

September 15, 2009

**Via electronic delivery: rule-comments@sec.gov**

Ms. Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: File No. S7-13-09

Dear Ms. Murphy:

We are writing on behalf of Calvert Group, Ltd. (Calvert)<sup>1</sup> to provide comments on the Securities and Exchange Commission (Commission) Rule Proposal on “Proxy Disclosure and Solicitation Enhancements.” Calvert endorses the Commission’s efforts to enhance compensation and corporate governance disclosure. Enhanced disclosure of a company’s compensation policies, director and nominee qualifications, leadership structure, and the board’s role in the risk management process, will positively contribute to the investor’s most fundamental shareholder right - the proxy vote, and is important to restoring investor trust in corporate boards.

Our comments on several of the proposed rule amendments underscore the need for increased disclosure on compensation policies, rudimentary disclosure on board diversity (in the context of the disclosure of the qualifications of the entire board) and company leadership structure, and the timely reporting of voting results.

**Compensation Disclosure:** Compensation policies, from the executive offices to the shop floor, are important components of how companies recruit, motivate and retain employees. How a company manages its relationships with its workforce has a direct impact on the health of a company. Therefore, we support the Commission’s proposal that companies disclose to shareholders the general design and philosophy of the company’s compensation policies for employees, as well as the risk assessment or incentive considerations, if any, in structuring compensation policies or in awarding and paying compensation. Keeping shareholders abreast of changes and potential risks as posed by developments in these areas also is good governance. Further, if companies choose not to disclose risks related to compensation, they should be required to state that their compensation policies are not expected to have a material effect on the company.

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<sup>1</sup> Calvert is a financial services firm that offers mutual funds and separate accounts to institutional investors, retirement plans, financial intermediaries and their clients. We offer more than 50 equity, bond, cash, and asset allocation investment strategies, many of which feature integrated corporate sustainability and responsibility research. Founded in 1976 and based in Bethesda, Maryland, Calvert has approximately \$14 billion in assets under management.

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Equally important to shareholders, is having the ability to analyze how pay practices across a company compare between top executives and line employees. Run-away executive pay has concerned shareholders for many years, and the current financial crisis has heightened scrutiny of executive pay practices. Sectors under distress during the crisis, including financial services, automotive manufacturing and airlines, have illustrated how stakeholders beyond shareholders, seek to hold executives accountable and to ensure that the executives are sharing the burden of reigning in costs and restructuring. However, assessing these matters should not be an exercise borne out of turmoil, but routine. Good shareholder and labor relations are key ingredients to a winning business plan and should be a matter of regular disclosure. Therefore, companies should discuss how the spread between pay across major classifications of employees could pose risks, including employee, customer and shareholder discontent, by discussing peer data and policies in these areas and offering comparisons and analysis.

**Enhanced Director and Nominee Disclosure:** Calvert supports the Commission’s proposal requiring the disclosure of the qualifications of directors and nominees, past directorships held by directors and nominees, and expanding the time frame to ten years for the disclosure of legal proceedings involving directors, nominees and executive officers. This level of disclosure, with the expansion of the information required about individual directors to include a description of their particular experience, qualifications, attributes and skills that qualify them to serve as a director, will allow investors to better understand the qualities of those that represent (or propose to represent) their interests in the company.

**Disclosure of Board Diversity:** Diversity is a critical attribute to a well functioning board and an essential measure of good governance. In an increasingly complex global marketplace, the ability to draw on a wide range of viewpoints, backgrounds, skills, experience and expertise internally increases the likelihood of making the right decisions. Director and nominee diversity that includes race, gender, culture, age, and geography helps to ensure that different perspectives are brought to bear on issues, while enhancing the likelihood that proposed solutions will be nuanced and comprehensive.

Leading companies are those that include a specific mention of diversity in race and gender in their director selection criteria and consider candidates from non-traditional areas. Further, companies should ensure that every time a slate of directors is selected, qualified women and minority candidates are included as part of the pool from which they are chosen. We encourage the Commission to require companies to disclose whether they consider diversity in the nomination of director nominees. Such disclosure would give investors confidence that nominating committees are searching beyond the traditional circles to consider fresh and independent viewpoints. It is

necessary for companies to disclose director and nominee race/ethnic and gender representation data. Representation data has been long sought by investors to make more knowledgeable voting decisions and evaluate the entire board composition. Investors need this additional disclosure to properly assess the makeup of boards and formulate comparisons across companies, highlighting boards with no diversity. This, in turn, likely would have an impact on the overall status of board diversity.

Reflecting on Calvert’s own experience in this area, recognizing the importance of diversity to corporate boards and the role that charter language plays in institutionalizing that commitment, Calvert has been active in promoting the addition of diversity in race and gender to director selection criteria. With the passage of the Sarbanes-Oxley Act of 2002, Calvert sought to increase the presence of women and minorities on corporate boards. Accordingly, Calvert introduced a model nominating committee charter for corporate boards that would ensure the proper representation of diverse candidates among the pool from which nominees were chosen.<sup>2</sup> We continue to push for an institutionalization of this process, so boards move more quickly from what is often seen as the token woman or minority director to more fully inclusive representation. To date, Calvert has filed shareholder resolutions with over 40 companies, the majority of which have been “successfully withdrawn” when companies have either amended their charters to include diversity and/or appoint women or minorities to their boards. Further, as we are confident that diversity in the boardroom is good governance, our proxy voting process includes voting against slates of directors with no gender or racial diversity.

**Company Leadership Structure:** The disclosure of a company’s leadership structure and an explanation of why the company believes it is the best structure for it, along with additional disclosure about the board’s role in the company’s risk management process, is meaningful information that should be communicated to investors. A company’s reasoning behind their chosen form of leadership - either separating the roles of chairman and CEO, appointing an independent lead director, or proceeding without either - is valuable information for investors. Further, Calvert believes that additional disclosures including the specific duties performed by the board’s chair and/or independent lead director will help investors evaluate if a company’s chosen leadership structure is the best fit for its shareholders and if the board members are adequately fulfilling their duties.

In addition, Calvert supports the proposal that a registered investment company disclose whether the board chair is an “interested person” as defined under the Investment Company Act of 1940. We appreciate that the disclosure of whether a board chair who is an interested person (as is the case for several of the Calvert registered investment companies (RICs)) has a lead independent director, and if so,

<sup>2</sup> We attach Calvert’s model charter as [Appendix A](#) for your reference.

what specific role the lead independent director plays in the leadership of the RIC, will provide further needed transparency for investors about how individual boards function.

**Reporting of Shareholder Voting Results:** Calvert supports transferring the requirement to disclose vote results from Forms 10-Q and 10-K to Form 8-K within four days of an annual or special meeting. The speedier disclosure of votes would allow investors a more timely analysis of key vote results and would be a very welcome and necessary change to the *status quo* of having shareholders wait (at times for months after the meeting) to receive notice of the vote results. Companies often have these results the same day of the meeting and shareholders deserve to receive timely reporting of the final vote.

\* \* \*

Many of the issues touched upon by in the Rule Proposal speak to broader sustainability risks confronting companies and their shareholders. Environmental, social and governance (ESG) practices are a prime example. In July, the Social Investment Forum sent a proposal to the Commission seeking revisions to current rules to make ESG disclosure mandatory for companies, using comparable sustainability indicators based on the Global Reporting Initiative's guidelines in annual reports and of sustainability risks material to shareholders in the management disclosure and analysis (MD&A) portion of 10-K filings. While we do not believe this broader request should be built into the Commission's current proposed rule amendments, we encourage the Commission and its staff to continue to investigate and eventually propose rule changes in this area.

In closing, the current level of disclosure limits investors' ability to properly assess director nominees and board composition, and that additional disclosure with regard to compensation practices, board member qualifications such as in the area of board diversity, board structure, and voting results, as proposed, is critical to restoring investor confidence. The Rule Proposal disclosure requirements provide necessary transparency and clarity to investors about a company's compensation and governance practices, which then translates into a better informed voting and investment decision-making process.

Sincerely,

/s/ William M. Tartikoff

William M. Tartikoff  
Senior Vice President and  
General Counsel

/s/ Ivy Wafford Duke

Ivy Wafford Duke  
Assistant Vice President  
and Deputy General Counsel

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## APPENDIX A

### **Nominating Committee Model Charter Language on Board Diversity Guidelines for creating an inclusive board**

#### **Introduction**

Calvert’s goal in developing model charter language on board diversity is to give companies a means to formalize their commitment to an independent and inclusive board. We have taken the approach of suggesting language appropriate for different sections of a Nominating Committee Charter, based on the style and approach of the Board to the Charter construction. For ease of reference, we have included in bold below a suggested table of contents for a Nominating Committee Charter. We have indicated under which heading Calvert’s model language onboard diversity may be inserted.

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#### **I. PURPOSE**

- (1) The Board believes that diversity is an important attribute of a well-functioning board. It is the responsibility of the Nominating Committee to recommend for selection qualified candidates to serve as directors of the Company. Among the responsibilities of the Nominating Committee shall be to advise the Board on matters of diversity including race, gender, culture, thought and geography; and recommend, as necessary, measures contributing to a Board, that as a whole, reflects a range of viewpoints, backgrounds, skills, experience, and expertise.

#### **II. ORGANIZATION**

*(Company to provide information)*

#### **III. COMPOSITION OF THE COMMITTEE**

*(Company to provide information)*

#### **IV. MEETINGS AND PROCEDURES OF THE COMMITTEE**

*(Company to provide information)*

#### **V. GOALS AND RESPONSIBILITIES**

- (2) The Nominating Committee shall develop a set of criteria for Board, membership that strives to attain a diversity of background and skills for the Board. The Committee shall also create a search protocol that seeks qualified Board candidates from, among other areas, the traditional corporate environment, government, academia, private enterprise, non-profit organizations, and professions such as accounting, human resources, and legal services.

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- (3) In the process of searching for qualified persons to serve on the Board, the Nominating Committee shall strive for the inclusion of diverse groups, knowledge, and viewpoints. To accomplish this, the Committee may retain an executive search firm to help meet the Committee’s diversity objective as well as form alliances with organizations representing the interests of women and minorities. In connection with its efforts to create and maintain a diverse Board, the Nominating Committee will:
- (a) Develop recruitment protocols that seek to include diverse candidates in any director search. These protocols should take into account that qualified, but often overlooked, candidates may be found in a broad array of organizations, including academic institutions, privately held businesses, nonprofit organizations, and trade associations, in addition to the traditional candidate pool of corporate directors and officers.
  - (b) Strive to use, to their fullest potential, the current network of organizations and trade groups that may help identify diverse candidates.
  - (c) Periodically review director recruitment and selection protocols so that diversity remains a component of any director search.
- (4) The Nominating Committee shall seek diverse populations, expertise, and viewpoints for representation on the Board. The Board recognizes, however, that the representation of specific groups may vary over time.

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## **VI. INVESTIGATIONS AND STUDIES: OUTSIDE ADVISERS**

*(Company to provide information)*

## **VII. PERFORMANCE EVALUATIONS**

- (5) The Nominating Committee shall periodically review Board composition to ensure that the Board reflects a balance of knowledge, experience, skills, expertise and diversity, including racial and gender diversity required for the Board to fulfill its duties.