Calvert

Calvert Research and Management
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UN Global Compact/CEO Water Mandate 2021 Annual Communication on Progress

CEO Statement of Continued Support

Dear Stakeholders:

Calvert Research and Management is pleased to share its 2021 annual Communications on Progress for the United Nations Global Compact (UNGC) that discusses our commitments and progress over the past year as it relates to the Ten Principles in addressing Human Rights, Labor, Environment and Anti-Corruption. We believe we have made significant progress on the Principles, which is highlighted in this document. We are also choosing to disclose our activities and progress as it relates to the CEO Water Mandate over the previous twelve months.

In addition to furthering the Ten Principles through our work, as responsible investors, we also seek to help strengthen various other global norms, which we support through the United Nations Sustainable Development Goals (SDGs), the Principles for Responsible Investment (PRI) and the Paris Climate Accord, all of which provide a framework for investors and businesses to create a more just and sustainable world. Critical to these efforts is a robust program for engaging corporations on material environment, social and governance issues (ESG) issues, which is more essential now than ever before.

We are grateful for the continued support of our investors, employees, financial advisors, clients and other allies as we seek to provide positive momentum on the improvement of many fronts. We discuss some of these trends, highlights and impacts below.

Morgan Stanley Acquisition

On March 1, 2021, Morgan Stanley acquired Eaton Vance Corp. (EVC), Calvert's parent company, and Calvert became an indirect, wholly-owned subsidiary of Morgan Stanley. The integration work between Morgan Stanley Investment Management (MSIM) and Calvert began and is expected to continue through 2022. With their support, we are continuing to grow our business and our impact in the areas of the UNGC Ten Principles as part of this larger corporate entity. We are reviewing how we can collaborate and connect more closely to address and increase Calvert's impact on ESG as we partner with MSIM.

Engagement

Calvert's engagement program, which covered 139 interactions across 86 engagements this past year, continues our long history of working with companies to address a variety of critical issues to drive positive change. We continued to focus on many of the same issues as last year -- dialogues on public disclosure of the Employment Information Report (EEO-1 Report[1]) and/or EEO-1 data, improving board/employee diversity, setting greenhouse gas (GHG) emissions targets, workplace rights and the ability to manage through a global energy transition, among many other important issues. The Calvert Engagement Team also collaborated on engagement strategies with investor groups and policymakers, supported public policy initiatives, filed shareholder resolutions and managed proxy voting policies for all Calvert funds.

ESG and Public Policy

We note the increasing recognition of ESG across the globe, the increased proliferation of such funds and ESG investing overall and the growing regulation in multiple countries regarding ESG and sustainability. The European Union, the UK, the U.S. and many others are developing regulations that will govern how funds operate and what types of disclosures they make across one or more of these areas. We have commented on multiple areas, mostly through other groups we belong to such as the Investment Company Institute and the Principles for Responsible Investment. We submitted comments directly to the Securities and Exchange Commission (SEC) this past year on upcoming proposed rules related to climate change disclosure and human capital management, which are discussed later in this document.

Modern Slavery

Calvert recently issued its first individual 2021 Modern Slavery Statement, which was submitted to the Australia Government. Calvert views modern slavery as an issue of global concern to investors as both emerging and developed companies face modern slavery and trafficking risks in their supply chains, particularly now. This statement focused on how we combat modern slavery in both our investments and our supply chains.

In presenting our annual progress on these initiatives, I would like to reiterate Calvert's ongoing support for and commitment to the UNGC and the Ten Principles, which are closely aligned with the Calvert Principles for Responsible Investment (Calvert Principles). The Ten Principles are a guide for all corporations to follow and we use them as we advocate for corporate responsibility. I would also like to stress our ongoing support for the UN CEO Water Mandate and its Six Core Elements. We highlight our progress and how we are addressing the Six Core Elements later in this document.

Sincerely,

John Streur
President and CEO
Calvert Research and Management

[1] The Employment Information Report (EEO-1), also known as Standard Form 100, is a mandatory annual filing by companies with 100 or more employees and Federal contractors with 50 or more employers to the U.S. Equal Employment Opportunity Commission (EEOC)'s EEO-1 Joint Reporting Committee that provides a demographic breakdown of the employer's work force by race and gender.

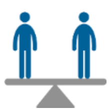
Annual Progress and Outcomes

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: Make sure that they are not complicit in human rights abuses.

Assessment and Policy

Calvert supports the global norm that human rights are inherent to all human beings, no matter the country, location, or background. Companies of all sizes and domiciles must address and effectively manage human rights risks and impacts within their operations and supply chains. Calvert seeks to engage with companies on these topics, as we discuss below. The two UNGC principles focused on human rights align with the Calvert Principles; specifically:



Equitable societies and respect for human rights

- Respect human rights, respect culture and tradition in local communities and economies, and respect Indigenous Peoples' Rights.
- Respect the health and well-being of consumers and other users of products and services by promoting product safety.
- Respect consumers by marketing products and services in a fair and ethical manner, maintaining integrity in customer relations and ensuring the security of sensitive consumer data.

Implementation and Measurement of Outcomes

Access to Medicines

Calvert engages individually and collaboratively to support better access to medicines, vaccines and healthcare for people in low- and middle-income countries, as well as people in marginalized communities in higher income countries. Practically, this means we work with other investors to engage particular pharmaceutical companies on improving access to medicine in such countries, to curb antimicrobial resistance and then analyze such efforts. Access programs, which represent a material risk and opportunity for pharmaceutical companies, involve a company's efforts to reduce barriers to drug access in both emerging and developed markets. The risks of underdeveloped access to medicines programs include both reputational risk and potential loss of access to key growth markets. Strong access programs, on the other hand, better position companies to take advantage of market growth opportunities. In 2021, we participated in two collaborative engagements with pharmaceutical companies on this topic. In some cases the engagement was broader than just access to medicine. A short summary of each is outlined here:

We co-led a collaborative engagement asking a pharmaceutical company to participate in the Access to Medicine Index process and improve disclosure around its access and pricing strategies through collaboration with the Access to Medicine Foundation. While the company had previously participated, it had not done so in the last few years and while it considered doing so, it ultimately declined. Since the company differs from many others in profile in its focus and portfolio, it had consistently ranked near the bottom in the Index. Since it chose not to participate in the Access to Medicine Index, the engagement ended.

We also engaged in 2021 with another pharmaceutical company that has transformed itself into an innovation leader capitalizing on growing opportunities in emerging markets and new product development. Calvert sought to learn more about the company's access to medicine strategies in the U.S. and as it launched a new global health unit that focuses on access to medicines in 40 of the world's poorest countries. We also engaged with the company on access issues that were highlighted by the Covid-19 pandemic and associated health care disparities. The company committed to improving access to healthcare through clinical trial diversity and improving workforce diversity. As part of that commitment, the company also committed to disclose EEO-1 demographics data by 2023. This will allow us to monitor progress going forward.

Modern Slavery

Calvert does not support, condone or find modern slavery acceptable in any way, shape or form. As an investor, we believe all companies need to take the same stance – that modern slavery is abhorrent, unjust and needs to be excluded from all operations and supply chains. As part of our fiduciary duty to clients and being a responsible investor, we believe focusing on modern slavery makes sound business sense and that it is important to disclose our present activities to combat modern slavery across our business and supply chains.

As a leading responsible investor, Calvert identifies the ESG factors most likely to affect a company's corporate performance. Our nuanced approach to materiality-based analytics takes into account the fact that different ESG factors have varying impacts by industry. Modern slavery and human rights risks have been well-integrated into our ESG processes for several years and are taken into account as relevant for investment decisions. Calvert seeks to invest in companies and other issuers that balance the needs of both financial and nonfinancial stakeholders and demonstrate a commitment to the global commons as well as to the rights of individuals and communities.

Calvert recently released its first individual 2021 Modern Slavery Statement, which was posted to the Australian Government's Online Register for Modern Slavery Statements. Our statement summarizes how Calvert addresses modern slavery in both our operations and supply chains. We do incorporate the issue into our research as appropriate as we review companies for potential investments and have chosen not to invest in certain companies as they failed to meet the Calvert Principles for Responsible Investment due to involvement in one or more aspects of modern slavery. Calvert has had engagements related to modern slavery and expects to be forthcoming on more of our work in this area in 2022. The Statement may also be found on our website.

Child Labor Engagement

Calvert has been engaging with a large food and beverage company on a variety of issues since 2019, including on their cocoa supply chain, and met with the company in October 2021. Cocoa farmers and their local communities face several complex challenges including climate change, gender inequality, poverty and child labor. Good cocoa supply chain practices address the root causes of child labor through community-centric approaches and empowering women. This company has sought to develop targeted interventions that support and strengthen local child protection systems through collaboration with local authorities that can be run independently of their program. By 2025, the company plans that all its chocolate brands will source their cocoa through its program. The company also collaborates with other companies and associations to further human rights protections and due diligence requirements in the European Union for global supply chains and implement supportive environments that support human rights, including those for children, in countries that produce cocoa. We plan to continue this engagement with the company during 2022 as it continues to address child labor in its cocoa supply chain.

Public Policy

Investor Statement on Democratic Transition in Sudan

In December 2021, Calvert joined other concerned investors in calling for the full restoration of the restoration of the democratic transition in Sudan with respect for the rule of law, accountable governance and civic freedoms following the October coup and subsequent agreement between the ousted prime minister and the military. Such conditions are essential to a stable, profitable and sustainable business and investment environment, and a democratic, peaceful and prosperous future for the people of Sudan. We called on companies operating in Sudan to take a series of specific steps to identify and manage the heightened conflict risks; to protect and support staff; to avoid inadvertently funding the military; and to invest in humanitarian initiatives and long term sustainable, regionally equitable wealth creation in Sudan. These steps by companies can contribute to a restored transition to democracy and a stable institutional framework for accountable governance. Calvert has a long history of supporting human rights in Darfur and Sudan. Signing onto this investor statement was a continuation of our support on human rights and in Sudan, in particular.

Proxy Results

Calvert votes proxies in accordance with its Global Proxy Voting Guidelines, which describe the general principles applied in determining the manner in which proxy proposals submitted to Calvert will be voted.

Proxy Votes on Human Rights:

Global corporations often do business in countries lacking adequate legal or regulatory structures protecting workers, consumers, communities and the environment, or where lax enforcement renders existing laws ineffective. Such activity is not always exploitative, but it can be. The adverse publicity associated with allegations of sweatshop practices or other human rights abuses can also pose substantial brand or reputational risks for companies. Calvert voted:

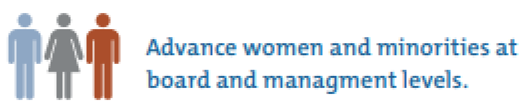
- In favor of nine shareholder proposals to require companies to conduct a human rights assessment (100% against management).
- In favor of three shareholder proposals requesting a company to improve its human rights standards or policies (100% against management).
- A proposal requested a report on human rights risks in operations and supply chain, which ultimately received 94.3% and had management support, which accounts for the high vote count.

LABOR

Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: The elimination of all forms of forced and compulsory labor;
Principle 5: The effective abolition of child labor; and
Principle 6: The elimination of discrimination in respect of employment and occupation.

Assessment and Policy

Companies' treatment of their workers can have a pervasive effect on the performance of the enterprise, as well as on the communities and societies where such companies operate. Calvert believes that well-governed, responsible corporations treat workers fairly in all locations and avoid exploitation of poor or marginalized people. We leverage the International Labour Organization's core labor standards as we consider engagements on labor topics. Shareholder resolutions may ask companies to develop codes of conduct that address labor relations issues, including use of child labor, forced labor, safe working conditions, fair wages, the right to freedom of association, and collective bargaining. The UNGC labor principles are also represented in the Calvert Principles; specifically:



- Promote diversity and gender equity across workplaces, marketplaces, and communities.
- Demonstrate a commitment to employees by promoting development, communication, appropriate economic opportunity, and decent workplace standards.

Companies play a vital role in determining the equality of opportunity in the United States through their achievement of diversity and fairness at every level of the organization and protection of their employees. At Calvert, we engage with companies on issues like diversity at the board and management levels, offering a living wage and executive compensation criteria.

By engaging with corporations and focusing on improving diversity and equality, investors can help to take the critical steps needed to bring all people together, realize the potential of our society, and strengthen companies' business interests over the long term.

Implementation and Outcomes

Diversity and Inclusion

EEO-1

Research indicates diversity is likely material to company performance and investors require consistent, comparable and complete information about diversity performance. However, investors often lack the information that we need to evaluate corporate diversity performance as a material issue for our investment decisions. Companies currently provide this information to the U.S. government's Equal Employment Opportunity Commission (EEOC) through the Equal Employment Opportunity (EEO) reporting standard known as the EEO-1 report, but they are not required to release this information publicly. We believe corporate commitments to diversity are credible only if the company releases full EEO statistics on its workplace demographics.

Last year, Calvert wrote to 100 of the largest companies in our portfolios, asking them to release their EEO-1 reports, which they are required to give to the U.S. Government but not to others. Of these, 18 firms were already releasing the report, and we encouraged them to continue to do so. For those not currently disclosing the report, we asked for a meeting to allow us to explain why we think doing so is important. We also reached out to other investors to encourage them to support this initiative and to coordinate with those already committed to the issue. As of the end of 2021, we received responses from more than three quarters of the companies and 70 have now agreed to release this report, for a total of 88. We will continue dialogue with these companies to ensure that they follow through on their commitments. For those companies openly declining to disclose or failing to acknowledge our request, we filed 16 resolutions related to EEO-1 and human capital. We will consider filing additional shareholder resolutions as appropriate. The results of this initiative indicate that among large companies, EEO-1 reporting has become the norm, which represents significant progress. In 2022 and beyond, investors must use that information to drive engagement with clients and encourage laggards to improve their diversity, equity and inclusion (DEI) practices.

Human Capital

Human capital and its management are closely connected to a company's performance, successful execution of its strategy, and ultimately its valuation. As a financially material, investment decision-relevant factor, Calvert believes that human capital management needs to be subject to disclosure that is consistent and sufficiently thorough to provide investors with a complete picture of a company's workforce, workplace management strategies, and human capital-related risks and opportunities. Disclosure that is standardized, with universal metrics as well as components appropriate to a company's or industry's business model, can provide this picture. For us, human capital management, including diversity, equity and inclusion (DEI), is integral to the success of companies. Research has shown that DEI is financially material and supports innovation.

As shareholders, we understand that for major car companies to remain competitive, the firm must foster a culture of innovation and inclusiveness. One such company has faced challenges regarding employee satisfaction, retention/turnover and diversity. Thus, we filed a shareholder resolution last year with the company on human capital and again this year. At the Annual 2021 General Meeting, a majority (57%) of shareholders supported a Calvert Funds resolution asking the company to provide more quantitative data about its DEI efforts, despite board opposition. We believe the company must be more transparent about its DEI policies and practices and provide investors with the reliable, consistent and comparable data necessary to make informed investment decisions.

In our resolution, Calvert asked that the company's reporting include the process the Board follows to assess the effectiveness of the company's DEI programs and the results of that assessment and to disclose its full EEO-1 report. We remain concerned a detrimental culture at the company may affect the company's ability to produce high quality products, and place it at a competitive disadvantage. While the company subsequently released its 2021 impact report that included some EEO-1 information but less than the full disclosure we requested, we withdrew our resolution due to the company's increased disclosure. We will continue to engage with the company on their diversity, inclusion and equity performance, governance, human rights and other workforce issues going forward.

Just Transition

Just Transition was developed by trade unions to address the social interventions necessary to secure worker rights and livelihoods as economies move towards a sustainable transition in response to climate change and biodiversity. Many companies focused on climate change also need to incorporate and respond to a Just Transition. Please see the next section below for a company engagement example that includes Just Transition.

Public Policy

In 2021, Calvert leveraged the SEC request for input on broader ESG disclosure to provide comments that stressed the importance of "consistent, comparable, and complete disclosure" on human capital metrics. The current rule gives companies flexibility to determine which metrics to report, if any, besides headcount, which leads to inconsistency in disclosure. Our letter stated, "expanding human capital disclosure requirements to include standardized, universal quantitative metrics, as well as industry- or sector-specific metrics where appropriate, would therefore improve the robustness and decision-usefulness of the information that is available to investors." We proposed the SEC utilize the four metrics proposed by the Human Capital Management Coalition, to which Calvert belongs: workforce composition, total workforce cost, turnover/retention and diversity. In addition to these four universal metrics, the SEC could also develop industry-specific metrics, which could be addressed in disclosure guidelines. Our submitted letter may be found on the SEC's website.

Shareholder Resolutions

For the 2021 proxy season, we filed a total of 16 shareholder proposals on EEO-1 and human capital issues. Fourteen were withdrawn following successful engagement where the companies agreed to publish their EEO-1 reports. The two remaining proposals went to a vote.

Proxy Results

Proxy Votes on Diversity and Equal Employment Opportunity (EEO) and Human Capital:

Because women and minorities are still significantly underrepresented in the ranks of senior corporate management and other high-income positions and overrepresented in the more poorly paid categories, it is critical to measure company progress and encourage laggards to push forward. Calvert voted:

- In favor of three shareholder proposals preparing or adopting a policy to annually disclose EEO-1 data (100% of votes against management).
- In favor of six shareholder proposals relating to the gender pay gap (100% of votes against management).
- In favor of four shareholder proposals to report on pay disparity (100% of votes against management).
- In favor of one shareholder proposal related to alignment of racial justice goals and starting wages (100% against management).

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Assessment and Policy

Calvert believes that all corporations have an impact on the environment. Through engagements on clean energy, energy productivity, climate change and reduced air pollution, we seek to support investment opportunities in environmental sustainability and help companies to strengthen their values and environmental protection practices. We seek to promote and support corporate leaders that focus on the advancement of environmental sustainability and resource efficiency. The UNGC environmental principles are also represented in the Calvert Principles; specifically:

Environmental sustainability and resource efficiency

- Reduce the negative impact of operations and practices on the environment.
- Manage water scarcity and ensure efficient and equitable access to clean sources.
- Mitigate impact on all types of natural capital.
- Diminish climate-related risks and reduce carbon emissions.
- Drive sustainability innovation and resource efficiency through business operations or other activities, products, and services.

Implementation and Outcomes

Climate Change

Climate change is a central theme across all Calvert investment strategies, including both equities and fixed income. We address climate change in our research as well as through the prioritization of dialogue and outreach efforts undertaken by our engagement team.

Calvert believes there is tremendous opportunity to invest in the global energy transformation as governments and companies transition away from the reliance on fossil fuels to a system based on renewable sources of energy. Calvert considers the impact of this energy transition as well as the role and actions companies are taking in its research across asset classes.

Net Zero Asset Manager Initiative

Calvert joined the Net Zero Asset Manager Initiative in December 2020 as an original signatory, one of thirty representing $9 trillion. By late 2021, the number of signatories grew to 220 with over $57 trillion in assets under management. This means over half of the world's assets under professional management are now committed to reaching net-zero carbon emissions by 2050 or sooner, marking a key milestone in the development of collective climate ambition in the asset management industry. We believe this rapid growth signals both the importance of the issue and the clear need for action. We recognize the objective of limiting global warming is essential for human well-being. Although the pathway has yet to be fully delineated, we are working within our role in the capital markets to achieve this objective.

To date, numerous companies across multiple industries have recently made some type of Net Zero carbon emissions commitment and we believe many more undoubtedly will. For most companies, this means their operations and products will not add CO2 to the atmosphere, net of efforts each company undertakes to remove that CO2. Ultimately, we believe the market will dictate the reality of climate change, and, as a market participant, we have a duty to act. Calvert released its Net Zero commitment in October 2021, where we made an initial commitment covering 69% of our assets under management that covers our equities and fixed income portfolios.

We have set reduction targets for these assets of 50% by 2030 and plan to reach net zero on or before 2050. As industry metrics and methodologies become better developed over time, our goal is ultimately to add all our assets into our commitment. For the first few years, we plan to focus most directly on engaging with companies, targeting the heaviest emitters first and also engaging solutions providers and other companies that can play an important role in the low carbon transition. We remain committed to our longstanding history of active engagement, including existing public policy advocacy which currently includes comment letters to regulators and supporting ongoing direct engagement with legislators.

Climate Change Engagement

Climate change is one of the primary ESG issues for Calvert's engagement team. We expect companies to set realistic net zero or science based emissions reductions targets, put in place management systems to achieve these targets, and set meaningful performance goals to ensure management accountability. Much like DEI issues, Calvert has seen progress on data over the past few years. Reporting on climate-related data and climate change strategies is now the norm among U.S. and European companies, after many years of engagement. However, the quality of the data available remains inconsistent.

In 2021, we continued to press companies where we have had longstanding engagements on the issue of climate change. Given how far-reaching climate change is as a material business risk — regulatory, operational, physical and reputational — our engagements and underlying objectives vary: from encouraging companies to align their reporting with the Task Force on Climate-related Financial Disclosures (TCFD) to setting clearly defined GHG emissions reduction targets to ensuring that lobbying activities align with the Paris Agreement's goal of limiting temperature rise to 1.5 C.

Our engagement approach is tailored to each sector and company. Some sectors have established emissions-reduction processes already in place. Others are looking for ways to effectively decarbonize, with potential opportunities available for first movers.

Climate Change and Utilities Engagement

Calvert continued its engagement in 2021 with multiple electric utility companies to improve their de-carbonization strategies and climate risk management. If electrical utilities fail to begin the transition to carbon free sources now, they may be unable to meet market or regulatory demands in the future. We have asked certain utilities to adopt both net zero GHG emissions targets and develop strategies and governance practices consistent with achieving these goals.

Calvert, in cooperation with two other investors, filed a 2021 shareholder resolution with a utilities company, asking its board of directors to evaluate and issue a report describing if, and how, the company's lobbying activities align with the Paris Agreement's goal to limit temperature rise to 1.5 C, which ultimately earned 37.5% support at the annual shareholder meeting. We also requested information on the company's plans to mitigate risks presented by any misalignment. After the meeting, the company committed to issue a report assessing the alignment of direct and indirect lobbying activities with the Paris Agreement, including actions taken or proposed to be taken in any areas of misalignment with the goals of the Paris Agreement, and will continue to issue a similar report annually through at least 2024. In conjunction with the stakeholder group, we will continue to engage with the company on this issue and will also focus on timelines and interim goals related to its goal to reduce scope 3 emissions. In addition, the company will include the natural gas utility business in its net zero target.

Calvert serves as the lead investor of our multi-year engagement with another utilities company through Climate Action 100+ (CA100+) and is focused on supporting the company in strengthening its net zero commitments and associated targets and interim steps, as well as exploring other issues, including Just Transition and climate lobbying. Additional CA100+ initiative goals include elevating climate sustainability issues/performance to senior management/board level, linking climate science targets to executive pay, and advocating for adoption of TCFD reporting.

The CA100+ investor group has been discussing the results of the CA100+ benchmarking process with this company, exploring areas identified in the benchmark report as opportunities for improvement, and discussing multiple other topics, including specific questions around Scope 3 emissions, linking decarbonization targets and assumptions to financial statements, and climate lobbying. The company currently has integrated resource plans filed in Colorado and Minnesota, which the company says will allow it to achieve an 85% reduction in emissions by 2030. The company recognized opportunities to improve climate disclosures, in particular Scope 3 emissions, and sought policy and technological support as it considered incorporating the natural gas utility business and its associated emissions profile into an enterprise wide target. In December 2021, as a result of our engagement, this utility was the first CA100+ company to commit to a company-wide net zero target, which included its natural gas and electrical divisions. The investor group will continue to push for improved disclosures, particularly around Scope 3 emissions and providing investors with the information needed to understand how climate goals impact the company's audited financial statements and underlying financial assumptions and projections.

Calvert continued its engagement in 2021 with a different utilities company aiming to hold it accountable for achieving both state-mandated and company-announced renewable generation targets, in order to reduce the company's reliance on fuel oil for electric generation. The transition to renewable sources of energy and cleaner fuels will provide opportunities for investment, improve financial performance, and benefit all stakeholders. This company is subject to state regulatory requirements for renewable generation. Such mandates represent a financially material risk the company must mitigate by meeting these outlined generation targets.

Calvert had previously filed a shareholder proposal during the 2020 proxy season requesting that the company undertake a thorough risk analysis, examining the potential impact of not achieving state-mandated and more stringent company-announced renewable energy targets but eventually withdrew it after reaching certain agreements. Since then, we have continued to work with the company to support progress on renewables goals and improve disclosure, which has made important progress in support of its clean energy goals. In 2020, it aligned its executive compensation structure with its renewable energy targets, expanded its board, and engaged with investors around clean energy targets and made significant progress in disclosure, releasing its first SASB-aligned ESG report in 2020. This year, this utility completed its first TCFD-aligned report. The company appears to be ahead of the state mandated renewable portfolio standards, which set a mandate of 100% renewable by 2045.

Engagement with Other Sectors Facing Energy Transition Risk

Over the long term, we continue to believe the energy transition will eventually require all electricity to be produced from carbon-free sources. In addition to our work with utility companies, Calvert engages with companies in other sectors to help companies anticipate, evaluate, and adapt to risk and opportunities driven by energy transition trends.

The Steel Industry

Steel production accounts for about seven percent of global emissions but is well known as one of the most difficult sectors to decarbonize. However, it is under pressure from customers, regulators, investors and lenders to reduce climate emissions. Steel is used in buildings, automobiles, shipping, domestic appliances and many other products where it plays an important role in the lifecycle of emissions of such companies, which matters for climate change mitigation. Calvert began engaging with a steel company in 2017 with GHG emissions in mind but with an initial emphasis on the importance of governance and disclosure of financially material ESG matters.

In July 2021, the company announced a goal to be carbon neutral by 2050 for its electric arc furnace (EAF) steel mill operations. To achieve this target, the company also set interim emissions reduction and renewable energy milestones to be achieved by 2025 and 2030. It is targeting a 20% Scope 1 and Scope 2 combined GHG emissions intensity reduction across its EAF steel mills by 2025 and a 50% reduction by 2030, compared to a 2018 baseline. Additionally, the company plans to increase the use of renewable electrical energy for its EAF steel mills to 10% by 2025 and 30% by 2030. As shareholders we see the target setting exercise as an important part of looking forward and as a tool to plan for the success of the business. Setting a strong goal as this company has done builds the company's reputation and leadership and builds momentum for further action on the part of industry and regulators. It also helps to inform resource allocation and strengthens the competitiveness and resilience of the business.

The Trucking Manufacturing Industry

Calvert has engaged this trucking company for several years on climate risk and GHG emissions reductions, and leads the CA100+ engagement with this manufacturer of light-, medium- and heavy-duty trucks. In 2021, the company established a certified Science Based Target for GHG emissions reductions. Importantly the commitment includes reducing scope 3 GHG emissions from use of the trucks that the company sells. Our most recent engagements have focused on these goals and the company's work to meet the growing market for Zero Emission Vehicles. The company has seven models of battery electric vehicles available and has allocated significant capital to research and development as market observers see accelerating demand. However, as we saw with electric passenger vehicles, the demand increased rapidly, leaving some automakers scrambling to catch up. Ongoing engagement will emphasize the value of leadership in zero emissions trucks and call for the development of a clearer climate transition plan to align the business with Net Zero over the long term.

Plastics

As plastic waste continues to mount worldwide, investors have begun taking more action around this issue. While plastic plays an important role in protecting, preserving, and transporting consumer goods, food products especially, there is growing public and regulatory attention around the challenge of plastic waste. Pressures from new regulations, customer demand, and the increasing costs of extracting virgin materials are initiating the move toward a circular economy, potentially the most impactful solution to the plastic waste issue. Following China's decision to stop accepting the world's plastic waste in 2018, governments have sought to determine whether to dump or recycle their used plastic packaging and how to limit plastic use. One way they have addressed this issue by passing Extended Producer Responsibility (EPR) laws, which force producers and retailers to cover the costs of disposing of their plastic packaging.

Grocery Retailing Industry

Calvert has been engaging with a grocery retailer, a subsidiary of a much larger company. Within the United States, EPR laws have been passed in California, Maine, and Oregon. These new EPR laws pose a material risk to the company as they have many locations in California, where an EPR law has already passed. Many of this company's peers are mitigating their EPR-related risk by taking proactive steps to reduce the plastic in their operations. Regulators noticed this company also lags its peers. In May 2021, 47 state lawmakers from 11 states published an open letter to the firm as part of a "Planet Over Plastics" campaign, calling on it to set a "company-wide goal to reduce plastic packaging."

We began our engagement with the company to better understand its current strategy regarding plastic packaging, its thinking around EPR-associated risks and potential costs, and encourage it to better address the concerns of regulators. After meeting with the company to learn how it is assessing EPR-related risks, whether they can disclose what they anticipate in terms of EPR-related costs, and how the company is thinking about an overall strategy around packaging and plastic packaging in particular, the company committed to increasing transparency around packaging work and will develop more specific goals. It also developed a restricted substance list for packaging that extends to food service and brands and agreed to consider tracking and disclosing plastic by substrate. We will continue to engage with the company going forward.

Public Policy

Securities and Exchange Commission (SEC)

In 2021, Calvert provided comments to the SEC on a proposed rule that would require companies to disclose certain information on how their business practices impact climate change, risk and resilience. Currently, climate change disclosures are largely voluntary and unverified. Calvert recommended that they be similar to current financial disclosures, so they can be historical, auditable, and comparable against peers, required to appear in annual reports at a minimum with quarterly updates as appropriate. Calvert proposed using both qualitative and quantitative data, subject to third-party standards and verified by auditors, in climate disclosure. Calvert subsequently provided a second set of comments in 2022 to the SEC once it released its proposed rule on climate-risk disclosure. Both sets of comments may be found on the SEC's website.

Investor Agenda's 2021 Investor Statement to Governments on the Climate Crisis

Calvert became a signatory to the Investor Agenda's 2021 Investor Statement to Governments on the Climate Crisis, the strongest call ever by global investors to raise their climate ambition and implement meaningful policies to support investment in solutions to the climate crisis. The statement was signed by 587 investors representing over USD $46 trillion in assets to all world governments urging a global race-to-the-top on climate policy and warned that laggards will miss out on trillions of dollars in investment if they aim too low and move too slow. The statement was released in advance of the UN Climate Conference held in Glasgow in November 2021 (COP26) as governments were in the spotlight to show how they were addressing the climate crisis and were called on to swiftly implement the recommendations in the Statement.

Calvert Global Energy Research Index

The Calvert Global Energy Research Index (Index), which consists of companies along the sustainable energy value chain with a focus on renewable energy producers and wholesalers, energy efficiency, energy technology, and solution providers. With the Index's focus on proving solutions to global energy challenges, the Index also identifies companies in energy–intensive industries leading the way in the transition away from fossil fuels to more sustainable sources, as well as in their energy efficiency practices.

Corporations can play a critical role in ensuring access to affordable, reliable and sustainable energy by implementing science-based targets for reducing emissions, and publicizing these targets as noted above. Pursuing energy efficiency and renewable energy can both reduce demand for energy and lower costs. The Index consists of companies managing energy use in a sustainable manner or are actively engaged in facilitating the transition to a more sustainable economy through the reduction of GHG emissions and the expanded use of renewable energy sources.

Proxy Voting

In 2021, Calvert did not support shareholder proposals deemed overly prescriptive. We abstained on say on-climate proposals, because the disclosure framework remains somewhat ambiguous and untested. Calvert believes shareholders should understand the impact of climate change on the company's business strategy and operations in order to effectively evaluate its climate transition plan.

Proxy Results

Proxy Votes on Climate Change:

In 2021, Calvert voted various shareholder proposals on proxy ballots related to climate change. During the reporting period, on shareholder proposals related to climate change, Calvert voted:

- In favor of 38 shareholder proposals to require companies to create a report on climate change (100% against management).
- In favor of eight shareholder proposals regarding GHG emissions (100% against management).
- In favor of eight shareholder proposals related to negative environmental impacts on communities (100% against management).

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Assessment and Policy

Corruption can be insidious and an obstacle to economic and social development around the world. It can pose significant legal and reputational risks. Corruption can also cause inequality and increase poverty, particularly in certain countries. When companies follow good governance practices, they are less likely to face corruption issues. Therefore, Calvert recognizes the importance of anti-corruption issues along with broader governance issues. This year, in addressing disclosure, we have been particularly engaged with improving disclosure of financially material ESG matters. The UNGC anti-corruption principles are also represented in the Calvert Principles, specifically:

Accountable governance
and transparent operations

- Provide responsible stewardship of capital in the best interests of shareholders and debtholders.
- Exhibit accountable governance and develop effective boards or other governing bodies that reflect expertise and diversity of perspective, and provide oversight of sustainability risk and opportunity.
- Include environmental and social risks, impacts, and performance in material financial disclosures to inform shareholders and debtholders, benefit stakeholders, and contribute to strategy.
- Lift ethical standards in all operations, including in dealings with customers, regulators and business partners.
- Demonstrate transparency and accountability in addressing adverse events and controversies while minimizing risks and building trust.

Implementation and Outcomes

Governance and Accountability

Proper governance is foundational to corporate success; some governance structures by their very nature weaken accountability, while others are better suited to create accountability of management to the board and of the board to shareholders. For example, in our ESG review of companies, we have strengthened our review of racial diversity on boards in our governance pillar by incorporating consumer data into the research process and using survey data to better understand cultural nuances across organizations.

Global Proxy Voting Guidelines

Calvert's Global Proxy Voting Guidelines support governance structures and policies that keep the focus of company management on long-term corporate health and sustainable financial, social and environmental performance. We also believe in the importance of disclosure and transparency and, as such, post all votes to our website within 72 hours of being cast and, in almost all cases, in advance of the meeting so our clients and the general public can easily see how we voted. Calvert uses proxy voting to influence corporate behavior and push for accountable governance structures and financial, social, and environmental sustainability. Some examples of what we look for and how we voted are highlighted below.

ESG Metrics in Executive Compensation Plans

An increasing number of companies have adopted ESG metrics within their executive compensation programs each year. As of November 2020, within the S&P 500 index, 51% of companies now have ESG metrics in their compensation programs, with the majority of them incorporating ESG goals related to social issues[2].

- ***Diversity:*** Diversity was the most common social metric with 88% of companies leveraging this as a goal out of the companies that used a social metric in 2021. Human capital metrics were also commonly used, including metrics related to employee engagement, succession planning and talent management.

- ***Environment:*** On the environmental side, the most commonly cited metrics for incentive compensation plans include carbon emissions and GHG emissions along with waste reduction and energy efficiency.

Board Diversity

Our longstanding commitment to diversity has been strengthened by recent Calvert research demonstrating companies with at least two women board members, and who also meet our standards for ethnic diversity, perform better financially than less diverse companies. We also found the financial performance benefit increases with increasing representation of women and people of color. In 2021, we have increased the percentage of boards that we will support to have at least 40% diversity with at least two women and people of color.

Workforce Diversity Disclosure

While most companies now agree that a diverse workforce is important to corporate performance, progress towards equality remains slow, both in the U.S. and elsewhere. Many investors are asking companies to develop diversity policies that outline company efforts to prevent discrimination and build a more diverse workforce; to explain the company's policies to increase diversity on its board of directors; disclose the company's diversity statistics for each professional level, for example through release of the EEO-1 report in the United States; to provide quantitative and qualitative reports on pay gaps; and to provide appropriate disclosures on company efforts to eliminate harassment and other forms of gender-based violence in the workplace.

In voting on proposals relating to workplace matters, Calvert ordinarily will support proposals asking a company to issue a diversity report, including diversity policies and full disclosure of EEO-1 data for U.S. workforces; support proposals asking companies to bar discrimination based on sexual orientation, and gender identity and/or expression, and to report on company initiatives to create a workplace free of discrimination based on sexual orientation and gender identity and/or expression; and will oppose proposals that seek to eliminate or scale back diversity or non-discrimination policies.

Proxy Contest Elections – ESG and Diversity Considerations

As our Engagement Team evaluated several proxy fights over the years, our focus has primarily been centered around: the existing board members' contributions to the long-term and recent financial performance of the company, nominee qualifications of both slates, strategic plan of dissident slate and their critique of the incumbent board members, likelihood that proposed goals and objectives can be achieved, and existing governance structures and provisions. We also apply a broad ESG lens towards candidates. To that end, we will consider what the dissident's strategy to ESG might entail, such as: commitments to curbing GHG emissions; considerations to promote a circular economy; or thoughtful

[2] "Dollars and Sense: How to Integrate ESG into Compensation Programs" Vivian Coates, Jane Jeffries Jones and Gracie Smith, JDSupra, July 2021

approaches to responsible waste management practices. Calvert will also consider the impact to board diversity when considering the mix of candidates, keeping in mind our 40% board diversity requirement.

Proxy contests will continue to be evaluated on a case-by-case basis as reviewing the proposed candidate slates through an ESG or diversity lens must be balanced against the financial and governance performance considerations that are already in place.

Governance Engagement

The Media Entertainment Industry

We engaged in 2021 with a large company in the media entertainment industry to implement better data management practices for its user data, many of which its peers have already implemented. These practices include (1) Assigning a board-level entity to oversee privacy and data security; (2) Conducting an external, independent, Information Security Policies & Systems audit at least once every two years; (3) Providing training to all employees, including contractors, on data security and/or privacy-related risks and procedures; (4) Covering all relevant business lines and subsidiaries with the scope of the company's publicly available data protection policy; and (5) Providing users with the ability to delete their own data. Since beginning this engagement, the company has already reported that it will provide users with the ability to delete their own data, and its rating from ESG raters has been upgraded accordingly.

Proxy Results

Proxy Votes on Governance Issues:

In 2021, Calvert voted various proposals on proxy ballots pertaining to governance issues. During the reporting period, on say-on-pay, governance shareholder proposals, and director-related shareholder proposals, Calvert voted:

- Against 1,182 say-on-pay proposals in the US, raising concerns about the executive compensation package (53% of votes against management).
- In favor of 15 shareholder proposals seeking to reduce a supermajority voting requirement or adopt a simple majority voting requirement (100% against management).
- In favor of 34 shareholder proposals related to some aspect of executive compensation (89% of votes against management).

CEO WATER MANDATE

Calvert supports water sustainability and the Six Core Elements of the UN CEO Water Mandate through our corporate engagement efforts, research and investment criteria. We highlight our most significant impacts across the Six Core Elements – direct operations, supply chain and watershed management, collective action, public policy, community engagement, and transparency in this section.

DIRECT OPERATIONS

Investment Criteria and Research

Calvert Principles for Responsible Investment

The Calvert Principles provide a framework for considering ESG factors that may affect investment performance. Within the Calvert Principles, we include effective management of water resources and access to clean water sources. We seek to invest in companies that are well-positioned not only to enhance long-term value for shareholders, but are also effectively managing their own operational risks in the global communities in which they operate, particularly as climate change continues to threaten freshwater supply.

ESG Research

As part of our proprietary research, Calvert develops peer group models for each industry based on the Calvert Principles that incorporate the most financially material ESG information. How a company addresses water is one of several considerations that indicate effective management of ESG risks and opportunities. In certain regions, water scarcity will likely continue to emerge as a threat to daily life. Specific concerns include access to clean drinking water and adequate wastewater treatment in more agricultural regions and infrastructure and water distribution challenges in cities. But water also has some of the greatest potential to mitigate the effects of climate change by decarbonizing power generation, industry and transport — which, in total, comprise over 65% of global GHG emissions. We believe that company leaders in water efficiency and water reuse practices, as well as companies offering innovative solutions to global water challenges, may be in a position to outperform their competition over the long term. Investors can play their parts by allocating capital to companies equipped to meet these challenges. A company that uses water efficient processes, water recycling and alternative water sources is likely to better manage its water risks.

Calvert Global Water Research Index

The Calvert Global Water Research Index is composed of companies that manage water use in a sustainable manner and are actively engaged in expanding access to water, improving water quality, promoting the efficient use of water, or providing solutions that address other global water challenges. The Index universe consists of companies that satisfy minimum market capitalization and liquidity thresholds and are significantly involved in water-related business activities consistent with the Calvert Principles for Responsible Investment. The Index is reviewed at least annually and rebalanced quarterly. It includes issuers with businesses that have water-related activities such as water utilities, water infrastructure providers, water technology providers, and water solution providers – both water use leaders and water innovators. These water solution providers offer innovative solutions that address a global water challenge as defined by the UN Sustainable Development Goals. We believe water-related investments should benefit from the global need to update the world’s aging infrastructure as well as expand access to water through new infrastructure, particularly in areas of water treatment, waste management, and technology development.

SUPPLY CHAIN AND WATERSHED MANAGEMENT

As a responsible investor, we encourage the companies we invest in to understand their entire supply chain impacts and to improve watershed management. Supply chain water management practices can play an instrumental role in promoting water efficiency and mitigating risks of water scarcity, especially in water-intensive industries such as agriculture. As populations increase and climate change and drought negatively affect crop yields, food insecurity persists. As a result, sustainable agricultural supply chains are becoming more important to business and society. Proper water risk-management policies are the first step to ensure sustainable agriculture.

The Chicken Production Industry

Calvert supported a shareholder resolution in 2021 at a chicken producer that requested a report assessing if and how the company plans to increase the scale, pace and rigor of its efforts to reduce water pollution from its supply chain. More specifically, the report requested should include requirements for manure management practices intended to prevent water pollution, requirements for leading practices for nutrient management and pollutant limits throughout contract farms and feed suppliers, and finally, plans to verify suppliers' compliance with the company's policies around water management. While the company provided information on its sustainability program and more specifically, water goals for 2020, the company has not provided any updates on its water risk mitigation strategy since 2016. In terms of goal-setting, the company only has a goal to reduce water use intensity, but no existing goals on water pollution reduction. Calvert supported this proposal given disclosure that goes beyond regulatory compliance would allow shareholders to better assess how the company is management risks related to water.

COLLECTIVE ACTION

Calvert has a long tradition of working collectively to achieve common goals, be it by initiating collaborative shareholder engagements with other ESG firms or by advocating for public policy on behalf of nonprofit organizations or other relevant stakeholders. Calvert participated in collective action on other issues did not have any active engagements related to water in 2021.

PUBLIC POLICY

As noted earlier in the environment section, in June 2021, Calvert submitted a letter to the Securities and Exchange Commission's (SEC) request for comments regarding regulation of climate change disclosures and potential new disclosure requirements. We pointed out that climate change is a financially material concern and stressed the importance of climate change disclosure. We also suggested specific information and data be included as part of future climate disclosures. In our response, we proposed the SEC address qualitative disclosures include aspects related to water – specifically water consumption, water pollution, and water waste as part of the circular economy.

COMMUNITY ENGAGEMENT

Calvert considers community engagement an important component of the CEO Water Mandate. This year, Calvert and Eaton Vance engaged water and sewer (W&S) municipal utilities held in Calvert's fixed income portfolios. W&S municipal utilities are exposed to risks including those related to water infrastructure and delivery in the context of increased water demand, climate change impacts and underinvestment in United States infrastructure. Given the acute demands and risks faced by water distribution and sewage treatment systems, we wrote to seven municipal water utilities highlighting climate risks, including drought and flooding, and calling for improved disclosure of efforts to support climate adaptation.

Our engagement letters noted that investments by cities and utilities in resilience could help ensure supply and a high quality of service, which in turn may facilitate greater taxpayer confidence and investment in the water and sewer system. The alternative is utilities that may not be able to meet their public service mandate – threatening critical public infrastructure and leaving millions of people without electricity, heat or clean water. Calvert and Eaton Vance held a follow up conversation with one of the utilities to learn more about their approach to climate resilience.

TRANSPARENCY

Calvert's research often sheds light on areas where companies can improve their ESG commitments. This may lead to engagement with issuers on a particular topic as we seek change. We encourage the companies we invest in to make positive change and tangible progress in the way they do business. Our engagements seek to achieve bottom-line impact, with many companies reporting an increase in operating efficiencies. Our engagements and public policy related to water are highlighted above.

Proxy Results

Proxy Votes on Water Issues:

Calvert will generally support proposals seeking the preparation of a report on a company's risks linked to water use or impacts to water and proposals seeking the adoption of programs and policies that enhance equitable access to affordable safe drinking water and sanitation. Calvert voted:

- In favor of one proposal focused on surveying baseline water quality and consulting with traditional owners on cultural water flows (100% of votes against management).
- In favor of one proposal focused on reporting on the water resource risks at a poultry producer (100% of votes against management).

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