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In This Issue

Walden Asset Management

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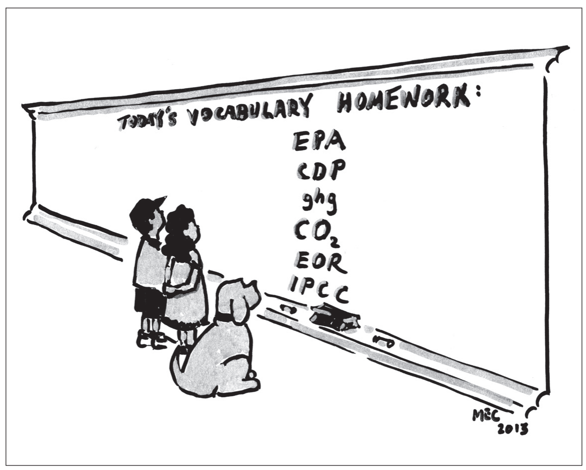
Investing To Reduce Returns—Of CO_2

On May 9, 2013, the National Oceanic and Atmospheric Administration reported an ominous milestone from an observatory in Hawaii. Atmospheric levels of carbon dioxide (CO_2) had reached 400 parts per million (ppm), nearly 22 ppm above average levels one decade ago and well above the 350 ppm that scientists believe we must return to in order to avoid severe consequences of climate change. The signal is not ambiguous; a rapid increase in CO_2, attributed largely to the burning of fossil fuels, is an existential threat to the natural environment and global public health.



The Intergovernmental Panel on Climate Change (IPCC), the world's leading scientific authority on climate change, estimates that a 50 percent reduction in greenhouse gas (ghg) emissions globally is needed by 2050 (relative to 1990 levels) to stabilize global temperatures, entailing a U.S. target reduction of 80 percent. The dismal pace of progress has ignited the passion of students and others in a growing movement to divest from fossil fuel companies, inspired by Bill McKibben's "Do the Math Tour." McKibben argues that 80 percent of oil, gas, and coal reserves must never be burned.

Walden shares our clients' deep concern regarding climate change and recognizes the urgent need for effective actions to mitigate and adapt to the growing risks. To achieve the global emissions reduction required to avoid catastrophic climate change, we believe that priority number one is to develop, enact, and enforce strong public policies that place a price on carbon, through mechanisms such as a cap-and-trade system or carbon tax. At the same time, companies and consumers must take immediate steps to reduce their dependence on fossil fuels. Additional government leadership to promote energy efficiency and renewable energy development is also critical.

Investors are an important and strategic voice to build momentum for sustained progress. Since U.S. and global economic growth remain inextricably linked to fossil fuel use during the transition to a more carbon-constrained environment, Walden pursues a multi-pronged approach that integrates climate change risk in investment decision-making, corporate engagement, and public policy advocacy.

Company Selection

All companies rely on carbon-based fuel sources to varying degrees. Hence, Walden favors investment in companies with products and processes promoting energy efficiency and natural resource conservation; strong and transparent greenhouse gas reduction policies, goals, programs, and results; and supportive and consistent public policy positions. Exemplary companies include members of BICEP (Business for Innovative Climate & Energy Policy)—**EMC**,

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About Walden Asset Management

Walden Asset Management has been a leader in integrating environmental, social and governance (ESG) analysis into investment decision-making and company engagement since 1975. A division of Boston Trust & Investment Management Company, Walden manages accounts tailored to meet client-specific investment objectives and works to strengthen corporate ESG performance, transparency and accountability.

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Energy Investment and Carbon Regulation

The wisdom of investment in fossil fuels is being questioned for financial as well as environmental reasons. Many investors and environmental advocates recognize that energy companies may be vulnerable if legislation is enacted to reduce carbon emissions enough to contain rising global temperatures. We have seen recent attempts to quantify this vulnerability. In one high-profile example, the International Energy Agency (IEA)—an autonomous organization with ties to the OECD—has suggested that if we are to keep global temperatures within 2°C of the pre-industrialization level, we cannot burn more than one-third of proved reserves before 2050. (Proved reserves are stores of coal, oil, and gas that are known to be in the ground and that could be economically extracted at today's prices.) If this analysis is correct, energy companies will face a headwind as demand for fossil fuels declines. This shift in demand can occur either directly, through government regulations that set limits on carbon emissions, or indirectly, through carbon taxes that raise the cost of fossil fuels and discourage their use.

Nathaniel Riley is an Investment Analyst

This argument can make energy stocks look like a poor investment. But while such a shifting landscape would present great challenges for the industry, not every energy company would be affected in the same way or to the same degree. Even in a scenario in which fossil fuel consumption is limited in order to minimize environmental impact, investors may find opportunities in energy companies less vulnerable to such regulation. In order to do this, we must evaluate how and when regulations may be adopted, and which types of fossil fuels would be most affected.

Any significant regulation of carbon is likely to reduce total demand for fossil fuels. That will in turn lower the aggregate volume that can be sold and the revenue energy companies will receive. More carbon-intensive and more costly sources of energy will be particularly disadvantaged. To generate an equal amount of energy, coal emits 68 percent more CO_2 than natural gas during combustion, and 42 percent more CO_2 than oil. Although coal is relatively cheap to extract from the ground, this disadvantage will increasingly limit its use in a carbon-constrained world. Similarly, oil derived from bitumen (oil sands) is more carbon intensive and more costly to produce than many other sources, and investments in bitumen reserves would fare worse under broad carbon legislation. Conversely, natural gas investments may come out relatively unscathed; with a lower carbon footprint than other fossil fuels, and lower cost than most major sources of energy, natural gas could ease a transition to a low-carbon world as long as fugitive methane emissions and other production impacts are minimized. In the IEA's energy scenario that keeps global temperatures within acceptable limits, demand for natural gas will continue to rise over the next two decades as its use displaces coal and oil—a good outcome for companies investing in gas resources.

The path and pace of increasing government regulation of carbon will have an impact on the fortunes of energy companies and investors. Legislation that is introduced gradually, with clear communication from regulators on how laws will be designed and regulations phased in over several years, will be the most benign for energy companies, investors, and consumers. It would allow energy companies adequate time to adjust their investments and capital expenditures toward projects that would be more profitable in a lower carbon world, and away from costlier, more carbon-intensive projects. If a company has no practical path to suitable projects once the regulatory environment becomes known, this long lead time would also give investors the opportunity to demand that cash be distributed

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partnerships at work — THE THIRTY PERCENT COALITION

This column highlights selected groups and organizations working to promote social and economic justice, environmental leadership, or corporate accountability. Walden often supports the work of featured groups and partners in research and advocacy initiatives.

In November 2011, a group of 27 industry leaders, including senior business executives, national women's organizations, institutional investors, corporate governance experts, and board members, gathered for a high-level summit to address the lack of gender diversity in corporate boardrooms. Prompted by what participants called "glacial progress" on increasing the number of women on U.S. corporate boards—a number that has essentially remained stagnant over the past five years at approximately 14 percent of board seats of S&P 1500 companies—the leaders formed the Thirty Percent Coalition. The Coalition has set a goal of women holding 30 percent of board seats across public companies by the end of 2015. Today, with more than 60 members, the Coalition continues to expand its membership base and push forward its mission.

The flagship initiative of the Thirty Percent Coalition has been driven by members of the Coalition who are institutional investors and are utilizing investment leverage to push for change in boardrooms across the country. With Investor Committee co-chairs from CalSTERS and Walden Asset Management, this group is composed of prominent mutual funds, investment management firms, and pension funds including eight state and city treasurers (representing CalSTERS, Connecticut, Maryland, Massachusetts, New York City, Pennsylvania, Rhode Island, and Washington). Their advocacy is driven by the premise, based on academic research, of a positive correlation between gender diversity, good governance, and long-term corporate performance.

The Coalition has been successful in rallying support in the U.S. investment community. Institutional investors representing $1.2 trillion in assets under management joined with Coalition members, in addition to prominent women's groups, in sending a letter to 170 public companies asking that they consider incorporating gender diversity as an explicit factor in their director nominating policies and processes and to take tangible steps to place women on their boards. The letter provided model language for nominating charters and identified resources to help recruit qualified women candidates.

"We must do better," say the signatories in their letter, which asks companies to work with them to bring the number of women on corporate boards from where it is today—with women holding one out of every six to seven board seats—to a point where women will hold 30 percent of board seats by the end of 2015. The Thirty Percent Coalition represents the first time that large institutional investors and national women's groups have joined forces to press companies to improve their governance by adding gender diversity to their boards.

It makes a powerful statement when investors and women's organizations together call for action on this issue at leading U.S. companies lacking diversity at the board level. Moreover, the significance of this initiative is magnified when investors follow up with shareholder resolutions for votes at stockholder meetings.

During the 2013 proxy season, Coalition members and supporters filed numerous shareholder resolutions, urging companies to adopt charter language supporting board diversity and to disclose concrete steps to increase representation of women and minority candidates on their boards. Of the 24 shareholder resolutions filed, 16 have been withdrawn, which is an important mark of progress in the Coalition's initiative. As a result, constructive and cooperative discussions are underway at a number of these companies. For example, one firm amended its disclosure on director nominees as follows: "The board believes that a diverse membership... is an important attribute of a well-functioning board that will enhance the quality of the board's deliberations and decisions. As a result, the board will seek diversity of background, experience, gender, race, and skills among its members."

Charlotte Laurent-Ottomane is Executive Director of the Thirty Percent Coalition.

While 30 percent female representation across public company boards by December 2015 is the objective, the Thirty Percent Coalition is not advocating for quotas. Companies are simply being urged to demonstrate their commitment to improve performance on board diversity. Thirty percent is a modest, reasonable goal considering that women comprise about half of the workforce, a majority of college graduates and graduate students, 40 percent of American business owners, and two-thirds of the breadwinners or co-breadwinners in American households.

Meaningful progress on increasing the representation of women among corporate directors is long overdue. Now, the Thirty Percent Coalition is a new force for action.

—C. Laurent-Ottomane

For more information about the Thirty Percent Coalition, please visit www.30percentcoalition.org.

RESEARCH & ENGAGEMENT IN ACTION

Carly Greenberg is an ESG Research Analyst.

In the past several months, Walden representatives have attended numerous company annual shareholder meetings to engage corporate management and board members in person on environmental, social, and governance (ESG) concerns. Annual meetings represent an opportunity to put important ESG issues on the corporate and public record as well as move shareholder resolutions to a vote. This year, Walden led or co-led 19 resolutions. Eight were withdrawn after successful negotiation with the company (see summary chart on the right).

Political Spending and Lobbying

Walden's efforts to pursue greater transparency in corporate political spending and lobbying activities have not abated since the November 2012 election. We filed supportive comments to the Securities Exchange Commission (SEC) as it considers adopting a new rule requiring disclosure of corporate political spending by all companies.

Resolutions at **3M** and **PepsiCo** were withdrawn after the companies agreed to add significant disclosure to their websites on lobbying activities, including information on how trade association dues are allocated for lobbying purposes. Although **ConocoPhillips**, **JP Morgan Chase**, **Time Warner Cable**, and **UPS** improved their reporting of lobbying expenditures and policies, resolutions at these companies were not withdrawn due to inadequate disclosure of trade association affiliations and indirect lobbying activities.

Board Diversity

To leverage our partnership with the Thirty Percent Coalition, an association seeking to increase gender diversity on corporate boards (see page 3), Walden sent letters to six portfolio companies that lacked female board members. Since the initial outreach, **American Science and Engineering, Riverbed Technology,** and **Sapient Corporation** have added a woman director to their boards. Additionally, Walden withdrew its resolution with **NetApp** after the company agreed to expand disclosure in its proxy statement on the value of racial and gender diversity on the board. The company also identified steps to help build a more diverse candidate pool for new board nominations.

Supply Chain Risk Management

The April 24 collapse of Rana Plaza in Dhaka, Bangladesh—the worst disaster in garment industry history—plus fires at other garment factories in the country have killed more than 1,500 garment workers (most of them women) and injured countless others. These tragic events spotlight the glaring lack of worker health and safety standards in Bangladesh and the challenge to global apparel companies to ensure humane working conditions in their supply chains. Walden joined 120 other investors with more than $1.5 trillion in combined assets calling on retailers, such as **Wal-Mart** and **Target,** to sign and join the new Bangladesh accord for better safety measures at garment factories. The signatories to this treaty agree to finance and implement a fire and building safety program in Bangladesh for a period of five years and permit the International Labor Organization (ILO) to monitor progress. Walden also sent separate correspondence to **TJX Companies,** inquiring how the Bangladeshi accord will affect their vendor compliance program.

In recent years, Walden has been a part of a broader investor group led by Domini Social Investments to encourage accountability and transparency in **Apple**'s supply chain. The group periodically holds calls with Apple on its progress toward ameliorating unacceptable labor practices at its largest supplier in China, Foxconn. Recently, we were pleased to see progress in support of independent union representation, especially since credible collective bargaining could be the most effective path to sustainable changes in corporate practices. Ongoing debate regarding Foxconn's progress leads us to continue to monitor the situation.

Sustainability Reporting

Walden co-led a group of nine other investors with over $30 billion in combined assets under management in encouraging small and mid-sized companies to embrace sustainable business practices and begin sustainability reporting. To date, 96 companies have been contacted. Among Walden client holdings, **Calgon Carbon**, **Coherent**, **Select Comfort**, and **Wabtec** have agreed to initiate ESG reporting, and productive dialogues with **Men's Wearhouse** and **Commercial Metals** are underway.

—C. Greenberg

SUMMARY OF WALDEN'S 2013 SHAREHOLDER RESOLUTIONS

Much of Walden's success in advocating for greater corporate responsibility and transparency comes from constructive dialogues with companies over many years, entirely outside of the resolution process. Yet sponsoring shareholder resolutions remains a primary tool for investors to influence company policies and practices. These resolutions can be an important impetus for change, as illustrated below.

Corporate Governance

Board Diversity

Technology company **NetApp** is among the small minority (10 percent) of S&P 500 companies currently without a woman director. Walden's shareholder proposal asking NetApp to take additional steps to increase board diversity was withdrawn with an agreement to enhance disclosure in its proxy statement on the value of diversity as well as on implementation processes to help identify women and people of color for the director candidate pool.

Lobbying Disclosure

Comprehensive disclosure of corporate lobbying helps investors assess how a company's lobbying activities align with expressed goals and commitments on an array of public policy matters. Shareholder proposals requesting better lobbying policies, disclosure, and oversight, including indirect initiatives through trade associations and think tanks, were submitted to **3M**, **Accenture**, **ConocoPhillips, Devon Energy**, **IBM****, **JPMorgan Chase*, PepsiCo***, **Time Warner Cable,** and **UPS**.

Proposals at 3M and PepsiCo were withdrawn with agreements to expand lobbying disclosure substantially. While not formally introduced at the annual meeting, Devon Energy reported 23 percent support for the resolution. All the others went to a vote and received varying levels of shareholder support at company annual meetings: Accenture (31 percent), ConocoPhillips (26 percent), IBM (24.5 percent), JPMorgan (11 percent), Time Warner Cable (15 percent), and UPS (12 percent). While all of the resolutions received sufficient backing to keep the discussion going, Walden attributes the higher vote tallies, in part, to supportive recommendations from the major independent proxy advisors.

Sustainability/ESG Reporting

For the fourth consecutive year Walden filed resolutions requesting comprehensive sustainability reports at **C.R. Bard** and **Gentex***, and a third-year resolution was submitted to **Emerson Electric.** In each case, the vote results in favor increased relative to 2012 at 35 percent (vs. 30.5), 36 percent (vs. 32.5) and 38 percent (vs. 35), respectively. While shareholder support slowly builds, Walden continues the dialogue with the companies on the merits and necessity of ESG reporting. Walden withdrew a proposal co-filed at **Nike**** that aims to push ESG transparency throughout the company's supply chain. An industry leader in supply chain management, Nike agreed to a phased-in approach that will encourage major suppliers to publish their own sustainability reports.

A dearth of ESG information at smaller companies has fueled targeted advocacy by Walden. Resolutions submitted to **Coherent** and **Wabtec** were withdrawn with their commitment to initiate sustainability reporting. The proposal at **Simpson Manufacturing** was backed by 33 percent of shares voted, a strong result that should enable ongoing, constructive engagement. Dialogue with **Men's Wearhouse*** has progressed, but voting on the proposal was delayed due to the abrupt termination of its founder and executive chairman and postponement of the annual meeting.

Environmental Impact

Climate Change Mitigation

Walden was pleased to withdraw a shareholder proposal at **Stryker** that sought a comprehensive management plan addressing greenhouse gas (ghg) emissions. The company committed to fully assess ghg emissions at its facilities for baseline context and to set targets and goals for controlling emissions by year-end. In addition to disclosing ghg targets on its website, Stryker will also begin reporting this year to the Carbon Disclosure Project, the world's largest public repository of corporate responses to climate change.

A first-time proposal at **PNC Financial Services**** asked the board of directors to report on the bank's assessment of ghg emissions and climate change risk from its lending, investing, and financing activities. On the ballot despite PNC's unsuccessful attempt to receive Securities and Exchange Commission approval to omit it, the resolution received significant shareholder support of 23 percent.

For several years Walden has co-filed a proposal with **ExxonMobil**** requesting the adoption of quantitative goals to reduce greenhouse gas emissions from its products and operations. This year's results continue to demonstrate strong investor support with 27 percent of the vote in favor of the resolution.

Workplace

Inclusive Non-Discrimination Policy

Proposals requesting **East West Bancorp** and **j2 Global** to amend their equal employment opportunity policies to include "sexual orientation and gender identity or expression" were successfully withdrawn when they agreed to modify their policies.

To increase our impact Walden often joins others on collaborative efforts.

**In order, Walden co-led these resolutions with the following investors: Sisters of St. Francis of Philadelphia, New York State Common Retirement Fund, Calvert Investments, and Trillium Asset Management.*

***In order, these shareholder resolutions co-filed by Walden were led by: First Affirmative Financial Network, New York City Employees' Retirement System et al., Boston Common Asset Management, and Sisters of Saint Dominic of Caldwell, NJ.*

INVESTING TO REDUCE RETURNS—OF CO_2 *continued from page 1*

Intel, **Nike**, and **United Natural Foods**, among others—an organization that was created to promote "broad, bi-partisan consensus among policy-makers to reduce U.S. greenhouse gas emissions 80 percent below 1990 levels by 2050."

Walden's investment approach results in portfolios with favorable carbon footprints relative to comparable benchmarks. Utilizing carbon intensity data provided by Trucost, a leading independent provider of corporate environmental metrics, our analysis of a representative Walden client portfolio of larger capitalization stocks shows the portfolio to be approximately 30 percent more carbon efficient than the S&P 500.

Heidi Soumerai is Director of ESG Research.

Our approach to investment in the energy sector leads Walden to exclude coal companies from client portfolios. Coal is the most carbon-intensive fossil fuel, according to International Energy Agency estimates, representing 45 percent of total energy-related CO_2 emissions in 2011. We also seek to minimize exposure to bituminous sands (also known as oil sands or tar sands)—an unconventional oil source with relatively high carbon intensity. Conversely, we emphasize natural gas because it is a lower-carbon fossil fuel that, in combination with resource conservation and energy-efficiency measures, can play an important role in the transition to cleaner fuel technologies.

Walden favors energy companies with public policy positions that call for a price on carbon. **ConocoPhillips** is a case in point. In 2007, the oil company became the first in the U.S to make a public statement supporting regulation of ghg emissions. CEO James Mulva stated, "Voluntary programs are not going to meet the challenge of climate change…. The longer we wait—two or five years or more from now—it won't be mitigation, it will be adaptation." In 2010, Mulva testified before Congress for "the passage of a comprehensive federal law establishing a clear and transparent price for carbon."

More proactively, Walden looks for opportunities to invest in companies with innovative, solutions-oriented technologies such as energy efficiency, carbon sequestration or renewable energy development. Independent oil and gas company **Denbury Resources** specializes in carbon dioxide–enhanced oil recovery of older, depleted oil fields. The company recently began using man-made, or anthropogenic, CO_2 from a hydrogen production facility in Texas to demonstrate that it can safely and permanently capture and store in secure geological formations the industrial CO_2 emissions that would otherwise be released in the atmosphere. **Emerson Electric** provides a broad range of efficient process management and climate technologies such as energy-conserving heat pumps for businesses and residences. **Polypore International** is a leading manufacturer of lithium-ion battery separators used in hybrid vehicles and, more recently, electric vehicles. **Power Integrations** makes energy-saving integrated circuits used in power conversion in appliances, computer equipment and electronics, enabling manufacturers to meet energy-efficiency standards. The company estimates its technology accounts for a 97 percent reduction in standby energy waste.

Impact Through Engagement

Shareholder engagement is a core component of Walden's investment philosophy and a key mechanism to achieve positive outcomes. Through company dialogues and shareholder resolutions, often in collaboration with other investors, informed professionals, affected constituencies, or nongovernmental organizations, Walden encourages company policies and actions that reduce ghg emissions to levels indicated as necessary by the IPCC. We believe that effective shareholder engagement can help build the critical mass needed to advance sound public policy.

Our engagement on climate change across the universe of client portfolio companies encourages an array of outcomes: effective and transparent ghg reduction policies and programs, increased energy efficiency, resource conservation, renewable energy development and use, and climate and water risk assessments. Because short-sighted corporate managements have stymied progress on public policy, Walden has also engaged with numerous companies, including energy firms, to strengthen political spending and lobbying transparency. These initiatives have resulted in tangible progress. Moreover, Walden's shareholder engagement has encouraged many companies in a variety of industries to disclose publicly their climate change mitigation and adaptation policies and practices through the Carbon Disclosure Project (CDP), the largest global repository of corporate information on climate change.

As an example, earlier this year Walden withdrew a resolution at medical devices company **Stryker** asking it to adopt and disclose quantitative goals for reducing total ghg emissions. Stryker committed to gather three years of historical ghg emissions data to serve as a baseline from which it will establish and disclose formal, quantitative reduction goals before year-end. Additionally, Stryker committed to respond to CDP, which brings a new level of accountability on its management of climate risk.

Walden also pursues shareholder initiatives that aim to minimize the environmental impacts of the energy sector. Examples include advocating for best practices in hydraulic fracturing (i.e., shale gas exploration and production), robust and transparent environmental impact assessments of any investment in oil sands development, and strong policies and procedures regarding drilling in environmentally sensitive areas.

Walden joined other concerned investors in convincing **Apache** to increase public reporting of climate change data, policies, and practices. We have met with CEO Steven Farris several times as part of an investor coalition to discuss and encourage best practices in hydraulic fracturing (i.e., chemicals use and disclosure, water management and recycling, commu-

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INVESTING TO REDUCE RETURNS—OF CO_2 *continued from page 6*

nity and land impact assessments). Similarly, engagement with **ConocoPhillips** has been productive, particularly with respect to moderating impacts of exploration and development on indigenous populations. Our May 2013 resolution on lobbying disclosure at the energy company received 26 percent support, sending a strong signal to management that shareholders believe corporate activity in the political sphere should be consistent with internal policies on climate change and other matters.

Public Policy Advocacy

The importance of effective legislation and regulation as a means to tackle climate change is paramount. Walden participates in public policy advocacy at the state, federal, and international levels to press for a substantial and coordinated response to climate change and more sustainable energy production. Recent examples include:

- Support for the Obama administration's proposal to dramatically increase fuel efficiency standards for vehicles to an average of 54.5 miles per gallon by 2025, estimated to reduce greenhouse gases by 50 percent and fuel consumption by 40 percent.
- Support for the U.S. Environmental Protection Agency's (EPA) proposed Carbon Pollution Standard for New Power Plants as a means to help spur innovation and investment in low and no-carbon technologies as well as in new energy infrastructure and energy efficiency.
- As part of the Investor Network on Climate Risk, advocated for an extension of the Production Tax Credit for wind energy. The credit was extended in the final hours of the 112th U.S. Congress.
- Signatory of a letter to the Canadian government and the provincial government of Alberta, commending their implementation plan for a robust and transparent monitoring system for oil sands development while also encouraging the establishment of independent oversight.
- Initiatives challenging corporate public policy and lobbying activities, directly or indirectly through trade groups or think tanks such as the Heartland Institute and the American Legislative Exchange Council, that undermine the development of legislative and regulatory policies addressing climate change (e.g., lobbying against renewable energy regulations at the state level). Numerous companies have cut ties with such groups.

Unfortunately, current efforts in the United States to mitigate and adapt to climate change are grossly inadequate relative to the IPCC targets. A serious response to the climate crisis will require collective and concerted action by policy-makers, companies, nongovernmental organizations, and the public. We believe that Walden's multi-faceted approach to integrate climate risk in the investment process through company selection, shareholder engagement, and public policy advocacy helps amplify a constructive investor voice.

—H. Soumerai

Fossil Fuel–Free Portfolios

For Walden clients who decide to exclude investment in fossil fuel companies altogether, we have decades of experience implementing separately managed portfolios without direct exposure to coal, natural gas, and oil companies. By allocating funds from the energy sector to other companies with positive correlation to rising energy prices, we have been able to reduce the portfolio impact of not owning energy companies.

For both portfolio management and environmental impact reasons, the decision to exclude exposure to fossil fuel companies is multi-faceted and complex. Walden believes such a decision deserves thoughtful deliberation by investors with their portfolio managers in order to develop and implement a suitable investment approach.

ENERGY INVESTMENT AND CARBON REGULATION *continued from page 2*

to shareholders rather than re-invested in dubious projects. If, instead, regulation is only put in place when the situation becomes calamitous, larger shockwaves will hit energy companies as previously profitable projects are quickly abandoned and demand for fossil fuels fluctuates rapidly; it is in the interest of companies and investors to avoid such a scenario.

Energy investment has long been fraught with uncertainty. Technological change, supply shocks, and shifting global economic growth patterns are but a few of the factors that cause energy companies to continually adapt how they conduct business. This trend will surely continue over the next few decades as we will almost certainly see new limits on carbon emissions. Despite the challenges that the energy industry will face as a result, companies that position their investment in areas ready to meet these challenges can remain a sound investment within a diversified portfolio.

—N. Riley

cutting edge companies

HAEMONETICS CORPORATION

This column highlights companies in the business of providing solutions to social and environmental challenges. Featured companies are typically held in the Small Cap Innovations portfolios offered to Walden clients.

Each year, more than 16 million blood donations are collected in the United States. Do you ever wonder how blood from a donor's arm actually ends up in a recipient's body? The process is incredibly complex, highly regulated, and time sensitive as donated red blood cells must be used within 42 days of collection.

Heidi Vanni is a Portfolio Manager and Securities Analyst.

Founded more than 40 years ago and headquartered in Braintree, Mass., the Haemonetics Corporation is a healthcare company that provides blood management solutions to blood centers and hospitals. The company has point-of-donation machines that automate the collection of plasma and other blood components including platelets and red blood cells. Spanning all of these platforms are information technology systems that are designed to ensure that the right blood product gets to the right patient at the right dose at the right time.

In the United States, donations are increasing 2 to 3 percent annually but demand is climbing 6 to 8 percent annually as an aging population requires more operations that often involve blood transfusion.[1] Optimal blood management is therefore critical. Haemonetics helps plasma fractionators, blood collectors, and hospitals improve care and lower costs by optimizing the collection, processing, and use of scarce blood resources.

In contrast to blood component collection, whole blood collection is currently a manual process. Typically, one liter of blood is collected per donor in a relatively low-tech, gravity-fed process that takes 15 to 30 minutes. Haemonetics is developing automated point-of-donation machines that pump blood from donors at a consistent rate of eight minutes per donor. The traditional collection process requires transportation from the collection site to a centralized processing location where blood is separated into components within eight hours of donation. Haemonetics has acquired an innovative storage technology that extends the unprocessed life of whole blood from eight hours to 24 hours, thereby increasing the time available from collection to processing. This could potentially support radical operational efficiencies in whole blood collection. For example, processing locations could eliminate night shift workers and thus lower costs. The combination of automated whole blood donation, a longer shelf life for unprocessed blood, and information technology systems that better manage donor data make Haemonetics the industry leader, and could revolutionize the standard of care in whole blood collection.

—H. Vanni

[1]http://biomed.brown.edu/Courses/BI108/2006-108websites/group09artificialblood/index.htm

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