] Larsen, John, Ben King, Hannah Kolus, Naveen Dasari, Galen Bower, and Whitney Jones. 2022. "A Turning Point for US Climate Progress: Assessing the Climate and Clean Energy Provisions in the Inflation Reduction Act." Rhodium Group. August 12, 2022. https://rhg.com/research/climate-clean-energy-inflation-reduction-act/.

[3] UN Sustainable Development Group. "COP28 Ends with Call to 'Transition Away' from Fossil Fuels; UN Chief Says Phaseout Is Inevitable." 2023. UNSDG. December 13, 2023. https://unsdg.un.org/latest/stories/cop28-ends-call-%E2%80%98transition-away%E2%80%99-fossil-fuels-un-chief-says-phaseout-inevitable.

Public Policy Advocacy: Advancing Climate Risk 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.

For decades, our firm has recognized the importance of clear and consistent public policy and regulation to advance corporate transparency and accountability. We engage with policymakers and regulators both directly and in collaboration with partner organizations. Working alongside our external partners complements Boston Trust Walden's independent climate commitments and supports our fiduciary duty to ensure client assets are invested in securities well situated to minimize risk and produce sustainable returns.

One of our key partners in public policy advocacy is US SIF: The Sustainable Investment Forum (US SIF). US SIF is an investor membership organization focused on advancing sustainable investing across all asset classes. US SIF members represent more than $5 trillion in assets under management or advisement. Boston Trust Walden is a founding member of US SIF, with representation on the US SIF Board of Directors as well as the Public Policy and Research Committees. In 2023, Boston Trust Walden joined other members of US SIF in Washington, DC to engage policymakers and regulators on the topics of ESG investing and corporate disclosure standards. Members of our team met with representatives of the US House and Senate to share our multidecadal experience integrating ESG risks and opportunities into our investment process on behalf of our clients. We also had the opportunity to meet individually with three Commissioners of the SEC, offering each our perspective on the need for investor-grade corporate ESG disclosure. Such opportunities for direct engagement with policymakers and regulators, coordinated by US SIF, have proven invaluable for Boston Trust Walden and other investors to effectively participate in the rulemaking process. We will continue our efforts to advance corporate disclosure standards, encourage climate science-aligned public policy, and protect our rights as shareowners to engage with companies on issues of governance and long-term value creation.

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 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.

For more information on Boston Trust Walden's approach to proxy voting, please reference our Q2 2024 Impact Report and the Boston Trust Walden Proxy Voting Guidelines.

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.

As fiduciaries, our firm systematically integrates climate-related risks and opportunities into securities analysis across investment strategies. This is why, in March 2021, we became an early signatory to the Net Zero Asset Managers (NZAM) initiative — an international group of asset managers with individual commitments to achieve net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius and avoid the most catastrophic consequences of climate change. 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 formally announced our targets, which focus on two key areas: science-based GHG emissions reduction targets of the companies in which we invest and carbon intensity across our investment strategies.

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

For more than a decade, Boston Trust Walden has disclosed the carbon intensity of our model investment strategies. The carbon intensity of each strategy 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 (WACI) for nearly all of Boston Trust Walden's equity models as of year-end 2023. Consistent with previous years, our model strategies were 27% to 81% less carbon intensive than their respective benchmarks in 2023. 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	Large Cap Value
Carbon Intensity—Boston Trust Walden	77	62	34	66	44
Carbon Intensity—Benchmark	140	137	183	90	184
Carbon Intensity (relative to benchmark*)	-45%	-55%	-81%	-27%	-76%
Attribution: Sector Allocation	4	-7	-7	-21	-41
Attribution: Stock Selection	-67	-66	-141	-3	-98
#1 Contributing Stock	IDA	IDA	MRO	APD	COP
#2 Contributing Stock	HP	HP	PKG	UNP	UNP
#3 Contributing Stock	CPE	BLD	WTRG	COP	PKG

Source: Boston Trust Walden, MSCI
*In order, the benchmarks are as follows: Russell 2000®, Russell 2500™, Russell Midcap®, S&P 500, Russell 1000 Value. We applied the most recent available carbon data (12/31/22) to portfolios as of 12/31/23). The metrics above are based on the strategy's model portfolio and do not represent the results of actual trading of investor assets or results that any investor actually achieved.

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 45% and 55%, 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 90% 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 more than half of the Small Cap strategy's weighted average carbon intensity, with emissions intensity over five times that of Helmerich & Payne, the second highest emitter. IdaCorp is noted for its robust decarbonization strategy aiming to achieve 100% clean energy provision by 2045. The company has already reduced its carbon intensity from generating activities by 30% 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 11% and 9% of each respective strategy's carbon intensity. Oilfield service providers such as Helmerich & Payne offer technology and services that enable companies to increase the carbon efficiency of their operations, though this benefit is not captured in the calculation; the company has set short- and medium-term goals to improve its emission intensity performance.

Among Boston Trust Walden's investment strategies, the Mid Cap model strategy has the best relative carbon intensity performance. Nearly 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 22% 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. Packaging Corp of America, a producer of container products, and Essential Utilities, a regulated water and natural gas utility primarily serving Pennsylvania, together accounted for approximately 18% of the Mid Cap strategies' WACI. Both aim to reduce their operational emissions in the short term and have carbon intensities that are either below or comparable to the averages in their respective sectors.

The Large Cap Value model strategy also significantly outperformed the carbon intensity of its respective benchmark, driven by sector allocation and security selection. Alongside the Mid Cap model strategy, one of the top three contributors included Packaging Corp of America. The strategy's top contributor, ConocoPhillips, is noted as the first US oil and gas producer to set a net zero GHG reduction goal for its operations, complemented by mid-term goals to eliminate routine gas flaring by 2025 (a key step for mitigating methane emissions) and a 50-60% emissions intensity reduction target by 2030. The company has established a strategic plan to help mitigate the long-term business risks associated with the energy transition. Union Pacific, while also a high greenhouse gas emitter, provides customers with a relatively carbon-efficient mode of transport via its railways.

The Large Cap Core model strategy also shares the top contributors of ConocoPhillips and Union Pacific. Like Union Pacific, the Large Cap Core top contributor – Air Products – also enables customers to achieve greater carbon efficiency, a factor not reflected in their emissions profile. For example, the green and blue hydrogen offered by Air Products plays a crucial role in the decarbonization of hard-to-abate sectors. The Large Cap Core model strategy's relative outperformance is largely driven by being underweight in the utilities sector compared with the benchmark.

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. 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 2023 we made positive progress towards the achievement of our interim target. The percentage of discretionary equity AUM invested in companies with science-based targets increased from 27% to 33%, and the percentage of equity AUM invested in companies committed to setting science-based targets increased from 15% to 17%. 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 2023, Boston Trust Walden engaged more than 60 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.