

Calvert Research and Management
United Nations Global Compact and
United Nations CEO Water Mandate
2017 Annual Joint Communication on Progress



CEO STATEMENT OF CONTINUED SUPPORT

Calvert Research and Management (Calvert) is pleased to share its 2017 joint United Nations Global Compact (UNGC) and CEO Water Mandate (UN CEO Water Mandate) Annual Communications on Progress. Since our last report in 2016, we have undergone significant changes. On December 30, 2016, the newly formed Calvert, a subsidiary of Eaton Vance Management, and its affiliates acquired substantially all of the business assets of Calvert Investment Management, Inc. (CIM). Calvert, based in Washington, D.C., is a Massachusetts business trust and traces its roots to Calvert Investments.

Today, the Calvert Funds are one of the largest and most diversified families of responsibly invested mutual funds, encompassing actively and passively managed U.S. and international equity strategies, fixed-income strategies and asset allocation funds. The Calvert Funds are managed by Calvert in accordance with the Calvert Principles for Responsible Investment (Calvert Principles), which provide a framework for Calvert's evaluation of investments and guide Calvert's stewardship on behalf of clients through active engagement with issuers. Calvert is the centerpiece of Eaton Vance's decision to expand into Responsible Investing. Calvert focuses on investment research, integrating environmental, social and governance (ESG) factors into investment decisions. This year, Calvert has continued to broaden its array of offerings, to provide the largest range of options to meet client needs through financial planners, registered investment advisors, broker-dealers and global institutions.

As a signatory to the UNGC and an endorser of the UN CEO Water Mandate, Calvert recognizes the importance of advancing ESG issues such as water stewardship, human rights, climate change goals and anti-corruption. Since our biggest impacts come from the investments we offer and the research we conduct on companies, we have chosen to demonstrate our progress through these impacts for both the UNGC Ten Principles and the Six Core Elements of the UN CEO Water Mandate in this combined report. Highlights from 2017 include:

■ Calvert Floating-Rate Advantage Fund

As a disciplined first-of-its-kind ESG fund, we have taken a pioneering step in advancing the industry when we launched an investment bank loan fund in October, guided by the Calvert Principles. The Calvert Floating-Rate Advantage Fund is designed with an objective to provide a high level of current income. The Fund can invest at least 80% of its net assets (plus any borrowings for investment purposes) in income-producing floating-rate loans and other floating-rate

debt securities. The Fund invests primarily in senior floating-rate loans of domestic and foreign borrowers ("Senior Loans"). Senior Loans typically are of below-investment-grade quality and have below-investment-grade credit ratings. These ratings are associated with securities having high risk, speculative characteristics. The Fund also may borrow from banks for the purpose of acquiring additional income-producing investments (referred to as "leverage"). The Fund may invest up to 35% of its net assets in foreign senior loans. Calvert is also working on developing other ground-breaking innovative solution-oriented strategies across asset classes that foster both environmental and social advancement. We look forward to sharing more details on this work in 2018.

■ Sustainability Accounting Standards Board

Calvert supports the Sustainability Accounting Standards Board (SASB), which maintains sustainability accounting standards that help public corporations disclose material, decision-useful information to investors in mandatory filings. Increasing transparency helps investors better understand the risks and opportunities associated with the ESG challenges we face. In 2017, Calvert became a founding member of the SASB Alliance, a new membership program designed to foster a standardized process of sustainability disclosure and effective integration of ESG considerations into investment practices, which shapes the future of how companies manage their material sustainability factors and how investors consider such factors. The SASB Alliance works to explore best practices for companies and investors as they leverage material sustainability information to improve corporate performance. Since last year, I have served as a founding member of the SASB Investor Advisory Group, composed of leading asset owners and asset managers committed to improving the quality and comparability of sustainability-related disclosure to investors.

Calvert finalized a case study in November 2017 for SASB, linking its materiality matrix with the United Nations Sustainable Development Goals (SDGs), which appeared in its "ESG Integration Insights" publication and was distributed at the SASB annual conference. Calvert's mapping exercise identified common themes between the SASB Standards and the SDGs by matching each of SASB's disclosure topics on financially material ESG issues and related accounting metrics, across SASB-defined sectors and industries to the SDGs and related targets. Calvert found that a substantial portion – 71% – of SASB metrics map to the SDGs and their related targets. This helps us to identify

industries in which the SDGs are most likely to be financially material and enables us to see a clearer path to investments most likely to achieve the SDGs and related positive societal outcomes, as well as those investments that may be better positioned to generate positive financial outcomes.

Our initial assessment found 66% of SASB accounting metrics could be mapped to ESG data vendor indicators, with varying degrees of exactness (ranging from “proxy” to “exact match”). This insight brings to light the information gap that exists between an evolving corporate disclosure environment and traditional investor resources. As the web of disclosure requirements and standards for corporations grows larger and more complex, finding commonalities between these standards can benefit companies and stakeholders by distilling what is most relevant and material.

■ Public Education

George Serafeim, the Jakurski Family Associate Professor at Harvard Business School, conducted joint research with Calvert aimed at enhancing public education and knowledge related to Responsible Investing and business practices. In August 2017, George Serafeim released a new study finding sustainability disclosure helps to drive investment decisions as investors use that information to sharpen company valuations relative to industry peers. The Serafeim study focused on companies that voluntarily disclosed ESG factors recommended by SASB. Stocks of those companies were consistently found to trade less in line with their industries and the markets, indicating that the ESG factors provided investors with useful, firm-specific information about growth prospects. The study’s results could provide a baseline for future required sustainable disclosure, and offer some clues as to how investor use of ESG factors may affect capital market pricing.

■ Influencing Corporate Behavior

I joined FMC Corporation’s Sustainability Advisory Council to the Board, where we collectively advise the company on sustainability issues and offer support as FMC makes progress in addressing water and its other areas of ESG risk. As the fifth-largest chemical producer in the world, it provides solutions that enhance crop yield and quality by controlling a broad spectrum of insects, weeds and disease and, in nonagriculture markets, for pest control. It is the third-largest producer of lithium products used in

energy storage, specialty polymers and pharmaceutical synthesis. FMC is a major user of water, particularly as a producer of lithium products.

■ Engaging the Marketplace

I, along with others at Calvert, have been involved in reaching out to the marketplace to share our ideas and our vision for moving forward across a variety of venues and locations. When I spoke at the SRI Conference in October, I gave a plenary talk on global norms that addressed how system participants influence the network; or our life together on the planet. The global norms I spoke of include:

- The impact radical environmental changes are having on the human race, including the far reaching impacts of pollution, the largest environmental cause of disease and premature deaths, and
- Inequalities that are threatening the Earth’s future.

I stressed how conference participants can influence solutions such as strengthening transparency and disclosure via mechanisms such as SASB and the SDGs in order to gain better information on the real impact companies have on people and the planet. The presentation was well-received by Responsible Investing leaders and industry members.

Calvert also led or participated in sessions on substantive ESG topics like shareholder engagement and the metrics of materiality at that conference. Other venues where we have sought to raise awareness included the AHC Group’s speaker series. We have the ability to influence the sustainability of high-impact companies there and through participation in Climate Week in New York City, as well as through the United Nations Environment Program Finance Initiative (UNEP FI) North American Regional Roundtable, of which Calvert is a member of the Regional Advisory Board. As part of that effort, we are working to understand the implications of the SDGs, for investors and how companies align with the work of UNEP FI to help financial institutions develop products and services that support progress toward the realization of these goals.

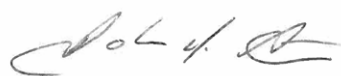
■ Impact Reporting

Calvert is pioneering impact reporting of ESG factors in the U.S. mutual fund industry. As we consider such impacts and how to educate society on the significance of purchases, we want to increase the understanding of these

environmental and social product impacts. We also want to help investors recognize environmental and social portfolio impacts relative to a benchmark and at the individual company level. We believe it is important to share how our portfolios are doing and the progress we are making, while encouraging investors and individuals to further consider such findings. As transparency increases, so will the flow of information. To date, five of our funds are compared to their equivalent benchmarks across carbon emissions, water usage, toxic emissions and tobacco exposure. While we plan to expand both the depth and the scope, we are off to a solid start. More details can be found at www.calvert.com/tool.

In presenting our annual progress on these initiatives, shareholder advocacy and changes to our business, I would like to state Calvert's ongoing support for the UNGC and its important work as well as for the Ten Principles, which are closely aligned with the 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 continued support for the UN 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 of this document.

Sincerely,



John Streur
President and CEO
Calvert Research and Management

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ANNUAL PROGRESS AND OUTCOMES

During 2017, Calvert Research and Management (Calvert) made progress toward achieving the goals of the United Nations Global Compact (UNGC) and CEO Water Mandate (UN CEO Water Mandate). For the UNGC, we discuss our progress across the Ten Principles in four issue areas: human rights, labor, environment and anti-corruption. For each area, we assess our approach to each of the Ten Principles and discuss a variety of shareholder engagements, stakeholder partnerships and research initiatives that Calvert has conducted to support the Ten Principles and advance our vision of an equitable and sustainable world. The details on our progress for the UN CEO Water Mandate are in the environment section.

Calvert believes that sound corporate governance and overall corporate sustainability and social responsibility characterize healthy corporations. A well-governed sustainable company meets high standards of corporate ethics and operates in the best interests of other stakeholders (employees, customers, communities and the environment). In our view, companies that combine good governance with corporate sustainability and social responsibility are better positioned for long-term success.

Calvert developed a core set of engagement themes for 2017, which will be discussed in more detail below. We use analytical tools and sector knowledge to identify and select companies and issues within these broad themes. Our five priorities cover Labor and Human Rights, Diversity, Clean Energy, Clean Water, and Disclosure. Each lines up closely with the Ten Principles and/or the UN CEO Water Mandate.

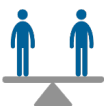
HUMAN RIGHTS

- 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 actively engages with companies to influence positive social and environmental practices. Calvert’s engagement themes include Labor and Human Rights. Human rights are inherent to all human beings, no matter the country, location or background. Each of us, including workers, deserves these basic fundamental rights. Both multinational and smaller companies increasingly must address and effectively manage such human rights risks within their own operations and throughout the supply chain as well as review and closely supervise their own impacts.

For example, Calvert engaged with companies on human and labor rights in the supply chain and the opioid crisis. These two of the Ten Principles align with the Calvert Principles; specifically:



More 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.

Implementation and Measurement of Outcomes:

Human and Labor Rights in the Supply Chain

In 2017, Calvert engaged with Nike, Gap, Kroger and General Mills on human rights issues, primarily in supply chains:

■ Nike

Calvert engaged with Nike as part of a stakeholder group providing feedback on the company's reporting and its approach to human rights issues. This year, we called upon Nike to better describe the impacts and outcomes of its human rights programs and to explain why the company prioritizes the areas it does more clearly. For example, we asked: Is prioritization based upon business exposure or impact on supply chain workers? The stakeholder group called for more frequent reporting and for the reporting and the human rights program to extend deeper into the company's supply chain. The risk of forced labor is a particular issue that Nike needs to address in upcoming disclosure. We plan to continue our collaborative engagement with the company as part of this stakeholder group.

■ Gap

Calvert is a member of Gap's Public Reporting Working Group, which provides an opportunity to review drafts of Gap's Global Sustainability Report. The most recent report was released in December 2017. The Gap's Public Reporting Working Group comments included the importance of addressing the challenge of unethical recruitment practices in the company's supply chain. Unethical recruitment can involve exploitation where workers are required to pay fees to obtain employment. This practice could compromise worker rights and freedoms. We also encouraged Gap to continue its efforts to strengthen sustainability in its cotton supply chain, including environmental and labor issues. The Gap's Public Reporting Working Group issued a statement for the report commending the company for various elements of its reporting and encouraging further progress.

■ Kroger

Calvert co-filed a shareholder proposal on human rights issues in Kroger's supply chain, a major food retailer, which operated more than 2,700 supermarkets as of January 2017. Calvert joined meetings with the company during the year. The discussions covered the company's approach to monitoring human rights risks in the supply chains of various products including agricultural commodities, fish and meat, and how the company assesses compliance of its

suppliers. We also recommended that the company develop a human rights policy, which helps to set a direction for the company's work and can address governance and accountability of the set of related issues. Kroger continues to make progress in understanding and addressing labor and human rights risks in its supply chain.

■ General Mills

Calvert is a participant in a United Nations Principles for Responsible Investment collaborative engagement with 31 investors, engaging 41 food and beverage producers and processors on improving implementation of supply chain labor codes and standards. As part of this effort, Calvert co-led an engagement with Walden Asset Management and General Mills on this topic. We were pleased to have an introductory call last February regarding General Mills' program and efforts to track and manage supplier social compliance. We plan to continue to engage with the company in 2018 to learn more about progress.

Sexual and Reproductive Rights

Calvert co-signed an investors' letter sent in December to Fortune 50 companies calling on them to continue to provide their employees with access to contraception and other reproductive health care benefits after the Trump administration updated regulations enabling companies to seek an exemption from offering employee health insurance that includes contraception. The letter reminded these businesses that extending common sexual and reproductive health care benefits signals to employees and others that solid women's health policies are good for business, women and the economy.

Investors for Opioid Accountability

Given the opioid crisis in the U.S. and Calvert's exposure to pharmaceutical manufacturers and distributors, Calvert joined the Investors for Opioid Accountability (IOA). Launched in October 2017, the IOA grew to a coalition of over 35 investors with more than \$1.3 trillion in assets by year-end. The IOA is asking the independent directors of these boards at such companies to investigate how they are responding to increasing risks related to opioids. The coalition formed because of the profound negative impacts to society from the opioid crisis and the risk to shareholder value of companies that are involved either as distributors or manufacturers of opioids. In December 2017, we signed investor letters to both Depomed and Mylan regarding specific governance reforms. The Depomed letter included requests to create a compensation clawback provision, refrain from excluding legal/compliance costs from compensation metrics, create an independent investigation and report, and form a stakeholder advisory council. Mylan's letter included requests to address drug pricing transparency,

develop a misconduct clawback provision, conduct incentive compensation reform, form a stakeholder advisory council and report on lobbying activities. The coalition is waiting for a response from both companies. We have been participating in the IOA and expect to engage companies, along with other investors, in 2018.

Indigenous Peoples' Rights

Calvert signed a February 2017 investor statement to banks financing the Dakota Access Pipeline (DAPL), a 1,772-mile-long underground pipeline in the U.S., beginning in the Bakken shale oil fields of North Dakota and continuing through South Dakota and Iowa to an oil tank farm in Illinois. This statement encouraged the banks financing the DAPL to address or support the request of Standing Rock Sioux Tribe (SRST) to reroute the DAPL away from their treaty territory. The statement raised concern that if the DAPL's projected route moved forward, the result would be escalation of conflict and unrest as well as possible contamination of the water supply and the financing banks might be implicated in such controversies.

Calvert signed an Investor Statement, which was sent to the Equator Principles Association (EP Association) in October, a follow-up to the original investor statement sent to banks about the DAPL earlier in the year. This second Investor Statement had over 160 signatories with over \$1.7 trillion in assets under management and reiterated concern over the construction of the DAPL despite objections from the SRST as well as other communities and landowners along the pipeline's route. The statement provided several recommendations to reinforce the position of the Equator Principles (EPs) as industry best practice

for environmental and social risk management, including how to mitigate risk to EPs signatory banks, and strengthen protections for the rights of Indigenous Peoples and other local communities around the world. In October 2017, the EP Association committed to revise the EPs over the next 18 months regarding climate change issues and Indigenous Peoples' rights and will include external stakeholder consultation. It also plans to introduce a periodic review of the EPs going forward, so they can continue to be updated. The Investor and Indigenous Peoples Working Group, to which Calvert belongs, is likely to provide input to this process.

Previously, numerous tribes, climate activists and civil rights advocates came together in support of the DAPL being rerouted – with numbers swelling up to 10,000 onsite at the height of protests. In February, due to concerns over snow melt, flooding and safety concerns, protestors were asked to disband and leave the area. While the U.S. Army Corps of Engineers in early January initially had planned to prepare an environmental impact statement, President Trump instructed to conduct an expedited review and approve the process for the unbuilt section of the DAPL. Subsequently, the Cheyenne River Sioux and the SRST requested a judgment against the U.S. Army Corps of Engineers and the DAPL, as both tribes get their water downstream from the pipeline. Ultimately, the court ruled in favor of the tribes in June over the U.S. Army Corps of Engineers' failure to perform an adequate study of the pipeline's environmental consequences when construction was first approved, and allowing the oil flow through the pipeline to continue, which began in May. Separately in December, the court ruled that Energy Transfer Partners, the DAPL's parent, and the U.S. Army Corps of Engineers, must develop an oil spill response for the stretch of pipe below the Missouri River, which is due in April 2018.

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 labour;

Principle 5: The effective abolition of child labour; 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 closely follow the International Labour Organization's core labor standards, which are important components in our labor advocacy decisions. Shareowner resolutions are sometimes

filed asking companies to develop codes of conduct that address labor relations issues, including use of child labor, forced labor, safe working conditions, fair wages and the right to freedom of association, and collective bargaining. The UNGC labor principles are also represented in the Calvert Principles; specifically:



Advance women and minorities at board and management levels.



- 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.
- 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.

Implementation and Outcomes:

Diversity

Companies play a vital role in determining the equality of opportunity in the U.S. through their achievement of diversity and fairness at every level of the organization and their protection of their employees. Our diversity engagement theme addresses advancing women and minorities at board and management levels. At Calvert, we monitor this with our engagement on issues like diversity, living wage and executive compensation. Calvert also produces a biennial study on the diversity and related policies and practices of large companies, designed to identify trends as well as corporate best practices.

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.

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,

including office and clerical workers and service workers. This lack of diversity at all levels of the corporate enterprise can stifle the free expression of diverse perspectives and insights, reducing the level dynamism, adaptability to change and, ultimately, competitive advantage. Furthermore, women and people of color have long been subject to discrimination.

Calvert Diversity Report

Since 2012, Calvert has tracked the progress of gender diversity among the multinational companies of the Standard & Poor's 100 Index (S&P 100), publishing the results in our biennial report, *The Calvert Diversity Report: Examining the Cracks in the Ceiling*. In our view, gender diversity not only fosters innovation and growth but conveys distinct financial benefits to the corporate bottom line.

Our 2016 survey results (published in our 2017 report) reveal some progress in the boardroom, but show considerable room for improvement among the S&P 100 executive ranks:

- Every company in the S&P 100 has at least one woman on its board of directors and, 93% have at least two.
- Of S&P 100 companies, 47 have a board composed of at least 25% women.
- A full 41% of S&P 100 companies still do not have any women in their five highest-paid executive positions.

Our findings related to lack of women at the highest-paid executive positions are particularly concerning, as these positions often form the pipeline for board membership.

As part of the research for the report, Calvert expanded its scope from the S&P 100 to survey the Standard & Poor's 250

Index with a detailed research survey. Forty-two large U.S. companies responded with information about their programs and practices. This engagement with these 250 companies communicates to the companies that diversity is important to investors, highlights best practices and encourages companies to continue to improve their programs.

Board Diversity Engagement

Over the past 10 years, Calvert has filed 87 shareholder proposals at 73 companies calling for board diversity; now more than 80 women and 15 minorities serve on these boards. Calvert's diversity research and shareholder advocacy have catalyzed dialogue and action around gender equality, not only as a societal concern, but also as a business imperative.

Companies with greater gender diversity in their top ranks have been shown to have competitive advantages and stronger financial performance. Calvert engages with companies on their diversity policies and assesses diversity performance as part of our investment analysis.

Calvert filed two board diversity shareholder resolutions for the 2017 proxy season that we withdrew after successful engagements. Zillow Group added specification of diversity of "gender, race and ethnicity" among the qualities the board seeks in its director search. The company also added April Underwood to the board, though the company stated that bringing Ms. Underwood on to the board was in process prior to Calvert's engagement. Meanwhile, Dentsply Sirona updated its nominations and governance committee charter to include diversity of race and gender as factors in its board member searches. In addition, the company will report annually on its progress in implementing its policy of inclusiveness.

Calvert and other institutional investors as members of the 30% (Coalition) signed and sent letters to 76 companies with

either no women or one woman on the board of directors. The Coalition advocates for diversity, inclusive of race and gender on corporate boards. Since 2012, the Coalition's institutional investors have collaboratively engaged with more than 150 companies that have appointed a woman to their boards, in many instances a woman of color, for the first time. These letters highlight the growing investor appreciation of the value of board diversity.

Working with the Coalition and engaging other companies on its own, Calvert is filing shareholder resolutions on board and employee diversity with various companies for the 2018 annual shareholders' meetings on these issues.

Calvert supported progress on labor practices by co-filing resolutions regarding minimum wage at Panera Bread, where we joined a shareholder proposal asking the board of directors to adopt principles for minimum wage reform, recognizing that a sustainable economy must ensure a minimum standard of living necessary for the health and general well-being of workers and their families. Panera's 2016 Corporate Social Responsibility Report, issued in June 2017, included a discussion of compensation and the company's efforts to augment wages and benefits.

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.

Rising inequality, and the danger it represents, is a critical challenge faced by responsible investors. Without tackling this issue, we believe the economy and society will never reach their full potential.

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. Our engagement theme for clean energy promotes clean energy and energy productivity and reduced air pollution. We seek to support investment opportunities focused on environmental sustainability and engage with companies to strengthen their values and practices on environmental protection. 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

Power Forward 3.0

Calvert, CDP, Ceres and World Wildlife Fund (WWF) published *Power Forward 3.0*, the third research report that evaluates clean energy commitments made by Fortune 500 companies, in April 2017. *Power Forward* seeks to inform companies, investors, the electric power sector, and state and federal policymakers on key trends and preferences among large corporations taking action to reduce emissions and use renewable energy. It also is intended to encourage companies in and out of the Fortune 500 to better understand the need, for and benefits of, renewable energy and emissions-



reduction commitments. The analysis we did in developing the report has helped strengthen Calvert's understanding of how and why companies make clean energy commitments, which is relevant to our investment analysis and our shareholder and public policy engagement.

This report was referenced publicly after the U.S. exited the Paris Agreement in June 2017. The *Power Forward 3.0* survey findings reflect the stepped-up climate efforts of corporate America. The Fortune 500's goals have become increasingly ambitious in recent years as more companies seek to align their climate and energy goals with science-based targets. The new Science-Based Targets initiative is calling on companies to demonstrate their leadership on climate action by publicly committing to science-based greenhouse gas reduction targets. Science-based targets utilize the best available climate science to define a company's appropriate share of emissions reduction in limited global temperatures to below 2 degrees Celsius.

Environment Shareholder Resolutions

Climate and energy issues have remained a focus of investors, companies and political bodies. These issues moved further into the mainstream of the investment field with the release of final reports and guidance by The Task Force on Climate-

related Financial Disclosures (TCFD). TCFD is a global, high-level task force of companies and investors convened by the G20 and the Financial Stability Board to help define disclosure standards for companies related to climate change, including an emphasis on forward-looking analysis.

Calvert filed shareholder proposals on energy and climate change with four companies for the 2017 proxy season after sending letters to 18 companies earlier in the year. This established productive dialogues with CenterPoint Energy, Nucor Corp. and Danaher Corp. to address their respective disclosure of energy and greenhouse gas emissions management and performance, and to encourage the companies to improve their performance and reduce their environmental footprints. We co-filed a proposal at AES Corp., a major independent power producer, asking the company to assess the business in the context of the international focus on limiting climate change warming to 2 degrees Celsius. The proposal earned 40 percent support from shareholders. Calvert will continue its engagement with corporations to encourage them to pursue energy efficiency and renewable energy targets.

Either on its own, or as part of stakeholders groups, Calvert engaged with numerous other companies in substantive dialogue on climate and energy issues during 2017, including General Electric, Republic Services, Air Products, General Motors and Ford Motor Co. Calvert also provided its perspective on energy and climate issues to companies via speaking engagements at corporate conferences and meetings, including events hosted by the National Association of Environmental Managers and AHC Group, where we spoke on improving sustainability of high-impact companies.

Calvert Global Energy Index

Corporations can play a critical role toward ensuring access to affordable, reliable, sustainable and modern energy by implementing organization-side, science-based targets for reducing emissions, and publicizing these targets as noted above. Pursuing energy efficiency and renewable energy can both reduce demand and lower costs. Calvert examines energy companies through the Calvert Global Energy Research Index, composed of companies that manage energy use in a sustainable manner or are actively engaged in facilitating the transition to a more sustainable economy through the reduction of greenhouse gas emissions and the expanded use of renewable energy sources.

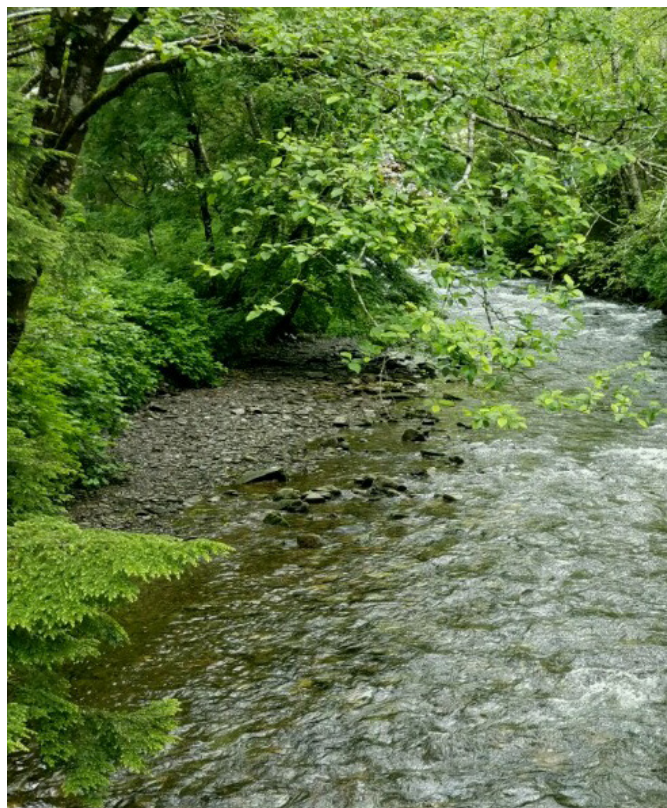


Photo by Reed Montague

As the environmental advantage of corn ethanol versus gasoline is unclear, in 2017, Calvert reduced its exposure to corn ethanol in the Calvert Global Energy Research Index.

Environmental Media Association

The Environmental Media Association (EMA) plays a vital role in inspiring others to act in ways that drive positive outcomes for the environment. Members of the EMA are innovators who understand the power of media and entertainment in the quest to inform the public about the need to protect and preserve the environment.

Calvert sponsored the EMA's 2017 Inaugural Impact Summit, which sought to bring awareness and education to the green space. Hollywood joined influential speakers, panelists and activists seeking to create positive social change in the world. John Streur gave a keynote address on investor activism and encouraged attendees to continue to make a difference in a period of unprecedented change, as they support and influence corporations to do the right thing.

In September, Calvert served as a sponsor for the 27th annual EMA awards. These awards recognize those who lead the way in increasing public awareness of environmental issues and inspire personal action on these issues through their work in the entertainment industry. These categories covered feature and documentary films, television episodic drama and comedy, and reality and children's television. John Streur is an EMA board member and served as a judge in the documentary film category. Each of the four entries in that category dealt with impacts our industrial society has on the environment and provided insight into issues that our society faces and the people making enormous efforts to address the devastation.

FAIRR Engagement

In October 2017, Calvert, in conjunction with The FAIRR (Farm Animal Investment Risk & Return) Initiative and a group of 62 global investors representing \$2.3 trillion in combined assets, signed an Investor Statement on Antibiotics Stewardship urging targeted restaurant companies to limit the use of antibiotics to therapeutic purposes only. The FAIRR Initiative provides investors with a platform to engage collaboratively with the food sector on ESG risks such as antibiotics' use in livestock supply chains. John Streur was quoted in support of the engagement with the restaurant sector to limit the use of antibiotics.

Calvert signed several investor letters in March and June to 20 restaurant companies as part of the FAIRR Initiative. By November 2017, the following outcomes to this engagement were reported:

- Nineteen out of 20 companies now have a policy or are expected to release one shortly.
- Sixteen of 20 (80%) companies now have a publicly available policy on antibiotics. This is a remarkable shift from the start of the engagement in early 2016, when only one company had a regional policy on antibiotics use.
- Of the four companies without publicly available policies, only one (U.K.-based Greene King) has a comprehensive "pharmaceutical use in agriculture" policy for supplier use only; two others (U.S.-based DineEquity and Texas Roadhouse) have committed to releasing a policy in 2017.
- Only one company – Bloomin' Brands, owner of brands such as Outback Steakhouse and Carrabba's Italian Grill – has no publicly available policy and has not indicated any plans to develop one. The company did not respond to repeated information requests from investors.

Nutrition

Calvert led a joint dialogue on behalf of a group of investors from the Interfaith Center on Corporate Responsibility (ICCR) and co-led an Access to Nutrition Index (ATNI) dialogue with CCLA in London and Canada-based NEI Investments with The Coca-Cola Company (Coca-Cola). With a new CEO taking over in 2017, the company is making some large changes and is revisiting many of its more traditional ways of conducting business. It is shifting its product lineup to better match current consumer tastes and diversifying beyond soda. Emphasis is on offering healthier options in smaller packages, sugar-free beverages and those with alternative ingredients. It is also moving beyond its traditional Coke and Diet Coke products. As a result of our dialogue, we learned that ATNI's focus on nutrition is in line with the direction the company is moving in and that Coca-Cola directly revised its responsible marketing policy as a result of prior ATNI questions, which was broadened to incorporate that the company follows the International Chamber of Commerce Code with respect to responsible marketing to all consumers. We will continue to engage with the company as part of an investor group.

UN CEO WATER MANDATE 2017 Annual Communication of Progress

Calvert supports water sustainability and the Six Core Elements of the UN CEO Water Mandate through our shareholder advocacy efforts and policymaking initiatives. We highlight our most significant impacts across the Six Core Elements – direct operations, supply chain and watershed management, collective action, community engagement, public policy and transparency and disclosure.

Calvert had five engagement themes in 2017 with companies, one of which was clean water. During the reporting period, we directly engaged with a variety of companies on how they can reduce corporate exposure to water risk and impacts to water quality.

DIRECT OPERATIONS

Investment Criteria

Calvert Principles for Responsible Investment

The Calvert Principles for Responsible Investing guide all of Calvert's responsible index investment strategies and many of its actively managed ones. Investing in accordance with the Calvert Principles is our most powerful and direct tool for reducing water-related risks and capitalizing on water-related sustainability opportunities. As one of the central Calvert Principles revolves around ideals to manage water scarcity and ensure equitable and efficient access to clean water sources for all, Calvert strives to achieve these goals directly through its investment activities. We seek companies that align with these values through the application of the Calvert Principles to the investment process to identify companies that are well-positioned not only to enhance long-term value for shareholders, but also to provide innovative solutions to critical global water problems as water becomes an increasingly scarce resource.

Calvert Global Water Research Index

Calvert believes that there is a growing need for water investment, as technologies and infrastructure to clean and deliver potable water are increasing worldwide. The necessity to update aging infrastructure throughout developed nations and create new infrastructure, particularly in developing countries, is anticipated to rise. As developed and emerging economies continue to expand, corporations' investment and upgrades to their water equipment should also continue to meet increased demand. The recent extreme weather in the United States highlights the global need for improved infrastructure, particularly with regard to freshwater supplies and emergency solutions for water treatment and filtration.

The Calvert Global Water Research Index is an embodiment of the Calvert Principles. Offering less concentrated constituents

with larger and more stable companies compared to peer indexes, the Calvert Global Water Research Index provides a comprehensive approach to investing in water that addresses both supply and demand sides of the system, recognizing that there are many firms outside the traditional water sector contributing to the alleviation of water challenges from a variety of perspectives. Through its selection criteria, the Calvert Global Water Research Index highlights leadership in water efficiency in the most water-intensive sectors, identifies premier water utilities, infrastructure, and technology providers, and rewards companies that are dedicated to improving water quality, protecting water ecosystems, implementing integrated resource management, and achieving access to clean drinking water and sanitation services. The Calvert Global Water Research Index includes stocks of companies that manage water use in a sustainable manner or are facilitating the move to a more sustainable economy. We anticipate that water investments should continue to benefit from the global need to update the world's aging infrastructure, including related areas of water treatment, waste management and technology development.

This year, we chose to eliminate coverage of the soft drink industry as a potential industry in the Calvert Global Water Research Index, as it takes a significant amount of water to produce an unhealthy product that is not aligned with the value of water. In addition, soda is typically sold in plastic bottles that are frequently thrown away rather than recycled, where they can ultimately adversely impact ocean health.

Education

Calvert's commitment to the principles of the UNGC is evident in our continued pursuit to educate and advocate for Responsible Investing within the industry.

Calvert publishes periodic articles on our website and elsewhere to generate public awareness on water and related issues, and develop industry insights and best practices for investing in water-related companies, and shares the impacts of our advocacy.

To complement Calvert's written educational efforts, Calvert staff spoke at a January AHC Group conference in Arizona on why the sustainable use of water matters in the global context and how the natural resource is financially material for companies. Additionally, Calvert described how we assess company performance on water risk and use in our subindustry models,

and provided examples of key performance indicators and corporate leaders in water stewardship.

Calvert also spoke in March to companies, investors and nonprofits at the Innovation for Sustainable Agriculture Conference in Washington, D.C. The session addressed the investor perspective on water-related risks in the supply chain for food and agribusiness companies. Calvert informed the attendees that we look for board oversight of material water risks and expect companies to conduct water risk analyses that extend throughout their value chain. We also look for companies to work with the growers in their supply chains to become more efficient in their water use.

SUPPLY CHAIN AND WATERSHED MANAGEMENT

As a responsible investor, we encourage the companies we hold 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 and Calvert's shareholder advocacy supports this belief.

Supply Chain Engagement

Calvert continued its engagement with companies in the food and agricultural sectors in 2017.

As investor interest in ESG matters increases, water has emerged as a specific area of focus for investors and companies. The World Economic Forum ranked water scarcity among the top five global risks in The Global Risks Report 2017, which catalogues the trends that global economic leaders believe are most important in shaping development during the next ten years.

Water is of particular importance for companies in the packaged foods and meats sector. SASB disclosure standards for food and agricultural products include significant emphasis on water in both manufacturing and company supply chains. Major customers, including Wal-Mart and Sisco, are asking food producers how they manage their environmental risks and impacts, further strengthening the case.

Our engagement begins with asking companies to report on their risk exposure in their own operations and supply chains, then moves on to a discussion of policies and programs to

reduce water use and impacts in their own operations and then supply chains, progressively more challenging for companies.

Calvert continued its engagement with companies in the food and agricultural sectors in 2017.

■ *Dean Foods*

Dean Foods is one of the largest U.S. producers of dairy products. Calvert played a lead role as the filer of shareholder resolution on water. We engaged via resolution in late 2014 and again in 2015. Discussions continued in 2016. The dialogue covered the company's objectives and process for reducing water use in its own facilities. Throughout, Calvert emphasized water-related risk in the company's supply chain and on the farms that produce the milk, which is a primary raw ingredient for the company's products. The company's 2017 water report to CDP demonstrates progress in these areas.

The company has the challenge of a broad supply chain with potentially thousands of farmers feeding into its manufacturing operations. Dean Foods is taking a watershed-level approach to understand risks in its own operations and intends to assess which river basins are material to its business. The company states that it will assess ecosystem health as part of this analysis. We look forward to seeing its progress in future reporting.

■ *Hormel*

Calvert co-filed a shareholder proposal at Hormel, which agreed to develop a comprehensive sustainable agriculture policy, strengthen its assessment of water risk, gather water quality data and develop time-bound goals for water quality improvements at the supplier of commodities and supplier manufacturing plants in high-risk water regions.

■ Sanderson Farms

Calvert continued its dialogue with Sanderson Farms, a large poultry producer, on water impacts in direct operations and the extent of programs with the company's contract growers and suppliers. Sanderson Farms' latest sustainability report shows evidence that it has reduced water use in its production and processing facilities and describes its wastewater treatment process. The company still has not disclosed steps it takes with contract growers or suppliers related to their water risks.

■ Other Company Engagement

Calvert has engaged in dialogue with:

- Ingredion, a manufacturer of sweeteners, starches and nutrition ingredients made from corn.
- Pinnacle Foods, a packaged food company whose products include Birds Eye.
- Bunge, a global agricultural commodities trader with a global supply chain.

In each case, we have asked about governance of water risk, progress in reducing risks and impacts in manufacturing plants and other operations, and the work the companies have done with growers and suppliers. We intend to continue to engage with these companies in the future.

Watershed Management

Calvert engaged with General Electric in 2017, where, as part of a broader dialogue on a range of ESG issues including water management performance, we asked specific questions regarding its ongoing clean-up of Superfund sites located on the Hudson and Housatonic Rivers. While the company has made significant progress in cleaning up the Hudson River, GE is still working towards full remediation. Meanwhile, it is also working with regulators to finalize its Rest of River cleanup plan to continue remediation of the Housatonic River. The company affirmed its commitment to make progress in both areas, but some questions remain about these efforts. Nonetheless, Calvert plans to continue its discussions on water and other topics with General Electric going forward.

COLLECTIVE ACTION

Calvert has a long tradition of working collectively to achieve common goals, be it initiating collaborative shareholder engagements with other ESG firms or advocating for public policy on behalf of nonprofit organizations or other relevant stakeholders.


Calvert participated in two multi-stakeholder dialogues with auto manufacturers on improving material ESG disclosures and management of key risks including water management. While Calvert can publicly talk about many engagements we participate in, sometimes, we are asked to keep them confidential and more details will likely be released by the companies in the near future.

COMMUNITY ENGAGEMENT AND PUBLIC POLICY

Calvert continues to exercise leadership in various multi-stakeholder forums to help define, advance, educate and communicate about water risk and opportunity. In 2016, we supported the Standing Rock Sioux Tribe (SRST) as it sought to protect critical water ecosystems from the pollution of potential oil and gas pipelines. In recognition of the SRST's commitment to preserve sacred lands and maintain its only source of clean drinking water, Calvert joined with investors and numerous tribal nations in calling for alternatives to the Dakota Access Pipeline (DAPL) that do not impact the SRST's water source. As part of that effort, Calvert and many other investors signed an investor statement in February that went to 17 banks over the financing of the DAPL. Thirteen of the 17 banks that participated in that original project loan to the DAPL were signatories to the Equator Principles Association

(EP Association) an environmental and social risk management framework utilized by 91 banks in 37 countries. We then collaboratively wrote directly to the EP Association in the fall to request that measures be taken to maintain the credibility of the Equator Principles (EPs) and ensure banks have the tools necessary to respond to situations like the DAPL in the future. Thus, implementing various recommendations would help better support the EP Association's efforts to improve the quality of projects financed by its members and reinforce the position as industry best practice for environmental and social risk management.

Since the earlier investor statement to banks financing the DAPL, a federal court ruled partially in favor of the SRST as it sought to protect its drinking water and ancestral lands from



the DAPL. It determined that the U.S. Army Corps of Engineers approved the DAPL without adequately considering the impacts of an oil spill on hunting and fishing rights or environmental justice.

This year, Calvert did not initiate or support any public policy issues related to water.

TRANSPARENCY

Calvert's research often sheds light into areas where companies can improve their ESG commitments. 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.

Calvert participated in a collaborative initiative coordinated by CDP and, as part of this, took the lead in writing to nine

companies encouraging climate risk disclosure and four companies encouraging water risk disclosure. Overall, the coalition reached out to 450 companies across the climate change, water and forests disclosure programs of CDP. Forty-nine of the companies this group of investors wrote to responded to CDP. Calvert reached out to an additional 11 companies on water matters in 2017, seeking to begin or continue dialogues.

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 also 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 around improving disclosure of material ESG matters. The UNGC anti-corruption principles are also represented in Calvert's 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:

The government plays a key role in business and investing by creating the regulatory and legal environment in which companies operate. Part of Calvert's engagement strategy includes working with regulators and policymakers to ensure that officials are informed about our position on critical issues. Both on our own, and as a part of larger coalitions, we make our voices heard. Issues we addressed in policy work included shareholder rights, conflict minerals and revenue transparency.

Legislation in the U.S. Congress and proposals for changes at the U.S. Securities and Exchange Commission (SEC) threaten the ability of both large and small shareholders to bring important issues forward and to be active participants in the governance of the firms held in their investment portfolios.

Calvert has worked with The Forum for Sustainable and Responsible Investment (US SIF) and the Ceres Investor Network to engage policymakers to make our position clear. Calvert will continue to track policy and regulatory developments and speak out when shareholder rights and progress on corporate sustainability are at stake.

The voice of responsible investors needs to be heard on Capitol Hill as well as in company boardrooms. Calvert will continue to engage government officials to help protect investor interests.

Conflict Minerals Rule

Calvert met with representatives to describe investor interest in the Conflict Minerals Rule, Section 1502 of the Dodd-Frank Act, as its value was challenged in 2017.

Calvert recognizes the successful role the Conflict Minerals Rule has already played in addressing the material risks many U.S. companies face in their supply chains. The rule has helped create a certification process that has fed a market for certified conflict-free minerals at a fraction of the compliance costs originally estimated, according to a credible report from Elm Sustainability Partners, an auditing firm with expertise in conflict minerals, and provided investors globally with important information regarding material human rights risks about issuers.

Exposure and contributions (even if unintentional) to human rights abuses and conflict create operational and reputational risk for companies. Companies with operations or supply chains in areas of conflict represent increased investment risk because violence may disrupt business activities, and the policy and regulatory environment is less predictable given that national and local governments are also disrupted by the conflict. The Conflict Minerals Rule has helped investors understand individual corporate exposure to these risks and the steps companies are taking to mitigate them. Calvert has incorporated this information directly into our investment research and decision-making.

In April 2017, the SEC suspended enforcement of the Conflict Minerals Rule, meaning companies will no longer need to conduct a due diligence review or an audit until the guidance on the rule has been settled. However, companies will still be required to perform Reasonable Country of Origin Inquiries (RCOIs) to demonstrate conformance to the Organization for Economic Cooperation and Development (OECD)'s Due Diligence Guidance for Responsible Supply Chains of Minerals

from Conflict-Affected and High-Risk Areas. While there have been some challenges to the regulatory landscape in the U.S., we continue to believe use of conflict minerals represents a material risk. Meanwhile, the European Union (EU) recently passed a regulation that will generally require importers of tin, tantalum, tungsten and gold (“3TG”) into the EU to establish management systems to support due diligence, conduct due diligence and make certain disclosures concerning the 3TG that they import into the EU. This rule will be effective in 2021 and will ensure that EU importers of these minerals meet international responsible sourcing standards, set by OECD; ensure that these smelters and refiners of 3TG source responsibly; help break the link between conflict and illegal exploitation of minerals; and help end exploitation and abuse of local communities, including mine workers and the support of local development.

Anti-Corruption Provision, Section 1504 of the Dodd-Frank Act

In February 2017, the U.S. Congress used the Congressional Review Act to overturn a proposed SEC rule that was a long-delayed attempt to implement Section 1504 of the Dodd-Frank Act (the Cardin-Lugar anti-corruption provision). Calvert spoke with key legislative offices in an effort to oppose the repeal of the rule. Section 1504 was intended to help investors understand a set of risks to the securities of oil, gas and mining companies ranging from volatility in commodity pricing to acute social, political and regulatory risks related to natural resource extraction in countries with poor governance. Whether it is the threat of production disruptions in the Niger River Delta, nationalization or abrupt changes of tax policy risks in Venezuela, or tenuous license to operate in Guatemala, project-specific social and political risks are becoming more significant as companies push further into the frontiers of petroleum and mineral exploration.

These business and investment risks are driven to a great extent by concerns related to government and corporate accountability and the interest of citizens to know how their nation's resource wealth is being shared. In order to increase investor understanding of extractive company exposure to these risks and to enhance governmental accountability to citizens of resource-producing countries, Calvert has advocated for regulation that would require extractive companies to disclose the payments they make to governments. While the U.S. originally led the way on this standard, parallel disclosure requirements are now on the books in the EU, Canada and Norway. Reversing course will cause the U.S. to lag what has become a global transparency standard. The SEC is mandated by Section 1504 of the Dodd-Frank Act to institute a rule and, so, must develop a new proposal. Calvert plans to continue to make the case for the value of meaningful extractives industry revenue transparency.

Disclosure

Calvert filed three shareholder proposals requesting reporting on ESG matters for the 2017 proxy season.

- We refiled proposals with health care companies Ensign Group and Acadia Healthcare. Acadia, which manages more than 500 behavioral health care facilities with the capacity to care for more than 17,000 patients, agreed to disclose sustainability information on its website. Dialogue with the company has focused on patient safety and quality of care, along with employee safety.
- Following dialogue during 2016, we filed a proposal at Texas Roadhouse, a casual dining restaurant with 86 locations as of year-end 2016. The company prioritizes its workplace culture and role in the community, though there is little disclosure to enable investor understanding of the company's approach or performance. Calvert attended the 2017 annual meeting and the company committed to produce a description of its sustainability program.
- In April 2017, electric utility OGE Energy followed through on its commitment to Calvert to strengthen its disclosure of sustainability programs including its efforts related to improving air quality, adding renewable energy to its generation mix and workplace safety.

In September 2017, Calvert wrote to 142 small companies that have limited disclosure related to material ESG matters. We have initiated conversations with some of these companies. Our letters and dialogue emphasize the growing investor interest in ESG matters, and the academic research linking ESG disclosure and performance to financial performance. For these smaller firms we highlight the focus on a small set of key performance metrics that SASB recommends for disclosure.

Calvert also worked with SASB to increase companies' sustainability disclosure across multiple industries. This increased transparency helps investors better understand the risks and opportunities presented by material ESG issues. We sent letters to nine companies during the comment period in the spring to encourage them to comment on the finalized standards. These companies included Unilever, the Walt Disney Company, ExxonMobil, Toyota Motor and Caterpillar. This facilitated introduction of SASB analysts, who then followed up directly with each company.

Proxy Voting

Calvert takes its proxy voting responsibility very seriously. As shareholders of a corporation, our clients have the right to participate in the financial growth and success of the corporation



Photo by Reed Montague

as well as the right to vote on important matters concerning the company's policies, practices and governance.

We vote according to established proxy voting guidelines, which are aligned with the Calvert Principles. These guidelines, available on our website, integrate corporate governance and social responsibility into a "sustainable governance" model. We apply these guidelines to both domestic and international holdings.

Over this past proxy season, which ran July 1, 2016 to June 30, 2017, we voted 99.6% of the time at 4,466 meetings, which

covered 44,958 proposals. Calvert voted on issues ranging from climate change and energy to board diversity and sustainability reporting. In ESG-directed proxy proposals, Calvert voted contrary to management 91.8% of the time.

All votes are posted 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.

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