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July 21, 2016

Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100F Street, NE
Washington, DC 20549-1090

Re: Release No. 33-10064; 34-775599; File No. S7-06-16 Business and Financial Disclosure Required by Regulation S-K

Dear Mr. Fields:

I am writing to share the comments of Calvert Investment Management, Inc. (Calvert) regarding the Concept Release on Business and Financial Disclosure Required by Regulation S-K. Calvert applauds the U.S. Securities and Exchange Commission (Commission or SEC) for soliciting public input on current corporate disclosure practices to ensure investors are provided with the necessary information to make informed investment decisions specifically concerning the disclosure of public policy and sustainability issues. We appreciate the Commission's ongoing efforts on this important topic and the opportunity to provide our comments below.

Calvert, based in Bethesda, MD, provides investment advisory and sustainability research services for the Calvert mutual funds and institutional clients. Calvert has more than $12 billion in assets under management as of July 20, 2016. As a responsible investor, Calvert seeks to invest in companies that demonstrate leadership in their business operations and corporate policies, including those that will affect future generations, while producing competitive investment returns.

The foundation of our investment process is the Calvert Research System. This proprietary research platform synthesizes information from a variety of sources, such as industry data, company information, proprietary research and analysis, and public trend reports to evaluate core environmental, social and governance (ESG) factors for companies at the GICS sub-industry level, focusing on those metrics that Calvert believes are materially linked to corporate financial performance and stock price. Our expert staff then applies an integrated decision-making process that compares companies across both financial and sustainability indicators. This rigorous process ensures Calvert follows its stated mission to deliver long-term performance along with a positive societal impact.

Based on our 30 years of experience, Calvert believes improvements to corporate material sustainability reporting in SEC filings are essential, as investors need this information to make informed decisions. Corporate disclosure practices on this set of information vary greatly among companies and industries, limiting the use of comprehensive non-financial material information in our investment decisions. Our comments on the Concept Release focus on sustainability disclosure and respond to questions 216 – 223 in section IV(F) *Disclosures on Information Relating to Public Policy and Sustainability Matters*. We specifically provide input on the importance of adequate sustainability and policy disclosures including practices related to climate change and diversity, and helpful references for drafting a framework or guidance document; the utility of line-item disclosure requirements and mitigation of regulatory burden; and the value of external sustainability reports and integrated reporting.

I. Importance of Adequate Sustainability and Public Policy Disclosures

Comments regarding questions 216, 223

As discussed above, Calvert believes the disclosure of sustainability practices, policies, and key performance indicators including ESG data is critical for investors to make informed investment and proxy voting decisions. Some examples of these key issues include workplace safety, board and workplace diversity, environmental management systems, corporate political spending, human rights, and natural resource efficiency. Numerous studies confirm the value of including non-financial data in investment decision-making and company performance.[1, 2] Therefore, we recommend that the Commission require registrants to report annually in SEC filings on a uniform set of sustainability factors that include both universal and industry-specific indicators.

The Commission should review the following sources to identify relevant sustainability issues and existing frameworks related to public policy and sustainability disclosure:

- **Sustainability Accounting Standards Board (SASB):** The SASB materiality standards provide focused industry guidance on material ESG issues from an accounting perspective.[3] SASB's materiality standards are available for 79 industries and were developed using the definition of "materiality" under the U.S. securities laws. The industry frameworks developed with the involvement of market participants provide valuable guidance to both companies and investors in regard to the specific ESG issues that are most relevant by industry.

- **Global Reporting Initiative (GRI)**: GRI's Sustainability Reporting Standards provide a framework of ESG issues that are included in corporate sustainability reports.[4] GRI is helpful in demonstrating how sustainability disclosures can be understood alongside financial disclosures to provide a more comprehensive perspective on risk. GRI is also valuable as it provides guidance on new and emerging issues.

- **World Federation of Exchanges (WFE)**: As an organization representing financial exchanges, which are quasi-regulatory bodies, the WFE's work on ESG disclosure is indicative of the growing investor demand for sustainability information. WFE's October 2015 Exchange Guidance and Recommendations (Guidance) document[5], developed by WFE's Sustainability Working Group, reflects investor input on the substance and form of ESG information that is relevant to investment

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[1] Gunnar Friede, Timo Busch & Alexander Bassen (2015) ESG and financial performance: aggregated evidence from more than 2000 empirical studies, Journal of Sustainable Finance & Investment, 5:4, 210-233, DOI: 10.1080/20430795.2015.1118917, available at http://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917. After reviewing the findings of 2200 individual studies, the authors concluded that "the large majority of studies" found a positive relationship between ESG and corporate financial performance.

[2] Kahn, M., Serafeim, G., Yoon, A., Corporate Sustainability: First Evidence on Materiality, Harvard Business School Working Paper Summary, March 24, 2015, available at http://hbswk.hbs.edu/item/corporate-sustainability-first-evidence-on-materiality. The authors found that companies with good performance on material ESG issues significantly outperformed peers with poor performance on these issues. Further, companies experienced even higher returns when they concentrated their sustainability efforts on material sustainability factors.

[3] Sustainable Accounting Standards Board, information available at www.sasb.org/.

[4] Global Reporting Initiative, information available at www.globalreporting.org/Pages/default.aspx.

[5] World Federation of Exchanges, Sustainability Working Group, *Exchange Guidance & Recommendation – October 2015,* available at http://www.world-exchanges.org/home/index.php/files/18/Studies%20-%20Reports/287/WFE%20ESG%20Recommendation%20Guidance%20and%20Metrics%20Oct%202015.pdf.

processes. It lists 34 ESG key performance indicators that serve as guidelines for exchanges to incorporate into their disclosure policies for listed companies across all industries and companies.

SEC staff would also benefit from closely reviewing materials prepared by: CDP (formerly the Carbon Disclosure Project), International Integrated Reporting Council (IIRC), Ceres, Climate Disclosure Board, UN Guiding Principles, Institutional Investors Group on Climate Change (IIGCC), Investor Group on Climate Change (IGCC), and Task Force on Climate-Related Financial Disclosures (TCFD).[6]

In addition, in order to further support meaningful ESG disclosure for material sustainability issues, we recommend that the Commission expand staff training related to ESG issues and increase feedback to issuers, including through issuing comment letters, guidance, public speeches, and administrative and enforcement proceedings.

a. Discussion of Specific Sustainability Issues

Calvert would like to provide additional feedback on two specific corporate sustainability issues and related disclosure practices. First, we focus our comments on the current SEC guidance and corporate disclosure language related to climate change risk, as requested in the *Concept Release* question 223. Second, we highlight the importance of transparent diversity disclosure. Calvert continues to find an increasing trend of corporate diversity commitments from the board to the workplace, with more companies including specific diversity objectives into their corporate strategy.[7] However, there are still many disclosure gaps, which we highlight below. It is important to reiterate that Calvert believes comprehensive ESG disclosure covering all sustainability issues is crucial to making informed investment decisions, and these two select topics reflect areas where Calvert can provide additional guidance.

Climate Change: Calvert regards the 2010 Interpretive Guidance on climate risk disclosure as a positive step towards a more complete understanding of corporate risk. While this guidance is adequate, overall enforcement has been a low priority for the Commission, thus allowing issuers to provide insufficient information for investors to incorporate into investment decisions and proxy voting.[8] Many firms include boilerplate language in their annual filings to meet the requirement, rather than a full assessment of climate change risks.[9] We encourage the Commission to require specific climate change-related line-item disclosure, similar to the guidance provided by GRI/CDP for reporting quantifiable targets and progress updates, along with comprehensive, company-specific narratives of climate-change related risks. These disclosures could be designed and promulgated on an industry-basis, focusing on those sectors where investor concerns are increasingly common (e.g., oil and gas, electric power, transportation, infrastructure).

[6] CDP information available at www.cdp.net/en-US/Pages/HomePage.aspx, International Integrated Reporting Council information available at www.integratedreporting.org/, CERES information available at www.ceres.org, Climate Disclosure Board information available at www.cdsb.net, UN Guiding Principles information available at www.ungpreporting.org/, Institutional Investors Group on Climate Change information available at www.iigcc.org, Investor Group on Climate Change information available at www.igcc.org.au, Task Force on Climate-Related Financial Disclosures information available at www.fsb-tcfd.org.

[7] Calvert Investments, *Examining the Cracks in the Ceiling: A survey of Corporate Diversity Practices of the S&P 100*, March 2015 Supplement, available at http://www.calvert.com/nrc/literature/documents/2015DiversityReport.pdf.

[8] U.S. Government Accountability Office, *Supply Chain Risks: SEC's Plan to Determine if Additional Action is Needed on Climate-Related Disclosure Have Evolved,* January 2016, available at http://www.eenews.net/assets/2016/02/08/document_pm_01.pdf.

[9] *Ibid.*

Diversity: Calvert recommends that the SEC include disclosure requirements regarding diversity, both within the workplace and on the board. Elements of the disclosure should include: 1) A discussion of efforts to improve the diversity of the board and disclosure of whether or not the board has a policy to ensure that qualified minority and female candidates are included in the pool from which board nominees are selected; and 2) Transparency on workforce diversity and pay equity metrics and practices, including EEO-1 data, policies to ensure pay equity, and a breakdown of the highest paid employees as a percentage based on gender, race, and ethnicity.

Calvert believes companies that fully commit to providing a fair and equitable working environment will recognize gains in both the workplace and marketplace. Numerous studies have linked improved diversity and human capital initiatives with positive financial performance. A 2015 study surveying 92 empirical studies that reviewed the linkage between human capital practices and financial outcomes found that there is "sufficient evidence of human capital materiality to financial performance."[10] Further, a 2014 Credit-Suisse Research Institute study found that greater gender diversity in senior management positions "improves companies' financial performance and makes a difference for investors in terms of equity market returns" and that firms with women on their boards had a higher return on equity.[11]

We highlight the Calvert Women's Principles[12] as a diversity resource for the SEC. The principles, developed in 2004 (which have since been adapted by the United Nations as the Women's Empowerment Principles and endorsed by more than 1,000 companies globally), provide companies with a set of standards against which they can measure their progress, while offering investors a set of tools they can use to assess corporate performance on gender equality issues. The principles cover the following topics: (i) employment and compensation, (ii) work-life balance and career development, (iii) health, safety, and freedom from violence, (iv) management and governance, (v) business, supply chain, and marketing practices, (vi) civic and community engagement, (vii) and transparency and accountability.

II. Utility of Line-item Disclosure and Mitigation of Regulatory Burden

Comments regarding questions 217, 219, 220, 221, 222

Calvert supports line-item disclosure that is supplemented by a narrative in order to allow investors to assess company risks. We do not believe that line-item disclosure would result in the reporting of "non-material" information. In Section I of these comments, we list organizations that provide useful information for the SEC to consider in the development of additional requirements or guidance. Further, to ensure flexibility for smaller reporting companies (SRC), we support the implementation of a phased-in approach for SRC compliance to help reduce costs, but we believe it is important to require transparent and consistent disclosure similar to other companies within their respective industries.

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[10] Bernstein, A. and Beeferman, L., *The Materiality of Human Capital to Corporate Financial Performance*, IRRCi and Harvard Law School Labor and Worklife Program Working Paper, April 2015, available at http://www.law.harvard.edu/programs/lwp/pensions/publications/FINAL%20Human%20Capital%20Materiality%20April%2023%202015.pdf.

[11] Credit Suisse Research Institute, *The CS Gender 3000: Women in Senior Management*. Sept. 2014, available at https://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=8128F3C0-99BC-22E6-838E2A5B1E4366DF

[12] Calvert Investments, Calvert Women's Principles, 10th Anniversary Report: Past, Present, and Future. Nov. 2014, available at http://www.calvert.com/NRC/Literature/Documents/BR10089.pdf.

In instances where registrants do not have material information for line-item disclosure requests, the Commission should consider implementing a comply-or-explain framework. This approach has been widely adopted in the European Union (EU) for standards related to corporate governance matters. Under this framework, registrants are not required to respond to each line-item disclosure request if they provide a reason for non-disclosure. The comply-or-explain approach in the EU is generally used in instances where a company is not complying with a specific standard or rule (e.g. a requirement to implement a board diversity policy[13]); however, this approach could be adapted for line-item disclosure requirements (e.g. explain why disclosure is not appropriate for that specific line-item request and/or narrative).

While additional regulatory requirements could lead to increased administrative burden and cost on the registrants, these costs would be outweighed by realized benefits. Studies have found that reporting and managing sustainability issues help companies mitigate risks and identify opportunities. A series of white papers published as part of the Calvert-Serafeim Series[14] found that strong management of material ESG issues has a positive impact on a company's financials in terms of revenues, costs, and the cost of capital.[15]

In *The Role of the Corporation in Society: Implications for Investors*, the authors outline different mechanisms by which ESG practices contribute to the financial performance of a company. These mechanisms include, operational efficiency, protection of brand value, employee engagement, revenue growth due to new products and customer loyalty, and lower cost of capital. [16] Similarly, WFE's 2015 Guidance document enumerates the value of reporting on sustainability metrics, including access to capital, growth and profitability, risk management, branding, information flow, improved stakeholder engagement and relations, and measurability of achievements.[17]

In addition, in an effort to reduce the burden on companies, the Commission could provide guidance that allows companies to use metrics already disclosed under other regulatory requirements. For example, under the U.S. Environmental Protection Agency Greenhouse Gas Reporting Program, companies emitting more than a specified threshold of greenhouse gases (GHG) are required to report their annual GHG emissions and processes.[18] This information already undergoes thorough quality assurance practices and is publically available. Other examples of regulatory disclosures that could be referenced in the SEC line-item disclosure guidance include select U.S. Energy Information Administration energy data[19], U.S. Department of Labor Occupational Safety & Health Administration workplace injury and illness reporting[20], and toxic emissions data from the U.S. Environmental

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[13] Catalyst Regulatory Board Diversity website, http://www.catalyst.org/regulatory-board-diversity.

[14] Calvert Investments, *Calvert Launches Research Partnership With Harvard's George Serafeim*, http://www.calvert.com/perspective/governance/announcing-the-calvert-serafeim-research-partnership.

[15] Serafeim, G., et al., *The Financial and Societal Benefits of ESG Integration: Focus on Materiality*, Calvert Investments, June 2016, available at http://www.calvert.com/nrc/literature/documents/WP10013.pdf.

[16] Serafeim, G., et al. *The Role of the Corporation in Society: Implications for Investors*, Calvert Investments, September 2015, available at http://www.calvert.com/NRC/literature/documents/wp10012.pdf.

[17] World Federation of Exchanges, Sustainability Working Group, *Exchange Guidance & Recommendation – October 2015*, available at http://www.world-exchanges.org/home/index.php/files/18/Studies%20-%20Reports/287/WFE%20ESG%20Recommendation%20Guidance%20and%20Metrics%20Oct%202015.pdf.

[18] U.S. Environmental Protection Agency, Greenhouse Gas Reporting Program, https://www.epa.gov/ghgreporting.

[19] U.S. Energy Information Administration, Survey Data website, http://www.eia.gov/survey/.

[20] U.S. Department of Labor Occupational Safety & Health Administration, Injury and Illness Recordkeeping and Reporting Requirements, https://www.osha.gov/recordkeeping/.

Protection Agency Toxic Release Inventory.[21] There are other non-public regulatory reporting requirements, such as the U.S. Equal Employment Opportunity Commission EEO-1 compliance survey data on employee diversity that could be evaluated for potential inclusion in SEC public filings.[22]

These various sources of data may provide some investors with valuable insights into company operations with respect to certain ESG issues as well as associated risks. However, as discussed below, these regulatory disclosures are not a substitute for SEC disclosure, as many investors are unaware of the availability of this information and some information is not publicly available. Furthermore, given the investment relevance of ESG information it should be available in the context of other investment and financial information that is provided in SEC filings.

III. Value of External Sustainability Reports and Integrated Reporting

Comments regarding question 218

Investors increasingly consider non-financial factors when assessing companies' long-term performance. As such, investors expect, and in many instances request through engagement, that companies disclose material ESG information. As there is no current regulatory requirement for companies to disclose such information in a systematic and consistent manner, many companies provide this information voluntarily on their corporate website, in sustainability reports, and in response to NGO questionnaires. Further, and as discussed above, measuring and managing sustainability issues can provide the company with a competitive advantage and improve its financial performance.

Producing and disclosing a sustainability report demonstrates that a company is broadly aware of its business risks and opportunities and has established 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. There are many forms of sustainability reporting, with one of the most comprehensive systems being the GRI reporting guidelines (discussed above).[23] Over two-thirds of the world's 250 largest corporations utilize GRI standards to report their sustainability performance.[24]

While we commend companies that provide sustainability disclosures on their websites, the lack of consistency and comparability in the information reported is a challenge for many investors. Further, the information that is provided is not always comprehensive, and may only disclose positive sustainability-related data and indicators. This does not allow investors to understand fully the risks and opportunities facing the company. In addition, relying solely on website disclosure may limit the Commission's ability to enforce and scrutinize the information that is disclosed.

There is also a growing demand for integrated reporting—the incorporation of non-financial information into existing financial reporting models in order to help investors and other stakeholders understand how a company creates and sustains long-term value—and the companies that have adopted such practices have reported a number of benefits. According to a 2013 PricewaterhouseCoopers report,

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[21] U.S. Environmental Protection Agency, Toxic Release Inventory, https://www.epa.gov/toxics-release-inventory-tri-program/tri-data-and-tools.

[22] U.S. Equal Employment Opportunity Commission, 2015 EEO-1 Survey, https://www.eeoc.gov/employers/eeo1survey/.

[23] GRI G4 Sustainability Reporting Guidelines, https://www.globalreporting.org/standards/g4/Pages/default.aspx, accessed July 12, 2016.

[24] GRI and Sustainability Reporting website, https://www.globalreporting.org/information/sustainability-reporting/Pages/gri-standards.aspx, accessed July 12, 2016.

Integrated Reporting: Going beyond the financial results[25], companies that participated in the International Integrated Reporting Council's (IIRC) 2011 pilot program, which included just under 100 international companies, reported the following benefits: "(i) improved internal information, allowing management to make better resource allocation decisions leading to potential cost reductions and (ii) more concise, less complex reporting."

Given the increasing evidence pointing to the link between the integration of sustainability factors and improved corporate financial performance, and investor interest in sustainability disclosure, Calvert sincerely appreciates the Commission's work on this important issue. We would again like to thank you for the opportunity to contribute to this vital process. Please do not hesitate to contact us should you have questions or would like to discuss these comments.

Sincerely,

Stu Dalheim

Stu Dalheim
Vice President, Governance and Advocacy
Calvert Investment Management, Inc.

cc: Chair Mary Jo White
Commissioner Michael S. Piwowar
Commissioner Kara M. Stein

[25] PricewaterhouseCoopers LLP, *Point of View - Integrated Reporting: Going beyond the financial results*, August 2013, available at https://www.pwc.com/us/en/cfodirect/assets/pdf/point-of-view-integrated-reporting.pdf. PwC has been working with the IIRC to support the development of its framework for integrated reporting. Additional resources may be found on on PwC's website, available here: http://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/integrated-reporting.html.