



ESG Impact Report

Second Quarter 2019

This report highlights our firm's active ownership initiatives, environmental, social, and governance (ESG) research, and other news.

Walden's leadership in corporate engagement—company dialogues and filing shareholder resolutions to voting proxies—continues to foster meaningful progress on climate change, equality, and corporate governance. In this quarterly report we present the results of 17 shareholder resolutions Walden filed for the 2019 proxy season. Separately, we summarize for the year our votes on management and shareholder proposals in the annual proxy statements of nearly 250 portfolio companies across investment strategies.

SHAREHOLDER RESOLUTION SUMMARY

The shareholder resolution is an essential shareholder right that we employ when engagement via dialogue is unproductive. Filing a resolution (or proposal) for a vote at company annual meetings enables the proponent to bring the collective voice of supportive stockholders to bear in management discussions on ESG performance. But filing a shareholder resolution is not in and of itself a measure of impact. To signify progress, we believe that resolutions must yield improvement in policies, practices, or public accountability. Moreover, our most successful shareholder resolutions are withdrawn based on negotiated agreements and do not appear in company proxy statements.

In 2019, Walden led or co-led 10 resolutions addressing climate change, equality, and governance, and co-filed 7 more resolutions led by other investors (see summary on page 2). 8 of the 17 resolutions were withdrawn with agreements. The average level of support for the 7 shareholder resolutions that went to a vote was 24%. The 2 remaining proposals are pending.

We highlight several examples of positive outcomes from our shareholder resolutions this season.

Emerson Electric and Climate Change

“During fiscal 2019, we have engaged outside environmental experts to help us evaluate the leading GHG reporting protocols, industry best practices and our current global operations to develop a long-term strategy with time specific goals to reduce greenhouse gas emissions from our operations. We will issue these goals and our action plan in September 2019. We realize this is a journey to be better stewards of the global environment, and our steps and actions are important.”




— Chairman's Message, Emerson's 2018 Corporate Responsibility Report, published June 2019

The passage above is public testimony of an agreement with Walden that led to the withdrawal of our 2019 resolution seeking the adoption of a greenhouse gas (GHG) emissions reduction goal. The resolution addressed our belief that companies benefit from robust management of the operational, physical, regulatory, and reputational risks associated with climate change. We commend Emerson's commitment and progress in this multi-year engagement, which we expect to continue as the company's plans unfold.

SEI Investments and Diversity & Inclusion

To address ongoing, systemic economic inequality faced by women and people of color, Walden asks companies to report publicly on their workforce composition. Specifically, a shareholder resolution we led at SEI Investments sought annual disclosure of job categories by gender and race to assure accountability with respect to the hiring and advancement of women and people of color into management and professional positions. We withdrew the resolution following SEI's commitment to fulfill our request, including providing data in a framework defined by the Equal Employment Opportunity Commission.

SUMMARY OF 2019 SHAREHOLDER RESOLUTIONS

Walden Focus Area	Proposal Topic	Company	Status
 Climate Change	Assess carbon footprint in alignment with GHG reductions needed to achieve the climate goals in the Paris Agreement	Chevron*	33% support
	Adopt quantitative, company-wide goals for reducing total GHG emissions consistent with the Paris Agreement	Emerson Electric	Agreement reached
		Illinois Tool Works*	21% support and setting a GHG goal
 Equality	Prepare a report assessing the feasibility of integrating sustainability metrics, including diversity, into compensation plans	Alphabet*	10% support***
	Report on initiatives to improve board diversity	Atrion	Agreement reached
	Issue a public report detailing the risks associated with omitting sexual orientation and gender identity from its written equal employment opportunity (EEO) policy	CorVel	Company challenged and lost at SEC (expected to be in the proxy for August annual meeting)
	Report a comprehensive breakdown of workforce by race and gender according to the Equal Employment Opportunity Commission's defined job categories, and policies and programs to improve diversity	SEI Investments	Agreement reached
 Governance	Issue a report describing policies, performance, and improvement targets associated with key ESG risks and opportunities, including GHG reduction goals	Charter Communications**	28% support***
	Report on policies and procedures regarding direct, indirect, and grassroots lobbying; disclose payments used for lobbying and non-tax-exempt payments to trade associations and other entities to influence public policy	AT&T	Agreement reached
		Comcast *	18% support***
		IBM	Agreement reached
		JPMorgan Chase	Agreement reached
		Oracle*	Pending November annual meeting
		Walt Disney*	39% support
		UPS	21% support***
		Verizon Communications*	Agreement reached
Review and report on proxy voting policies and practices related to climate change	Artisan Partners Asset Management	Agreement reached	

* In order, these shareholder resolutions co-filed by Walden were led by: As You Sow, Trillium Asset Management, Zevin Asset Management, Friends Fiduciary, Zevin Asset Management, Boston Common Asset Management, Boston Common Asset Management.

** This proposal was co-led by Walden Asset Management with the Illinois State Treasurer's Office and New York State Common Retirement Fund.

*** Voting support is understated because these companies have stock with unequal voting rights that lead to significant insider control of the proxy vote. According to analysis by the Council of Institutional Investors in 2018, shares with super-voting rights account for 61% of the votes at Alphabet, 50% at Charter Communications, 33% at Comcast, and 72% at UPS.

47% of our shareholder resolutions this year were withdrawn based on negotiated agreements. Of those that went to a vote, average shareholder support was 24%.

CorVel and LGBT Discrimination

We filed a resolution that requested a report on the risks associated with excluding sexual orientation and gender identity from its Equal Employment Opportunity (EEO) policy. CorVel challenged our resolution at the SEC. In the previous two years another company, Cato, had successfully challenged a similar resolution, stymieing our access to the ballot for a shareholder vote. With a reformulation of the resolution and stronger arguments to the SEC in its defense, we were pleased to prevail this year and receive SEC affirmation that LGBT equality continues to be a legitimate shareholder concern. The resolution is on the proxy ballot at CorVel's annual meeting to be held in August.

Protecting Shareholder Resolutions

In our last quarterly report we detailed our efforts to protect shareholders' right to file resolutions as the SEC mulls what we consider to be deleterious revisions to the process. Our full-court press continues. In recent months Walden made the case that the current shareholder resolution process is effective and functioning well, through participation in a June SEC-hosted stakeholder meeting to review this proxy season; letters individually and as part of an investor coalition to members of the U.S. House Financial Services Committee; and an investor call we helped organize with the CEO and other senior leadership from the Business Roundtable, a leading advocate for substantial changes in the existing rules for filing resolutions. We expect this issue to be front-and-center in the coming months.

PROXY VOTING SUMMARY

The proxy votes we cast reflect our assessment of both financial and ESG risks and opportunities faced by portfolio companies. Moreover, the continuous cycle of company dialogues, filing shareholder resolutions, and voting proxies can be self-reinforcing as part of long-term company engagement.

For the year ended June 30, 2019, we voted against at least one management recommendation on the ballot at 60% of company annual meetings (see **How We Voted** below). With respect to management-sponsored ballot items only, Walden's voting policy on board diversity accounted for the most significant departure from management recommendations. We voted against directors serving on nominating committees at 31% of US companies because women and people of color constituted less than 30% of their board of directors. However, we supported some companies that fell below this threshold based on productive engagement or meaningful progress.

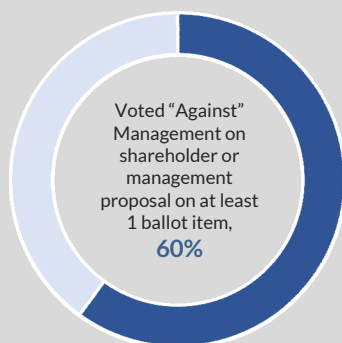
Notably, 88% of the time we did not support management's recommendation to vote against shareholder-sponsored proposals, which account for nearly all environmental and social issue proposals. Enhanced political spending and lobbying disclosure was the most frequent shareholder proposal this season.

A comprehensive report of the proxy votes for The Boston Trust & Walden Funds will be published on our website by the end of August.

HOW WE VOTED—YEAR ENDED JUNE 30, 2019*

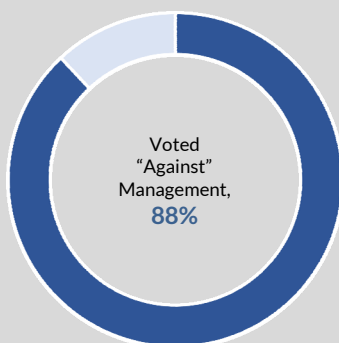
Company Annual Meetings

249 companies



Shareholder-Sponsored Proposals

108 proposals



Our most significant votes "against" management on company-sponsored proposals:

- 31% against nominating committee members due to insufficient board diversity**
- 16% against directors for serving on too many boards**
- 12% against executive compensation

Votes "for" shareholder proposals on items that appeared on five or more proxy ballots:

- Improve disclosure of political contributions and lobbying (15 out of 16)
- Commit to independent board chair (15/15)
- Increase various shareholder rights (12/12)
- Set GHG goals or improve climate-risk disclosure (5/5)
- Report and address gender wage gap (5/5)
- Provide human rights risk assessment (5/5)

*The charts summarize how Walden voted on company- and shareholder-sponsored proposals for companies held in our investment strategies as of June 30, 2019. The analysis utilizes model portfolios and excludes the Walden International Equity Fund.

**The percentages are based on 232 companies headquartered in the US.