

UN GLOBAL COMPACT/CEO WATER MANDATE 2019 ANNUAL COMMUNICATION ON PROGRESS

CEO STATEMENT OF CONTINUED SUPPORT

ANNUAL PROGRESS AND OUTCOMES

During 2019, Calvert Research and Management (Calvert) made progress toward achieving the goals of the UNGC and 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 Principle and discuss a variety of shareholder engagements, stakeholder partnerships, and research initiatives that Calvert has conducted to support the Principles and advance our vision of an equitable and sustainable world. The details on our progress for the UN CEO Water Mandate are also outlined in this document.

Calvert believes that sound corporate governance and overall corporate sustainability and social responsibility characterize healthy corporations. A well-governed sustainable and socially responsible 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.

In addition to direct dialogue with company management teams, Calvert believes that proxy voting can positively influence corporate behavior. Calvert casts votes on a company's shareholder resolutions based on its proxy voting guidelines and uses its voice on behalf of its shareholders to vote its proxies in a way that aligns with the Calvert Principles for Responsible Investment (Calvert Principles). Overall, Calvert voted over 4,500 proxies with over 45,000 ballot items during the 2019 voting season. We describe the number of shareholder proposals and how we voted in each of the relevant sections below.

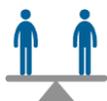
HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Assessment and Policy:

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



Equitable societies and respect
for human rights

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

Implementation and Measurement of Outcomes:

Nutrition and Lobbying

Calvert co-signed a letter to eleven food and beverage companies as part of an Interfaith Center on Corporate Responsibility investor group to share expectations on corporate lobbying and to request information about how each company ensured its lobbying activities are consistent with its position regarding health and wellness. Engagement calls were held with many of the companies once responses were received. Calvert participated as one of multiple investors on these calls in order to better understand each company's approach and practices.

Gun Violence

Calvert engaged Walmart on its position on firearms sales following an August 2019 shooting at one of its stores in El Paso. The company subsequently announced changes to its policies on gun and ammunition sales, as well its position on gun policy. The company agreed: to use its influence to argue for stronger gun safety regulations and conditions; share best practices and technology with smaller retailers to improve everyone's compliance with existing laws; request that customers not openly carry firearms into its stores, even in states with open carry laws; and stop sales of ammunition for handguns and assault weapons. In its statement announcing these changes, Walmart CEO Doug McMillon noted that, "We've also been listening to a lot of people inside and outside our company as we think about the role we can play in helping to make the country safer."

Indigenous Peoples' Rights

Calvert joined an investor submission to the Equator Principles Association, providing comments to its public review draft of the Equator Principles (EP4). We, along with other investors, supported the increased emphasis on human rights and joined in calling for increased strengthening of the rights of Indigenous Peoples as noted in the *United Nations Declaration on the Rights of Indigenous Peoples* (UNDRIP). Calvert and other investors believed the proposed Equator Principles draft (EP4) fell short of providing a strong global standard for social and environmental risk assessment in the financial sector that protects the rights of Indigenous Peoples. Several points were made where the Principles could be improved as it relates to Indigenous Peoples' rights.

Calvert had previously signed an October 2017 investor statement to the Equator Principles, which contained recommendations to improve the Equator Principles III, the current version at the time, which had been prompted in part by the Dakota Access Pipeline controversy, where 13 of 17 banks that financed that project were then signatories to the Equator Principles.

Calvert subsequently participated in a stakeholder consultation where we supported strengthening language on Indigenous Peoples' rights in the latest version of the Equator Principles. In late 2019, the

member institutions met and approved the EP4 version. We will continue to collaborate with other investors on supporting the rights of Indigenous Peoples.

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

- In favor of 12 shareholder proposals to require companies to conduct a human rights assessment (100% against management).
- In favor of five shareholder proposals requesting a company to improve its human rights standards or policies.

LABOR

Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labor;

Principle 5: The effective abolition of child labor; and

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

Assessment and Policy:

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

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

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

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

Implementation and Outcomes:

Diversity

Diversity has long been a flagship issue for Calvert, and we address this critical issue through both research and engagement. Corporate diversity is increasingly understood as having investment materiality – Calvert released research in 2019 evaluating the business case for board and senior management diversity. Our research and engagement also support the work of the *30% Coalition* the foremost U.S. investor initiative working on board diversity.

Calvert has been particularly active in encouraging companies to institutionalize a commitment to diversity, inclusive of gender, race and ethnicity, in the selection of board of director candidates. All too often qualified women are overlooked for these influential positions, while companies continue to search for candidates from their limited networks. That is why our engagement process focuses on diversifying the director selection process.

Calvert began a diversity engagement focusing on companies with less than 20% women on the board and no women among the top five executive officers. We wrote to 37 companies and had dialogue with seven. We are pursuing further engagement with another six companies by filing shareholder proposals seeking to increase representation of women and people of color on boards and in senior management.

As part of that effort, Calvert continued its engagement on diversity from prior years with small regional banks. Several companies are in the process of building out their employee engagement strategies, and have created leadership initiatives, strengthened diversity policies, and formalized diversity programs, which address hiring, training and promotional opportunities. Ultimately, success will be measured by positive change in the numbers of women and people of color in senior roles and at the board level.

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

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

- In favor of 14 shareholder proposals relating to the gender pay gap (100% of votes against management).
- In favor of four shareholder proposals to report on pay disparity (100% of votes against management).

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

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

Assessment and Policy:

Calvert believes that all corporations have an impact on the environment. Through engagements on clean energy, energy productivity, and reduced air pollution, we seek to support investment opportunities in environmental sustainability and help companies to strengthen their values and

environmental protection practices. We seek to promote and support corporate leaders that focus on the advancement of environmental sustainability and resource efficiency. The UNGC environmental principles are also represented in the Calvert Principles; specifically:



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

Implementation and Outcomes

Climate and energy

Climate change is an engagement priority that Calvert addresses in direct dialogue with companies and through collaboration with other investors. Our engagement addresses governance of climate risk, and calls on companies to reduce greenhouse gas (GHG) emissions, and invest in energy efficiency and renewable energy when suitable. Calvert does this through dialogue, filing shareholder resolutions and engaging in public policy.

Part of our engagement was under the auspices of Climate Action 100+, a global investor initiative seeking to enhance corporate governance of climate change, curb emissions and strengthen climate-related financial disclosures at companies with great opportunities to tackle climate change.

Calvert has volunteered to engage three companies as a lead and is in a co-lead or supporting role with six other companies. Our focus is on high-emitting sectors including electric utilities, construction machinery and heavy trucks, transportation, industrial machinery and consumer products.

We are leading the engagement with two electric utilities that are working to transition their electricity generation fleets away from coal and toward natural gas and renewable energy. Both of these companies have made commitments to reduce GHG emissions in line with climate science. Calvert's engagement seeks to understand how their investments and business strategies align with a low-carbon economy. In that regard, we are asking these companies to conduct climate risks scenario analyses – and we are calling on them to align their public policy and lobbying practices with their stated sustainability priorities.

We are also continuing our long-term engagement with a trucking manufacturer. The company issued its first report to the Carbon Disclosure Project (CDP) at Calvert's request several years ago and has continued to strengthen its management of climate risk and opportunity. The company earns high marks from CDP for its climate disclosure and demonstrates that it is integrating climate transition risk into its business strategy. The company has reduced greenhouse gas emissions in operations and products and we expect it to set a Science Based Target for GHG emission reductions in the near future, including for product emissions.

Calvert filed one shareholder resolution with a utility company requesting an increase of its targets on renewables. We are currently in the process of engaging with this company.

Calvert also continued prior engagement with a group of companies on climate and energy issues. In addition, we began a new engagement with a freight company on climate risk management.

Proxy Votes on Climate Change:

In 2019, Calvert voted various shareholder proposals on proxy ballots related to climate change.

During the Reporting Period, on shareholder proposals related to climate change, Calvert voted:

- In favor of six shareholder proposals to require companies to create a report on climate change.
- In favor of 10 shareholder proposals regarding GHG emissions.
- In favor of two shareholder proposals to establish an environmental or social issue board committee

Public Policy Actions and the Environment

In October 2019, Director of Corporate Engagement John Wilson testified before the Senate Committee on Environment and Public Works Subcommittee on Clean Air and Nuclear Safety on the subject of "Reducing Emissions While Driving Economic Growth: Industry-led Initiatives." He discussed the importance of mitigating the potential effects of climate change on investment returns and outlined how Calvert seeks to manage exposure to these risks. In addition, he discussed how a carbon tax or similar policy signal could allow investors to better quantify the economic implications of climate change on investments and more efficiently allocate capital to investments suitable for the low-carbon economy. He urged the Committee to support legislation that will allow key economic actors to rapidly scale existing efforts to address the significant risks posed by climate change.

Calvert Global Energy Research Index

Corporations can play a critical role in ensuring access to affordable, reliable and sustainable energy by implementing science-based targets for reducing emissions, and publicizing these targets as noted above. Pursuing energy efficiency and renewable energy can both reduce demand for energy and lower costs. The Calvert Global Energy Research Index consists 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.

ANTI-CORRUPTION

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

Assessment and Policy

Corruption can be insidious and an obstacle to economic and social development around the world. It can pose significant legal and reputational risks. Corruption can also cause inequality and increase poverty, particularly in certain countries. When companies follow good governance practices, they are less likely to face corruption issues. Therefore, Calvert recognizes the importance of anti-corruption

issues along with broader governance issues. This year, in addressing disclosure, we have been particularly engaged with improving disclosure of financially material environmental, social and governance (ESG) matters. The UNGC anti-corruption principles are also represented in the Calvert Principles, specifically:



Accountable governance and transparent operations

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

Implementation and Outcomes

Sustainability reporting

Publishing a robust sustainability report can help to demonstrate a company's awareness of business risks and opportunities as well as its programs to manage its exposure. As companies strive to translate the concept of sustainability into practice and measure their performance, this has created a growing demand for broadly accepted sustainability performance indicators and reporting guidelines.

In April 2019, Tesla published its first-ever "Impact Report" addressing product impact, operational impact, supply chain, and employees and culture. During 2017 and 2018, Calvert and Lily Bowles, a private investor, engaged Tesla in dialogue and filed a shareholder proposal calling for the company to report on the company's material ESG issues and the management of those issues. As part of these discussions, Tesla informed us that it was already in the process of developing such a report. As shareholders, we provided input on the most important issues to include in such a report and ultimately withdrew the proposal based upon the company's willingness to move forward with ESG reporting. We are pleased to see Tesla take this important step toward transparency.

Calvert had dialogue with several other companies about ESG disclosure broadly. As an active member of the Investor Advisory Group of the Sustainability Accounting Standards Board (SASB), Calvert engaged three companies to encourage disclosure to SASB standards.

Proxy Votes on Sustainability Reporting:

As companies strive to translate the concept of sustainability into practice and measure their performance, the result has been a growing demand for broadly accepted sustainability performance indicators and reporting guidelines. Calvert ordinarily supports proposals asking companies to prepare sustainability reports, and will ordinarily support proposals requesting that companies conduct social and/or environmental audits of their performance. Calvert voted in favor of three shareholder proposals to request companies to provide a report on sustainability (all three against management).

Public Advocacy

In April 2019, CEO John Streur testified before the Senate Committee on Banking, Housing, and Urban Affairs on the subject of “The Application of Environmental, Social, and Governance Principles in Investing and the Role of Asset Managers, Proxy Advisors, and Other Intermediaries.” The forum offered an opportunity to address how ESG investment strategies have evolved in recent years and to discuss public policy and regulatory matters relevant to our industry. In his testimony, he discussed those topics and outlined the business case for incorporating ESG considerations into the investment process. He also noted how corporate disclosure standards have evolved over time, and how when it comes to the issue of standardizing disclosures related to ESG risk factors, the United States could go further to ensure our capital markets continue to remain competitive relative to other developed economies around the globe. Finally, he provided insight into how Calvert conducts its structured engagement and how we use products and services provided by proxy advisory firms.

Calvert and Proxy Voting

Calvert’s proxy voting guidelines, available on our website, outline our approach to voting on critical ESG issues facing corporations. Proper governance is foundational to corporate success; some governance structures by their very nature weaken accountability, while others are better suited to create accountability of management to the board and of the board to shareholders. Calvert’s proxy voting guidelines support governance structures and policies that keep the focus of company management on long-term corporate health and sustainable financial, social and environmental performance. We also believe in the importance of disclosure and transparency and, as such, post all votes to our website within 72 hours of being cast and, in almost all cases, in advance of the meeting so our clients and the general public can easily see how we voted.

Furthermore, we appreciate that issues brought to shareholders may change over time, as both investors’ concerns and rules governing inclusion of specific items in corporate proxies change. Corporate governance laws and best practice codes are continuously evolving, worldwide. We have constructed our guidelines to be both general enough and sufficiently flexible to adapt to such changes, and we periodically update them to reflect evolving norms.

During the 2018–2019 proxy season (“reporting period”), Calvert voted 907 shareholder proposals on behalf of the Calvert Funds. Calvert voted against management on shareholder proposals 51% of the time.

The top three categories of shareholder proposals on which Calvert voted during the reporting period were: director-related (44%), business matters (16%) and miscellaneous (11%). Although most of the director-related proposals pertained to board composition (27%), shareholder voting rights and a auditor

concerns were also popular issues. With respect to business-mattershareholder proposals, 41% of the votes related to requiring an independent board chair with charter amendment proposals following closely behind. Lastly, 64% of the miscellaneous shareholder proposals related to political contributions or lobbying disclosure, and 21% related to reporting on employment diversity and the gender pay gap. Additionally, 10% of the shareholder proposals that Calvert voted during the reporting period related to health and environmental issues, including climate change, greenhouse gas (GHG) emissions and phasing out nuclear facilities.

Proxy Votes and Independent board of directors: Many proxy votes relate to the composition of a company's board of directors. One key topic is independence. In our view, a majority of the board should be composed of independent directors. In addition, key committees — including the audit, compensation, and nominating and/or governance committees — should be composed exclusively of independent directors. These directors should not have a material financial or personal relationship with the company or any of its managers that could compromise the objectivity and fiduciary responsibility to shareholders. Calvert voted in favor of shareholder proposals requiring an independent board chair on 98.3% of the 60 resolutions it voted.

Proxy Votes on Political action committees and political partisanship: Calvert believes that shareholders have the right to know how corporate assets are being spent in furtherance of political campaigns, social causes or government lobbying activities. Companies are required to make such disclosures pursuant to federal and state law, but this information is often not readily available to investors and shareholders. Moreover, corporate lobbying activities and political spending may at times be inconsistent with or actually undermine shareholder and stakeholder interests that companies are otherwise responsible to protect. Calvert voted in favor of 38 shareholder resolutions requesting that companies disclose political contributions (100% against management).

CEO WATER MANDATE

Calvert supports water sustainability and the Six Core Elements of the UN CEO Water Mandate through our corporate engagement efforts and our investment criteria. 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.

DIRECT OPERATIONS

Investment Criteria

Calvert Principles for Responsible Investment

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

Calvert Global Water Research Index

Calvert believes that there is an attractive opportunity for investing in water, as spending globally in technologies and infrastructure to clean and deliver potable water are increasing worldwide. The need to rehabilitate aging infrastructure throughout developed nations and to create new infrastructure, particularly in developing countries, is on the rise. Corporations are also actively working to mitigate their water risks by investing in and upgrading their processes to ensure that their water supply is sustainable and water quality meets standards. This further presents opportunities for technologies and products that create water efficiencies for consumers and businesses. The recent extreme weather globally only reinforces this need for investment in a adaptation and resilience of water infrastructure and water technologies.

The Calvert Global Water Research Index (Index) consists of companies along the water value chain. Offering more diversification relative to other water indexes, the Calvert Global Water Research Index consists of companies that address both supply and demand sides of the system, recognizing that there are many firms outside the traditional water sector actively addressing global water challenges. Through its index methodology, 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 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. We believe that water investments, such as those included in the Index should continue to benefit from the global need to update the world's aging infrastructure as well as expand access to water through new infrastructure, particularly in areas of water treatment, waste management, and technology development.

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. We publish 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. Additionally, we share the impacts of our advocacy. In 2019, Calvert published four articles about water on its blog and added a series of posts around World Water Day. We also contributed to the MMI/Morningstar Sustainable Investing Initiative Curriculum module that discussed water scarcity and its implications for investors, among other water-related topics.

SUPPLY CHAIN AND WATERSHED MANAGEMENT

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

Over the last year, Calvert continued to engage agricultural companies about water risk. We led engagement with a large packaged food company on water risk in its agricultural supply chain. This is part of a broader investor engagement under the auspices of the UN PRI, including 36 investors with US\$ 5.9 trillion in assets under management engaging 15 apparel, food and beverage, and agricultural products companies. The company published a list of its priority agricultural commodities, which will be the basis for further work to understand and address water risks in its supply chain through supplier standards and certified sustainably sourced commodities.

The collaborative PRI engagement has ended, but Calvert will continue the engagement with the company on its own, expanding the dialogue to address supply chain sustainability with a focus on agricultural commodities that are most important to the business.

COLLECTIVE ACTION

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

Calvert continued its climate related engagement with two electric utilities and a major transportation company, and played a leading role in the dialogues with three other companies. The engagement is part of Climate Action 100+, a five-year, investor-led initiative to engage with the world's largest corporate greenhouse gas emitters to curb emissions across the value chain, strengthen climate-related financial disclosures, and improve governance of climate-related risks that may affect companies.

COMMUNITY ENGAGEMENT AND PUBLIC POLICY

While Calvert considers community engagement and public policy important issues to address, we did not address any community engagement or public policy issues related to water in 2019.

TRANSPARENCY AND DISCLOSURE

Calvert's research often sheds light on 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. Our engagements related to water for 2019 are highlighted above.

Proxy Voting on Water: As noted above, Calvert publishes its proxy votes within 72 hours of voting. Among the many shareholder proposals that it voted during the 2019 proxy season, there were a few specifically on water. We voted in support of one proposal that assessed environmental and community impacts from siting and manufacturing facilities and use of water and in support of two proposals on reports on public health risks of petrochemical operations in flood prone areas.

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