Walden Asset Management®
Advancing sustainable business practices since 1975

Fossil Fuel Company Exposure in Representative Walden Client Portfolios

Climate change is the world's foremost environmental challenge. As a portfolio manager who integrates environmental, social, and governance (ESG) analysis into investment decisions and corporate engagement, managing climate change risk is among our highest priorities. We believe that increased public awareness is urgently needed to bring about the changes required to mitigate and adapt to climate change. In our view, strong public policy that places a price on carbon is of paramount importance. We think investors can bring a crucial and strategic voice toward that end.

How Walden Addresses Climate Change Risk

Walden Asset Management integrates climate change risk in portfolio management in a holistic manner—addressing the supply side (fossil fuel and related companies) as well as the demand side (all other portfolio companies as energy users). Our approach is multi-faceted; climate change risk is a consideration in company selection, corporate engagement activities, and public policy advocacy.

Walden considers several indicators of corporate performance on climate change when making investment decisions, including greenhouse gas reduction initiatives, energy efficiency and natural resource conservation, commitment to renewable fuel sources, and public policy positions. At the center of our work is a call to the companies in which we invest to develop robust, thoroughly benchmarked programs to meet the greenhouse gas emissions goal recommended by the Intergovernmental Panel on Climate Change (IPCC). We thus urge companies to reduce emissions by 55 percent globally by 2050—the likely minimum needed to divert the planet from its current, unsustainable path.

With respect to investment in the energy sector and fossil fuel companies, Walden seeks to identify companies that contribute to more efficient energy production while simultaneously minimizing overall environmental impacts.[1] More specifically, Walden portfolios exclude coal companies (the most carbon intensive fossil fuel) and have relatively little exposure to oil sands (also among the highest carbon intensity sources). We favor natural gas, a lower carbon fossil fuel that, in combination with resource conservation and energy-efficiency measures, can be an important energy source in the transition to cleaner fuel technologies.

Our investment approach results in portfolios that have favorable carbon footprints relative to comparable benchmarks. For example, a representative Core Equity portfolio with fossil fuel exposure was evaluated to be 57 percent less carbon intensive that its S&P 500 benchmark, or put differently, the benchmark had more than twice the carbon footprint (the portfolio carbon footprint was done by Trucost as of August 31, 2015).

Moreover, we understand that investment in any fossil fuel company brings a responsibility to address unique environmental, safety and human rights concerns. Hence, upon investment in energy companies, Walden devotes significant resources to various shareholder engagement strategies. We believe that our strong track record suggests corporate engagement can be effective.

---

[1] Many Walden clients have chosen to bring public attention to climate change by joining the fossil fuel divestment movement inspired by Bill McKibben's 350.org. Walden has over twenty years' experience managing portfolios without exposure to coal, natural gas and oil companies. For more information, please contact us.

The chart below identifies fossil fuel companies—those with carbon assets—held in the Walden mutual funds and many separately managed portfolios. The size of each position based on its percent of total portfolio assets as of February 29, 2016 accompanies each holding (the Walden Asset Management Fund is based on percent of equities). Next, we summarize briefly each company and include a description of relevant engagement by Walden.

Walden Equity Fund	**Walden Asset Management Fund**	**Walden Mid Cap Fund**	**Walden SMID Cap Innovations Fund**	**Walden Small Cap Innovations Fund**	**Walden International Equity Fund**
Apache – 0.8%	Apache – 0.7%	Cabot Oil & Gas – 0.4 %	*No current exposure*	*No current exposure*	Inpex Corp – 0.6%
ConocoPhillips – 1.3%	ConocoPhillips – 1.3%				Origin Energy – 0.8%
					Statoil – 0.5%
					Woodside Petroleum – 0.7%
Total Fossil Fuel Company Exposure (Benchmark*)					
2.1% (4.8%)	2.0% (4.8%)	0.4% (2.2%)	NA (1.1%)	NA (0.8%)	2.6% (4.7%)

*In order, benchmarks represent the sum of coal, integrated oil, and exploration & production GICS sub-industries in the S&P 500, S&P 500, Russell Midcap®, Russell 2500™, Russell 2000®, and Russell Large Cap Developed ex-US. Benchmark data is as of Feb. 29, 2016, with the exception of the S&P 500, which is as of Mar. 29, 2016.

Apache

Apache is an integrated oil and gas company with roughly half of production in natural gas. Walden, often in coalition with other investors, has actively participated in multi-year dialogues (that regularly include meetings with previous CEO Steve Faris, and more recently CEO John Christmann) promoting best practices in greenhouse gas emissions management, hydraulic fracturing, human/indigenous rights, and lobbying and political spending related to climate change. Apache's performance trends with respect to many of these issues are positive. For example, the company's carbon intensity is improving. Since 2011, global emissions intensity (tonnes CO_2/MBOE produced) has decreased 5.6 percent. In response to a collaborative investor initiative seeking an assessment of carbon asset risk, an initiative of Ceres' Investor Network on Climate Risk that began in 2013, senior executives recently discussed the company's detailed carbon scenario modeling. With respect to hydraulic fracturing, no unconventional natural gas production comes close to the highest standards at this time. In 2015, Apache was third best in a report of 30 companies, *Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations*. Apache scored 20 out of 39, compared to 13 out of 35 in 2014. The company's score improved based on expanded quantitative reporting on toxicity reduction, as well as flowback water reuse, total water use, water source types, and water intensity. We are beginning to see signs of progress on political spending and lobbying transparency. In 2015, the company committed to increased website disclosure of lobbying, including indirect lobbying through trade associations, but more improvement is needed.

Cabot Oil & Gas

Houston, Texas-based Cabot Oil & Gas is an independent oil and gas firm that is primarily a U.S. natural gas producer (approximately 95% of production and reserves). Since 2010 Cabot Oil & Gas has participated in the Environmental Protection Agency's Natural Gas STAR Program, a voluntary government-industry partnership encouraging operational efficiencies and reductions in methane emissions. The company also discloses chemicals used for hydraulic fracturing through the public registry FracFocus. However, information on greenhouse gas management and reduction initiatives is insufficient, which prompted Walden to file a shareholder resolution for the 2014 annual general meeting calling for the adoption of quantitative goals for reducing greenhouse gas emissions. We withdrew the resolution with an agreement that Cabot Oil & Gas would improve disclosure of climate risk management, report on progress reducing greenhouse gas emissions, and communicate annually with investors.

ConocoPhillips

ConocoPhillips is an independent, diversified energy exploration and production company (approximately 43% of production is natural gas, 39% is oil, 10% is natural gas liquids, and 8% is bitumen). In 2007, it was the first U.S. oil company to call for mandatory greenhouse gas reductions, and, in 2010, the CEO testified before Congress on the need for legislation establishing a price on carbon. Walden is participating in an investor coalition asking ConocoPhillips to assess its exposure to carbon asset risk, an initiative of Ceres' Investor Network on Climate Risk that began in 2013. ConocoPhillips demonstrated industry leadership through its public disclosure of the use of carbon-restricted scenario analysis. Walden and other stakeholders continue to engage the company encouraging it to provide more details of the assumptions underlying the carbon scenarios and how the analysis impacts business strategy. Overall, the company is relatively transparent on initiatives and progress to minimize its own environmental footprint. Walden, along with other concerned investors, has a long history of corporate engagement with ConocoPhillips on greenhouse gas reduction goals (the company set its first reduction goal of 3-5% for 2015), oil sands development, and indigenous rights. On the latter, we think the company is evolving toward a leadership position that is approaching best practice Free, Prior and Informed Consent standards of consultation with affected communities. In recent years, we have also focused attention on political spending and lobbying policies and transparency (focusing on alignment with corporate environmental policies and practices). Walden's 2015 shareholder resolution requesting comprehensive lobbying disclosure received 27% support, a level that should bolster ongoing dialogue.

Inpex Corp

Inpex Corporation engages in the research, exploration, development, production, and sale of oil, natural gas, and other mineral resources worldwide. The company's production is approximately 60% oil, condensate, and LPG and 40% natural gas. Inpex Corporation was founded in 1966 and is headquartered in Tokyo, Japan. The company responds to the CDP climate survey, its carbon intensity is well below the industry average, and it has committed to continue to reduce its GHG emissions. Further, it has developed a solar facility equivalent to the consumption of 1,600 households and is developing some geothermal resources. Inpex's safety performance (as measured by total recordable incident rate) in 2014 was average with the industry, and the company has set an aggressive goal to improve by 50% in the coming year.

Origin Energy

Origin Energy Limited, an integrated energy company, engages in oil and gas exploration and production, and electricity business primarily in Australia and New Zealand. Origin is Australia's largest energy retailer. It has a portfolio of approximately 6 GW of capacity (owned or contracted), including 1.2 GW of low-carbon generation assets including natural gas and renewables. The company has responded to the CDP survey since 2007 and the emissions intensity per MWh of electricity produced is below the National Electricity Market (NEM) average in Australia. Its safety record, as measured by the total recordable injury frequency rate (TRIR) has improved year-on-year for the last four years.

Statoil

Norway-based Statoil has a stated mission to be the most carbon efficient oil and gas producer. Statoil has demonstrated relatively strong carbon efficiency in its operations, invests significantly in offshore wind and carbon capture and storage technology, and is a vocal public advocate for a price on carbon. The energy company has robust greenhouse gas intensity goals that include a commitment to phase out gas flaring by 2030 and applies an internal price on carbon to guide investment decisions. In other material areas of ESG risk—safety, spills, and human rights—Statoil also has a relatively strong performance record and is remarkably uncontroversial. In October 2013, Walden joined a Ceres led coalition of investors that asked fossil fuel companies, including Statoil, to assess and report on their transition plans toward a low carbon economy. Statoil was among the first to respond meaningfully and continues to provide an unusual level of detail on its management of climate risk and preparation for a cost on carbon.

Woodside Petroleum

Woodside Petroleum is a natural gas focused oil and gas company based in Australia. Natural gas is a lower-carbon fossil fuel. The company is performing well relative to its substantial environmental, health, and safety goals and

targets. Woodside's efforts to eliminate flaring wherever possible resulted in significant reductions in flaring intensity in 2015 and it expects to achieve global top quartile health and safety performance by 2017. Among oil and gas producers, Woodside Petroleum has faced relatively few environmental, social, and governance controversies.

Portfolio Management Considerations

From an investment perspective, Walden continues to find investment opportunities among fossil fuel companies, and we believe they can hold an important place within diversified equity and balanced portfolios. If new legislation is enacted that limits the use of coal, oil, and gas, there is no doubt that these companies will need to change how they do business. Nonetheless, the following points summarize the rationale for continued, selective investment:

- Greenhouse gas emissions vary by the type of hydrocarbon burned; in broad terms natural gas is more carbon-efficient than oil, which is in turn more efficient than coal. Natural gas may therefore provide a bridge as society moves away from coal toward renewable sources of energy, and natural gas companies may benefit.
- We believe that government regulation limiting fossil fuel use will be phased in gradually, allowing companies to produce and sell their existing fossil fuel reserves and either invest in cleaner energy projects or return cash to investors. Most of the value of publicly traded fossil-fuel companies is associated with their production and cash flow over the next ten years; a gradual transition away from hydrocarbons should reduce the risk of holding these investments and allow investors to harvest their value.
- Energy companies understand the risk of additional regulations and taxes on carbon, and engage in scenario analysis around future carbon prices when they evaluate exploration opportunities. Walden supports a dialogue with company management teams to ensure they are doing this rigorously, given the substantial risks in both magnitude and timing.
- If we fail to regulate carbon emissions in the U.S. and globally, fossil fuel companies may be a relatively attractive investment from a financial perspective, at least in the foreseeable future.
- Fossil fuel companies are generally an important diversifying asset within portfolios. For example, a price shock in oil or gas will likely have the opposite impact on fossil fuel production companies than it will have on most other portfolio companies.

Walden remains committed to integrating ESG considerations in its investment process and to utilizing share ownership to promote positive corporate change, including with fossil fuel companies.

For more information, please contact us at:

Walden Asset Management
One Beacon Street
33rd Floor
Boston, MA 02108 USA
Phone: 617.726.7250
Fax: 617.227.2690
Email: info@bostontrust.com
Web: www.waldenassetmgmt.com

REQUIRED REGULATORY DISCLOSURE

The equities of the companies in the table above were holdings of the Walden Funds as of March 31, 2016.

The foregoing information and opinions are for general information of the Funds' shareholders only. It is not authorized for distribution to prospective investors in the Funds unless it is preceded by or accompanied by the Funds' current statutory prospectus or summary prospectus.

Please read the statutory prospectus or summary prospectus carefully before investing. An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the investment management company can be found in the Fund's prospectus or summary prospectus. To obtain a statutory prospectus or summary prospectus, please call 1-800-282-8782.

Please visit our website at www.bostontrust.com/mutual-funds

Shares of the Funds are not deposits of, obligations of or guaranteed by Boston Trust & Investment Management Company or its affiliates, nor are they federally insured by the FDIC. Investment in the Funds involves investment risks, including possible loss of principal.

The Information contained herein is meant to be informative. We believe that the information is based on underlying sources and data that are reliable, but we make no guarantee as to its adequacy, accuracy, timeliness, or completeness. Opinions contained herein reflect our judgment at a particular time and are subject to change without notice due to economic, industry and firm-specific factors. We do not undertake any obligation or responsibility to update such opinions. We make no representations about and do not guarantee the suitability or profitability of any particular investment. The material provided should not be construed as an offer or solicitation of an offer to buy or sell securities or as a sponsorship of any company, security or fund. The information contained in this report is not intended as investment, tax, accounting, or legal advice.

Funds Distributed by BHIL Distributors, Inc. Member FINRA/SIPC.