



ESG Research & Portfolio Screening

WALDEN FRAMEWORK

At Walden, we work with our clients to prioritize their environmental, social, and governance (ESG) concerns and to translate them into individually tailored investment guidelines. Guidelines are developed within the context of an overall investment strategy designed to be consistent with each client's financial objectives.

Five broad areas of research encompass comprehensive ESG analysis: products and services, environmental impact, workplace conditions, community impact and corporate governance. Where possible, across the various ESG dimensions, we consider peer group performance, trends over time, the effectiveness of management systems, and the demonstration of accountability through standardized public reporting. We call this framework the Walden Wheel, depicted in the schematic to the right.



ESG RESEARCH & ANALYSIS GUIDELINES

Our in-house ESG team begins by developing an understanding of the company's products and services. We then assess the materiality of various ESG concerns in order to prioritize further research. Walden understands that there are no perfect companies. In our experience, most companies exhibit a range of performance on various ESG factors. In addition, company ESG performance can improve or erode over time, especially relative to peers. To guide us in assessing the complexities of

ESG performance, we consider a set of general questions in our process:

1. *Is there a pattern of noncompliance, negligence or other concerns?*

Many companies commit regulatory violations or face other challenges. We analyze the gravity and pervasiveness of the particular concern. We judge the adequacy of a company's response and seek to understand how management will prevent problems from recurring. Single or isolated incidents generally will not lead to an investment prohibition.

2. *How is the company's ESG performance relative to industry peers and its historical track record?*

Walden evaluates companies relative to industry peers given their similar challenges and opportunities and favors firms exhibiting best practices. Similarly, we favor firms with improving records over those with deteriorating environmental, social or governance performance.

3. *Are there mitigating factors?*

We are able to prioritize our clients' social and environmental investment objectives to allow investment in companies with strong records on priority issues despite mediocre or mixed records in other areas. When investing in such companies, clients often favor shareholder advocacy strategies to promote improvement in the areas of concern.

4. *Is the company responsive to ESG concerns raised by stakeholders?*

We believe companies that are transparent and responsive with regard to their policies, performance, and challenges are more likely to be taking accountability and making progress in addressing concerns.

5. *Are there opportunities for effective engagement?*

When deciding if a company is an appropriate client holding, Walden considers the potential to encourage constructive change at the company and weighs our ability to effectively engage with a company against the severity of the issue of concern.

Walden's Comprehensive Portfolio Screening Guidelines

Research Areas	Company Strengths	Company Concerns
Products & Services	<ul style="list-style-type: none"> • Safe, beneficial, high-quality products or services • Life-cycle analysis in product development, including raw materials sourcing and end-of-life impacts • Effective response systems to address product safety concerns • Research and development of solutions to environmental and social challenges 	<ul style="list-style-type: none"> • Material involvement in the manufacture or sale of products with adverse public health consequences • Raw materials sourcing from conflict areas • Deceptive or misleading marketing practices • Client specified investment prohibitions, such as involvement in alcohol, extractive industries, nuclear power, gaming, junk food, tobacco, hand guns sales or weapons manufacture (analysis involves market share, company dependence, and case-by-case review)
Environmental Impact	<ul style="list-style-type: none"> • Process, product or service that conserves energy and natural resources or reduces volume or toxicity of emissions and waste • Robust environmental management system, clear policies and strong compliance history • Prompt and transparent responses to environmental incidents • Best-in-class animal welfare policies and practices. • Constructive public policy involvement on major issues, such as climate change and water scarcity 	<ul style="list-style-type: none"> • Pattern of serious regulatory violations • Negligent response to significant environmental problems • Below peer group performance in high impact industries, such as chemical manufacturing or oil exploration • Significant contribution to global challenges, such as rainforest destruction or climate change
Workplace Conditions	<ul style="list-style-type: none"> • Strong equal employment opportunity programs and policies • Diverse representation in management and on boards of directors • Above average employment policies encompassing benefits, work-life balance, training, safety, and compensation • Constructive union relations or employee participation in decision-making • Best practice labor standards applied to global operations 	<ul style="list-style-type: none"> • History of systemic discrimination • Pattern of serious National Labor Relations Act violations or other anti-union actions • Poor record of employee safety • Known to use forced labor, child labor, or violate other International Labour Organization (ILO) standards • Lack of Code of Conduct, monitoring or verifications programs in owned or supplier facilities
Community Impact	<ul style="list-style-type: none"> • Formal structure for constructive engagement with local, indigenous or underserved communities • Commitment to uphold international human rights standards • Direct community involvement through innovative volunteer programs and philanthropy • "Outstanding" Community Reinvestment Act (CRA) Rating 	<ul style="list-style-type: none"> • Community opposition on significant issues such as local environmental impacts, facility siting, or local employment • Insensitive or disrespectful advertising • Complicit in serious violations of human rights • Predatory lending practices, redlining of communities, or poor CRA rating
Corporate Governance	<ul style="list-style-type: none"> • Strong corporate governance policies, practices and implementation plans • Board structures and practices that foster independent decision-making and accountability of board members • Director and executive responsiveness to stakeholder concerns. • Leadership commitment to high standards of business ethics globally • Board level oversight of corporate sustainability programs and practices • Corporate commitment to robust environmental, social and governance (ESG) reporting 	<ul style="list-style-type: none"> • Inadequate independence, diversity or expertise on company boards • Board structures or governance policies that impede accountability to shareholders, such as staggered boards, plurality votes for directors, and combined CEO-Chair positions • Executive compensation policies and practices that do not clearly align pay with performance