



Calvert Investments, Inc.

United Nations Global Compact and
United Nations CEO Water Mandate
Annual Joint Communication on Progress

December 2015

CEO STATEMENT OF CONTINUED SUPPORT

Calvert is pleased to share our 2015 United Nations Global Compact Communications on Progress (UNGC COP) report. Since we are a signatory to the UNGC and an endorser of the UN CEO Water Mandate, we have chosen to report out our annual COP in a combined format for this year and the progress we have made in implementing both the UNGC ten principles and the six elements of the CEO Water Mandate.

I joined Calvert Investments as its incoming President and CEO last October and then officially began running the company in January 2015. During this last year we have made significant changes in how we run the business and our business model, all designed to strengthen service to clients and reinforce our commitment to responsible and impact investing.

In June 2015, we launched the Calvert Responsible Index Series, which offers the definitive investable universe of companies with strong sustainability profiles that collectively have the potential to meet or exceed the performance of the common broad-market benchmarks. Our responsible indexes offer investors cost-effective access to the growth potential of companies that seek to solve the problems of today. Our current index line-up includes:

- Calvert Developed Markets Ex-U.S. Responsible Index
- Calvert US Large Cap Core Responsible Index
- Calvert US Large Cap Growth Responsible Index
- Calvert US Large Cap Value Responsible Index
- Calvert US Mid Cap Core Responsible Index

We also developed the [Calvert Principles for Responsible Investment](#), through which we filter the investment decisions in our Index funds and which are closely aligned with the UNGC ten principles. These Principles for Responsible Investment allow us to apply our standards across the global capital markets and to take advantage of rapid data advancements while maintaining the high ethical investment standard for which Calvert is so well known. The Principles focus on corporate behaviors and changing environmental and societal conditions. As a responsible investor, Calvert seeks to invest in companies that provide positive leadership in the areas of their business operations and overall activities that are relevant to improving societal outcomes, including those that will affect future generations. The Principles encompass the advancement of environmental sustainability and resource efficiency; contribute to equitable societies and respect human rights; and support accountable governance and transparency. Calvert seeks to invest in companies that balance the needs of financial and nonfinancial stakeholders and demonstrate a commitment to

the global commons as well as to the rights of individuals and communities. We also serve as stewards for our clients through active engagement and advocacy to make the companies and the world around us better.

As a small company with a limited direct footprint, our most significant impacts are through our investments, our shareholder engagement and public policy advocacy. This annual COP is concentrated on sharing these impacts.

Earlier this year, we established a partnership with George Serafeim, Jakurski Family Associate Professor of Business Administration at Harvard Business School, to conduct joint research on a variety of topics aimed at enhancing knowledge concerning responsible investing and advancing approaches to responsible business. The first report in the series, [The Role of the Corporation in Society: Implications for Investors](#), explores the evolving role of the corporation in society, recognizing the large capital concentration represented by companies and their increasing engagement in environmental and social activities. Companies are investing heavily in efforts to manage their impacts on both society and the environment. The report examines how these investments can translate to real benefits, both for businesses and investors. We look forward to releasing more reports in 2016 that contribute to the body of knowledge on responsible investing and further highlight the lasting positive impacts of this approach to asset management.

We were pleased to participate in the UN Sustainable Development Summit in September, where I chaired the Roundtable on Peace and Stability at the UN Private Sector Forum and where UN member states formally adopted the Sustainable Development Goals (SDGs). These goals are critically important to humanity and the planet. Because global corporations bear tremendous social and environmental impacts, they can wield significant positive influence that promotes economic inclusion and enhances the efficient use of natural resources in support of the SDGs. Additionally, corporate contributions toward these goals can be an important determinant of company profitability and therefore, long-term firm value. Calvert Investments is working to produce actionable new research with George Serafeim, which we expect to release in 2016, that will demonstrate how the SDGs relate to responsible business practices and economic value and provide investors with tools to address the SDGs in investment decision-making. By directing capital to companies that maintain responsible, sustainable business practices and engaging in productive conversations with

corporate management, investors can incentivize strong social, environmental, and governance practices at the corporate level.

Most recently, we are heartened by the outcomes of the 2015 United Nations Climate Change Conference held this December in Paris on climate change, which requires governments of 195 nations to disclose public plans on how they will reduce carbon emissions over the next ten to fifteen years as well as increase the scope of their climate change policies going forward through legally binding requirements and then meet to report publicly on their progress. All nations agreed to monitor and report on both their emission levels and progress, based on the same accounting system. The pact accelerates the transition to a low carbon economy, by sending a welcome market signal to business and investors that our global energy system needs to be more sustainable. Calvert sees its policy and advocacy related to energy and climate issues as an important part of the work ahead for companies and investors to translate the momentum and market signal from the Paris Agreement into climate friendly business and investment practices. We know there will be obstacles and that much difficult work remains but the climate change accord adds strength to our convictions,

with the shift to a low carbon economy represents an enormous economic opportunity.

I would like to reiterate Calvert Investments’ continued support for the UN Global Compact and its important work as well as for the ten Principles, which are closely aligned with our own business model. The Principles are a guide for all corporations to follow and we use them as we advocate for corporate responsibility. I would also like to reiterate our continued support for the CEO Water Mandate and its six core elements. We have highlighted our progress and how we are addressing the six core elements through our responsible investments within the environment section below.

Sincerely,



John Streur
President and CEO
Calvert Investments, Inc.

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ANNUAL PROGRESS AND OUTCOMES

This section highlights Calvert's 2015 progress towards the UNGC and ten Principles in each of the four issue areas: human rights, labor, environment, and anti-corruption. For each area, we discuss our assessment, policy and goals as well as our implementation and the measurement of outcomes. Our annual Communication on Progress for the CEO Water Mandate has been incorporated into the environment section.

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, Policy and Goals:

As a long time responsible investor, Calvert believes in the importance of following sound human rights approaches, which we also expect from the companies in which we invest. While we seek to invest in companies with a solid track record in this area, we also engage with companies to encourage positive social change and support public policies that can help advance corporate human rights practices. Our new [Calvert Principles for Responsible Investment](#) include similar considerations to Human Rights Principles 1 and 2.

Implementation:

Seeking to address important human rights issues at a broad level, Calvert has been active in its support for legislation to curb human trafficking and forced labor. In July, Congresswoman Carolyn Maloney (D-NY) and Congressman Chris Smith (R-NJ) introduced The Business Supply Chain Transparency on Trafficking and Slavery Act of 2015 in the U.S. House of Representatives. The following month, Senator Richard Blumenthal (D-CT) and Edward Markey (D-MA) introduced the Business Supply Chain Transparency on Trafficking and Slavery Act of 2015 in the U.S. Senate, an identical bill to the one introduced by Maloney and Smith.

The legislation would require companies to disclose their policies and practices to address human rights-related risks within their global supply chains. We believe corporate transparency is a critical component of investors' due diligence process and requiring such disclosures better enables investors to fully assess a company's management of its human rights risks and opportunities. The lack of disclosure and attention

to human rights can lead to business interruptions, negative publicity, public protests and a loss of consumer trust, all of which can impact shareholder value. Passage of the bills would incentivize companies to address human trafficking risks and recognize a company's ability to positively impact human rights around the world.

Measurement of Outcomes:

Calvert, the Interfaith Center on Corporate Responsibility (ICCR) and Christian Brothers Investment Services subsequently spearheaded an investor statement in support of the bills. Over 100 investors representing U.S. and international public pension funds, unions, faith institutions, and socially responsible asset management firms that collectively represent over \$1 trillion in assets under management signed onto the statement. Copies of the statement were sent to the leadership of the Congressional Committees of Referral, urging them to support passage of the bills. Copies of the investor statement were also distributed to NGO partners.

Calvert spoke on an MSCI panel at a September briefing on legislative developments, where we provided the investor perspective on human trafficking and the pending legislation while discussing the value it would bring to this area.

Overall, this initiative had two objectives: one, passage of the bills for increased disclosure and two, raising awareness of corporate human trafficking risks. While the bills are still in their respective committees, raising awareness was accomplished by the number of signatories on the statement, Calvert's participation as a panelist at a Senate briefing and the recent MSCI webinar on human trafficking.

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 labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Assessment, Policy and Goals:

These three Labor Principles and the four International Labour Organization's core labor standards are integral to Calvert's investment research and decision-making policies and practices. They are also broadly embedded within the [Calvert Principles for Responsible Investment](#) and guide our selection of companies in our Index funds and for many of our actively managed strategies. As a key component of our work on labor issues, we have chosen to highlight our diversity work as these four principles are also implicitly incorporated in the [Calvert's Women's Principles](#) and our broader diversity work.

Implementation:

Calvert has used both the UN Global Compact Labor Principles 3, 4, 5 and 6 through its work on diversity and the Calvert's Women's Principles (CWP). The CWP, the first global code of corporate conduct focused exclusively on empowering, advancing, and investing in women worldwide, celebrated its 10th anniversary last year and also served as the foundation for the UN's Women's Empowerment Principles, which were established by collaboration between the United Nations Women and the UN Global Compact, and were adapted for international application based on a multi-stakeholder consultative process in which Calvert participated. These Principles are designed to provide companies with specific, measurable goals for achieving gender equity in areas such as hiring, pay, and career development and to increase the representation of women in management ranks and on corporate boards. As a part of this process, the CWP offers investors a set of tools they can use to assess corporate performance toward that goal.

As one facet of this work, Calvert assesses corporate progress on diversity through its [Survey of Corporate Diversity Practices](#). In 2015, Calvert released the results of its 2014 diversity research findings through this report, where it ranked the S&P 100 companies according to performance on Calvert's ten diversity indicators. In addition to tracking diversity challenges and trends, the report ranks and publicizes corporate diversity practices, which can bolster accountability and help drive performance improvements. This year's report findings included new measures such as the percentage of women and minority

board chairs and incorporated corporate diversity controversies as a performance indicator.

Moving beyond engaging with companies through our survey research, Calvert works with companies lacking gender and racial diversity on their boards of directors to incorporate more inclusive language in the nominating and governance policies of their corporate governance documents. Through dialogue Calvert also encourages companies to broaden their director search to include diverse candidates.

Calvert is currently developing an advocacy strategy for engaging companies on the gender wage gap, an issue that has grown in public concern and has gained greater legislative traction in recent years. The approach is two pronged and involves asking leading companies (with balanced gender representation, diverse leadership, and innovative initiatives) how they plan to continue to show leadership by investigating and resolving inequitable compensation, and lagging companies what they are doing to address significant wage gap challenges to improve diverse recruitment, retention and employee engagement. We anticipate launching this effort in 2016.

Please also see the Human Rights section above for additional efforts around Principle 4 above on forced labor.

Measurement of Outcomes:

In the course of the research for our 2015 diversity report participating companies engaged with Calvert to ask questions, share challenges, and make note of improvements they are making to their diversity practices. As a result of this engagement, we found a larger number of companies are committed to greater reporting and accountability related to employee demographics across the corporate ranks through EEO-1 disclosure. In addition, long-term participants such as Philip Morris International, Schlumberger, and Occidental Petroleum have seen up to a fifty point increase in their overall diversity scores since 2010, achieved through improved diversity policies, programs, and disclosure.

For the first time in Calvert's reporting history, every S&P 100 company had at least one woman on its board of directors. Other key highlights included: a 17% increase in the number of

S&P 100 boards with three or more women and/or minorities, near unanimous adoption of LGBT-inclusive EEO policies (95%), and a 45% increase in top down commitments to diversity initiatives. Areas for improvement include the level of corporate disclosure on employee demographics up the corporate ladder (EEO-1 data) and the 44% of S&P 100 companies that do not have any women or minorities among their five highest-paid executives. Full and public disclosure of employee demographics across the corporate ranks is a notable step taken toward transparency and improved accountability by a number of companies engaging with Calvert through the survey.

Through our engagement on board diversity, we had several wins during the 2015 proxy voting season. Comtech Telecommunications, Garmin and Monster Beverage all

agreed to include language on the inclusion of gender, race, ethnicity or national origin in their respective proxies, while Ubiquiti Networks agreed to include language on the diversity of gender and race in its proxy. Lastly, SBA Communications approved modifications to both its Nominating and Corporate Governance Committee Charter and governance guidelines aimed at enhancing the company's commitment to attaining diversity of race, gender, geography, thought, viewpoints, backgrounds, skills, experience and expertise on its Board of Directors. Both Monster and SBA Communications also added a woman to their boards of directors.

Please also see the Human Rights section above for additional measurements of outcomes around Principle 4 above on forced labor.

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, Policy and Goals:

Calvert has long been focused on environmental issues through our responsible investments and related advocacy. In fact, Calvert has made environment and climate change a key priority across our research and advocacy work. We focus on public policy advocacy and direct corporate and industry engagement in support of environment and climate change objectives. We see investment opportunity in the response to climate change. Market and technological developments, along with growing concern about climate change, are driving change in the global energy system toward renewable and cleaner fuels and energy efficient measures. Calvert recognizes the urgent need for progress that will support the priorities of environmental sustainability, social justice and economic feasibility.

Calvert's overall responsible investment approach is closely aligned with the UNGC's three Environment Principles through our [Calvert Principles for Responsible Investment](#), which also incorporate a strong environment focus on the advancement of environmental sustainability and resource efficiency. The Principles also preclude those companies that demonstrate poor environmental performance or compliance records, contribute significantly to local or global environmental problems or include risks related to the operation of nuclear power facilities.

Implementation:

Calvert filed or co-filed eighteen shareholder proposals related to climate change and energy issues during the 2015 proxy

season. These proposals included requests that companies establish greenhouse gas emissions reduction policies and targets and renewable energy use targets. An area of focus has been on the electric utility industry, one of the largest sources of greenhouse gas emissions and a sector that is exposed to significant risk, as regulation to address climate change moves forward and as advances in energy efficiency and renewable energy threaten to disrupt the traditional utility business model.

Calvert also engages on the public policy front and contributes to reports that further education and understanding about the outcomes of environment and climate change issues. These reports can also drive advocacy and public policy engagement and serve as a vehicle to improve company sustainability around environmental issues.

The Montreal Pledge was launched in September of 2014 and is supported by the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI). More than 120 investors from across the world with over \$10 trillion in assets under management have endorsed the pledge. Calvert was the first U.S. asset manager to sign the pledge and is disclosing its carbon footprint on its website in accordance with its endorsement of the Montreal Pledge.

Measurement of Outcomes:

Calvert submitted resolutions for shareholder votes at six electric utilities challenging the companies on climate issues,

including at Southern Company, one of the largest electricity providers in the country. Southern Company has shifted from a heavy reliance on coal-fired power generation toward a portfolio with more natural gas, a growing share of renewable energy and increased investments in energy efficiency. While we have welcomed these developments in our frank and open dialogue with the company, we have called for the adoption of time bound goals for reducing greenhouse gas emissions. Although no formal goals have yet been set, the company continues to add to its renewable energy portfolio, and announced solar and wind power deals in August and September 2015. In addition, Southern is investing more resources in energy efficiency and smart grid technologies. Though this is progress, Calvert and our partners continue to call for bolder commitments and greater action as we push toward an energy system that is safe, reliable, clean and affordable.

A critical step toward that ideal came in the form of the Environmental Protection Agency's Clean Power Plan, which is intended to drive a 30 percent reduction in greenhouse gas emissions from electricity production by 2030. As the EPA was developing and rolling out its Clean Power Plan and as states around the country considered whether to adopt or change clean energy policy Calvert and its partners leveraged our 2014 report [Power Forward 2.0](#) to highlight the growing trend of large U.S. companies making clean energy commitments. In discussions with companies, state and federal legislators, public utility commissioners and in op-ed pieces, we highlighted the value of clean energy policies like renewable energy and energy efficiency standards in helping companies and investors grow profits, save money, and mitigate the risks posed by climate change. The commitments by major companies like Procter & Gamble, AT&T and Google to invest in clean energy are clear indications that the market is moving toward lower carbon energy sources.

Calvert, working both individually and as part of investor coalitions, has emphasized these trends in dialogue and in shareholder resolutions addressing climate change filed with companies, including Bank of America, Costco, H.B. Fuller, J.B. Hunt Transport and more. For example, Bank of America, currently the focus of environmental activist pressure and investor engagement, announced a major new policy at its annual shareholder meeting, committing on paper to reduce its lending to coal mining. The bank's policy describes a shared responsibility to help mitigate climate change by taking action to accelerate the transition from a high-carbon to a low-carbon society and from high-carbon to low-carbon sources of energy, while the policy also reflects an understanding of the implications of climate risk and the changing energy landscape to the business.

H.B. Fuller agreed to publish a comprehensive corporate social responsibility report and as part of that effort, develop metrics,

baselines and quantitative goals for emissions reductions and waste. The report is now available on its website. Southwest Gas Corporation agreed to publish a sustainability message on its website, with a substantive discussion on water, greenhouse gas risk management and conservation as it relates to its pipeline, operations and customer usage/efficiency. The company also committed to determine a baseline and metrics for its fleet, facilities and operations as well as provide discussion on its progress on its website. In addition, the company agreed to use these metrics as a basis to determine reduction goals, which it plans to publicly disclose in 2016.

Calvert also engaged Sensient Technologies, which committed to develop metrics in 2015 and forward-looking goals in 2016 related to sustainability key performance indicators for energy consumption, water consumption, and waste generation. Sensient agreed to publish a sustainability report by September and annually thereafter.

Calvert worked with Trillium, Boston Common and Walden to engage Costco Wholesale Corporation. The company agreed to participate in the 2015 Carbon Disclosure Project (CDP) and update its sustainability report with the company's carbon footprint information from 2011-2014. Costco's 2015 sustainability report includes a discussion of the company's approach to energy use within the context of the Intergovernmental Panel on Climate Change recommendations and the Copenhagen Accord's agreement to attempt to limit global warming to 2 degrees Celsius. Costco has also committed to keeping the growth of its GHG emission to less than its sales growth over the next five years and to an ongoing dialogue. Costco's commitments build on its previous efforts on renewable energy highlighted in the Power Forward 2.0 report, and on energy efficiency, which have enabled the company to grow its sales from 2008 to 2011 without increasing emissions. It also agreed to add language recognizing that climate change is an important significant challenge for a number of its customers and investors.

Calvert also contributed to a report by the Union of Concerned Scientists (UCS), released earlier in 2015, that demonstrates the material impact that climate change outcomes such as sea level rise and storm surges could have on the refineries of several other oil and gas companies with downstream operations in coastal areas within the U.S. The work with UCS was the latest in a series of collaborations with the organization including participation as the only investor in a UCS-led coalition that was successful in lobbying for an EPA regulation that will significantly reduce tailpipe emissions of smog and soot from vehicles (a mention from the fossil fuels piece follows). Calvert had previously assisted UCS with its independent outreach to several other companies discussed in the report.

UN CEO Water Mandate 2015 Annual Communication of Progress

Calvert supports water sustainability and the core six elements of the UN CEO Water Mandate through its shareholder advocacy efforts and policymaking initiatives. As the first investment company to endorse the UN's CEO Water Mandate, we continue to be a proud endorser in support of its objectives. The following summary outlines our actions and outcomes in each of the six CEO Water Mandate work elements as it relates to our investments, which is where we have our most significant impacts.

DIRECT OPERATIONS

Investment Criteria

As a sustainable and responsible investment company, the application of responsible investment principles to Calvert mutual funds is our most powerful and direct tool for reducing water-related risks and capitalizing on water-related sustainability opportunities. The rigorous application of such principles helps to identify companies that are well positioned to enhance long term value through sound ESG management.

In 2015, Calvert created the [Calvert Principles for Responsible Investment](#), which seek to invest in companies that provide positive leadership in the areas of business operations and overall activities that are material to improving societal outcomes, including those that will affect future generations. These Principles guide our selection of companies not only for all indexed investment strategies but also for many of our actively managed strategies. We seek companies that manage water scarcity and ensure efficient and equitable access to clean sources while generally precluding investments in companies that demonstrate poor environmental performance or compliance records. Calvert has identified water as an important metric in more than two dozen sub-sector ESG investment models and we assess companies in these sectors as part of our company and sector evaluations.

The Calvert Global Water Fund was launched in October 2008 and seeks to invest in companies that produce products and services designed to address water-related environmental and sustainability challenges. The Fund seeks growth of capital through investment in equity securities of companies active in the water-related resource sector. We believe the fund addresses serious sustainability challenge and offers a significant investment opportunity.

Education

Calvert uses its website to promote information and educate the public and others on a variety of social issues, including water. We posted several articles and information in 2015 related to water, including:

- A white paper by Kleinwort Benson Investors on [Investing in Water: Accessing a Compelling Opportunity](#), which addresses the world's fresh water challenges and the long-term drivers of water investment.
- A website article on the Approach to the Global Energy System, while primarily dealing with energy also referenced the nuclear industry's high dependency on water and how climate change is driving greater weather extremes, which impact water use and availability through increased frequency and severity of floods and storms, food shortages, rising sea levels and saline intrusion. It also covered changing rainfall patterns, catastrophic water scarcity and droughts, increases in pest and disease distribution and prevalence, loss of biodiversity, increased wildfires, and thawing permafrost and land ice — that are all connected to global warming.
- A review of Calvert's Special Equities program and impact investing in environment and sustainability featured our investment in a water company called WaterSmart, which offers advanced technology solutions that have helped save over a billion gallons of water in the wake of California's historic drought. This technology aids water utilities in educating consumers about the water used by the household, how that usage compares to similar clients and how they save water and money.
- An article on investing in water and its untapped potential, which highlighted the Calvert Global Water Fund discussed why water issues must be addressed. It also included an

explanation of why water is a fundamental human right. The article was also featured in the Green Money Journal.

Calvert staff speak publicly on the human right to water and corporate water stewardship. For example, Calvert spoke on a panel addressing water risks in its investment processes and its shareholder advocacy at a recent forum convened by the Natural Capital Declaration in New York City in October. We also spoke at a Ceres organized event that same month at the Council of Institutional Investors event on our investor approaches to water risk, how water factors into our ESG, equities and fixed income research and how we prioritize water in our corporate engagement.

As part of Calvert's efforts to educate financial providers and the general public on the global water crisis, we provided the Calvert Water Investing App, which was discontinued in May. The free app was available on both Apple and Android mobile devices and included several features:

- "The Daily Drip" — a roundup of weekly news about water-related issues of interest to investors and financial advisors.
- "Learn" — the place to get up to speed on the facts about global water challenges, environmental impacts and view a short water film.
- "Views" — expert commentary and analysis from Calvert on key water issues, including daily tweets from Calvert water analysts and profiles of water themed companies.
- "Invest" — facts and performance updates about the Calvert Global Water Fund and the portfolio management team.

Shareholder Advocacy on Water

Shareholder advocacy provides investors with powerful ways to directly influence corporate behavior and policies. Our water advocacy focuses on entwined risks from water and climate change in company supply chains as well as the human right to water.

Calvert launched an internal advocacy working group this year, composed of key representatives from across the company, including representation from the Fixed Income, Equities, Sustainability Research, Marketing, Executive and Finance departments. The group helps to ensure that our shareholder advocacy is aligned with our research and investments, provides impact and facilitates collaboration across the firm. To date, the group has also discussed advocacy issues on a variety of issues, including water, and provided internal feedback.

As part of our shareholder advocacy on water, Calvert encourages companies to be more sustainable overall and to accurately assess and mitigate their water impacts.

Sustainability

HanesBrands. Calvert travelled to North Carolina this fall and joined three sustainability team members from HanesBrands for a briefing with representatives of Cotton Inc. (an industry trade association) and a cotton farmer, followed by a visit to some of his fields. The purpose of the trip was to better understand the sustainability impacts of cotton, including water, a major commodity input for HanesBrands, and to determine opportunities to reduce these impacts. Thus far, HanesBrands has taken important strides to manage impacts in its manufacturing operations. Calvert has called on the company and Cotton Inc. to mitigate the environmental impacts associated with cotton farming. Cotton consumes a great deal of water and requires significant pesticide, herbicide and fertilizer application.

Climate Change Risk and Sustainable Agriculture Policy

As populations increase, climate change negatively affects crop yields, and as food insecurity persists, sustainable agricultural supply chains are becoming even more important to companies and society. In 2015, we engaged with a number of companies on the development of a sustainable agriculture policy.

Population growth, increasing agricultural and industrial demands for water and unpredictable weather patterns are putting particular pressure on freshwater supplies. Agriculture accounts for approximately 70 percent of water withdrawals worldwide. In the United States, water pollution from agriculture is the number one cause of impaired waterways, according to the Environmental Protection Agency. The World Economic Forum reports that the world will face a 40 percent water shortfall between forecast demand and available supply by 2030. The limit of potable water locally and globally is subjecting water to greater regulation, increased commoditization and conflicting ownership claims.

We believe the lack of sustainable agriculture policy in a company's supply chain exposes a company to environmental, reputational and financial risk. Companies should ensure that growers in its supply chain practice sustainable agriculture, including: 1) protecting the environment, conserving water resources, responsibly managing fertilizer, and reducing soil erosion; and 2) protecting the human rights of workers with policies for fair wages, safe working conditions, freedom of association and ethical recruitment standards.

Wendy's Company. Calvert filed a shareholder proposal with Wendy's calling on the company to adopt and implement a sustainable agriculture policy. Wendy's has taken action to mitigate the environmental impacts of its commodity sourcing. Calvert is calling upon the company to include all of the major

components of its supply chain, including proteins (beef, pork and poultry), produce, beverages and packaging, as well as addressing social responsibility in its supply chain.

Dean Foods. Dean Foods, one of the largest U.S. suppliers of milk and dairy products, agreed to a dialogue with an industry initiative called the U.S. Dairy Center for Innovation, focused on specific water risk management tools designed for agriculture. Calvert is calling on the company to report on its water risks to the Carbon Disclosure Project.

Hydraulic Fracking

Within the past decade, the combination of hydraulic fracturing with horizontal drilling has opened up shale deposits across the country that brought large-scale natural gas drilling to new regions. The process has many environmental impacts associated with it, prompting the Department of Energy secretary's shale advisory panel to recommend in 2011 that companies "adopt a more visible commitment to using quantitative measures as a means of achieving best practice and demonstrating to the public that there is continuous improvement in reducing the environmental impact of shale gas production."

SM Energy. Calvert filed a shareholder proposal with SM Energy calling on the company to issue a report describing how the company manages the environmental and social issues associated with hydraulic fracturing with an emphasis on water and emissions management. SM Energy agreed to increase its disclosure of the company's policies and practices under the

twelve core goals identified by the Investor Environmental Health Network. The core goals target areas such as water use, greenhouse gas emissions and community relations. The Company made this information available under the CR (Corporate Responsibility or Sustainability) section of its website.

Greenhouse Gas Reductions Shareholder Engagement

We engaged companies and filed eighteen proposals requesting that the companies describe their short and long-term responses to mitigate climate change, greenhouse gas emissions reduction policies and targets and renewable energy use targets. These reports will include objective quantitative indicators and goals relating to each issue where feasible and be made available to shareholders.

Southwest Gas Corporation. Following the engagement, including a shareholder resolution we filed, Southwest Gas Corporation committed to developing and publishing information on sustainability on its website in 2015, with a substantive discussion on water and greenhouse gas risk management and conservation. The company's disclosure focuses on three segments: pipeline, operations (fleet and facilities), and customer usage/efficiency. The company will also determine its company-wide greenhouse gas emissions reductions baseline/metrics for its fleet, facilities and operations and discuss this process on its website. To further this effort, the company will use these metrics to determine its reduction goals, which will be publicly disclosed in 2016.

SUPPLY CHAIN AND WATERSHED MANAGEMENT

As an asset management company, our leverage comes in the form of asserting investor influence on companies we own in our investment portfolios (to encourage them to understand their supply impacts and to improve their watershed management).

This year, we highlighted a particular instance of watershed management in a Green Money Journal article focusing on Indigenous Peoples' rights. Calvert stressed how Indigenous Peoples can be impacted by water through the example of Pebble Mine — a proposed copper, gold, and molybdenum mine that would have been situated at the headwaters of the Bristol

Bay Fishery in Alaska and owned by Anglo-American, Rio Tinto and Northern Dynasty — which was challenged by investors, environmental groups and tribes, with six petitioning the EPA to invoke a little used provision of the Clean Water Act to block development. Ultimately, the two mining companies involved each decided to cease their involvement with the proposed mine. In 2014, the EPA initiated a process to protect the fishery from mining activities under the Clean Water Act. While the EPA action was challenged in court, the agency's move was a major victory for those concerned about the potential impacts of the mine on the way of life and the environment in Bristol Bay.

COLLECTIVE ACTION

The SRI community has a long tradition of working collectively to achieve common goals. This is also true of our work on water sustainability.

Calvert continues to exercise leadership in various multi-stakeholder forums to help define, advance, educate and communicate about water risk and opportunity. Among the

groups with whom we collaborate are the UN Principles for Responsible Investment, CEO Water Mandate, Ceres, ICCR, U.S. SIF and the Carbon Disclosure Project.

Tool for Fixed Income Investors

This year, Calvert contributed to the development of a tool published by the Natural Capital Declaration (NCD) that helps fixed income investors incorporate water scarcity into credit ratios for certain sectors. Developed through a partnership between the NCD, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the German Association for Environment and Sustainability in Financial Institutions (VfU), the tool contains analyses of 24 companies in the beverages, mining and power sectors, which allows users to add their own companies and analyses. The costs of securing water inputs are already rising for water-intensive companies in locations vulnerable to water shortages. Since 2011, companies have spent more than \$84 billion worldwide on conserving, managing and obtaining water. The GIZ/NCD/VfU “Corporate Bonds Water Credit Risk Tool” enables users to integrate financial risk exposure to water scarcity into standard financial models used to assess the credit strengths of corporates across water-intensive sectors including power utilities, beverages and mining. The tool addresses an information gap in traditional financial analysis, enabling analysts to identify companies that depend heavily on access to water in locations that are exposed to water stress and to quantify the potential impact of water scarcity on the company’s creditworthiness. By combining

data on the quantity of corporate water use per production location with data on site-specific water supply and demand conditions, the tool allows financial analysts to quantify corporate exposure to water stress and its potential impact on a company’s credit ratios.

Water Risk in Agricultural Supply Chains

In 2015, Calvert joined with more than 60 North American and European investors, managing a collective \$2.6 trillion in assets, to send letters to executives at fifteen major food and beverage companies asking for more disclosure about how companies are managing water risk in their agricultural supply chains. The global food sector, which uses 70 percent of the world’s freshwater resources — mostly for irrigating crops — faces increased financial risk from shrinking water supplies. Calvert has filed shareholder proposals addressing this issue and intends to file additional proposals during the upcoming proxy season.

Stakeholder Engagements

Calvert regularly participates in broad multi-stakeholder engagements with numerous companies across a variety of sectors as coordinated by Ceres. Sometimes as part of these engagements when companies face higher impacts related to water issues, we encourage them to better address such issues and increase disclosure in this area. Due to the sensitive nature of such engagements and to protect confidentiality, we cannot cite specific examples here.

PUBLIC POLICY

This year Calvert engaged with various state policymakers in support of renewable energy. Particularly in states, exposed to drought we made the argument that renewable energy production is less water intensive than generating energy

from fossil fuels. Calvert encouraged such state legislators to consider emphasizing renewable energy and lessen their own reliance on fossil fuels. Making such a change can help save water resources.

COMMUNITY ENGAGEMENT

Calvert continues to use its ownership position to help strengthen community engagement processes. This year, we co-filed resolutions with two chicken processors, including Tyson Foods, where we asked the companies to adopt and implement a water stewardship policy that will outline leading practices to improve water quality at company-owned facilities, facilities

under contract and suppliers. The objective is to support clean water in local communities as chicken waste can often pollute and harm local water aquifers through contract chicken farms. Wastewater from company plants is often discharged directly into surface water.

TRANSPARENCY

Calvert as a responsible investment company has always pushed for better disclosure of ESG-related risks and performance data across the board. We explicitly incorporate a range of environmental liabilities including water pollution and energy use as well as “intangible” assets such as environmental management, performance and investment into our analysis. We believe that failure to account for and fully disclose these

risks and liabilities could lead to inaccurate market valuation of a company.

During 2015, we filed our 70th shareholder resolution asking for enhanced sustainability disclosure. Water use and water quality are typically included in the suite of performance indicators that we ask high impact companies to track and disclose.

ANTI-CORRUPTION

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

Assessment, Policy and Goals:

As an early supporter of the UN Global Compact since 2001, Calvert recognizes the importance of identifying corruption, a component that we have addressed through our responsible investment considerations for several years when assessing a company or reviewing an industry and examining how impacts related to corruption are mitigated. In fact, we were instrumental in helping to create this Principle. Calvert’s work is closely aligned with the Anti-Corruption Principle through the Calvert Principles for Responsible Investment as these types of issues are broadly incorporated through the accountable governance and build transparency section, which guide our investments and also generally precludes investments in companies that demonstrate poor corporate governance or engage in harmful or unethical business practices.

Implementation:

Earlier this year, Calvert developed a new proprietary research system that enhanced the efficiency of our research process while both deepening integration of environmental, social and governance (ESG) issues and financial analysis and enlarging the universe of companies reviewed for investment. This allows us to more accurately capture and assess the highest ESG impacts across our universes of potential investments and has yielded specific enhancements related to our consideration of risks related bribery and corruption. This research system combines Calvert’s ESG expertise with key data in order to create ESG indices, ESG models and to provide valuable information to our Equities and Fixed Income departments for integration purposes, enabling a much more systematic way to provide material ESG information for our investment teams.

Outcomes:

Using the systematic approach of the Calvert Research System has aided Calvert investment personnel in identifying the most material sustainability factors into investment processes and assessing corporate responsibility and sustainability performance across industries, including those that address corruption, bribery and instability issues. When we assess companies as part of that process, we consider policies and programs that combat bribery and corruption, the risks they face from such issues, how a company manages such risks and the adverse events companies may have faced in these areas in sectors where these issues are relevant. Industries where corruption-related issues are most material are spread across more than two dozen sectors include banking, energy equipment, oil and gas, pharmaceuticals, telecommunications and construction and engineering. Based on our models and research, Calvert is able to analyze which companies in such industries are poor performers across a variety of corruption factors.

As a result of closely evaluating corruption and related issues across these industries, companies that stood out for various combinations of high impacts, low overall assessments and inability to accurately address and prevent risks in the areas of governance and corruption were excluded from investment consideration as were those with significant adverse events that did not have an effective framework in place to handle and effectively resolve such issues. This is the first time that we have been able to address corruption, bribery and other related issues in such a broad systematic way across multiple industries. Such evaluations are also being used to inform advocacy and may be considered for upcoming advocacy campaigns in the future as we continue to engage with companies on a variety of issues.



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