

ESG IMPACT REPORT

T Q 2022

AN UNWAVERING COMMITMENT TO PRINCIPLED INVESTING

For nearly five decades, Boston Trust Walden has integrated environmental, social, and governance (ESG) factors into investment strategies on behalf of our clients—one of the longest track records of any institutional investment manager. In this time, we have observed a dramatic rise in the number of investors that seek to recognize the financial materiality of ESG considerations within their investment portfolios. As a result, the ESG investment landscape has grown larger, more diverse, and increasingly complex. And in recent months, it has also become subject to mounting backlash questioning the validity of these investment strategies.

These critiques stand in stark contrast to the simple reason we began integrating ESG factors into investment decisions in 1975. At Boston Trust Walden, we believed then, as we do today, that it is our fiduciary duty to ensure client assets are invested in securities well-situated to minimize risk and produce sustainable returns. To ignore the financial implications presented by ESG risks would be a dereliction of that duty.

Over the course of decades, our firm has witnessed the changing climate physically disrupt global supply chains, halt manufacturing, and strain natural resource availability; and we've seen persistent inequality and toxic workplaces lead to employee strikes, regulatory noncompliance, and heightened reputational risk. We have seen how effective management of ESG risks can strengthen operations, improve resilience, and result in market opportunities.

In a time of constant disruption and uncertainty, our focused discipline of *Principled Investing* is more important than ever before.

At Boston Trust Walden, we focus on identifying client assets we judge to be high financial quality. We seek to invest in enterprises with sustainable business models, strong financial underpinnings, prudent management practices, and a governance structure that supports these objectives. Foundational to our process is recognizing the financial materiality (or significance) of ESG factors. Our analysts evaluate a company's ESG

performance to enhance our understanding of potential financial outcomes associated with issues ranging from risks (e.g., a consumer boycott) to opportunities (e.g., generating new sources of revenue).

As active owners, we don't stop at research. Our ESG investment professionals employ a multi-faceted approach to advance sustainable business practices at the companies in which we invest, combining ESG analysis with direct company engagement to address risks (environmental, social, and governance) and opportunities (material ESG issues, climate change, and diversity, equity, and inclusion).

EXPECTING MORE OF ESG INVESTING

Our work to advance standardized, robust, corporate disclosures is critical given the proliferation of ESG investment products and services in the marketplace. Such information will enable asset managers to better integrate ESG factors into investment decision-making and active ownership efforts. Asset owners, in turn, need to be able to assess their managers' approach to ESG investing. Unfortunately, many asset managers have not been forthcoming in terms of articulating their ESG investing approach.

To address marketplace confusion, the SEC released in May 2022 two proposals aimed at increasing investor access to information concerning funds' and advisers' incorporation of ESG factors. As we communicated to the SEC in an August 2022 [letter](#), we believe increased scrutiny of how investment companies and advisers utilize ESG analysis and active ownership will protect shareholders and strengthen

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