Responsible Investing FAQs

BUILDING YOUR BUSINESS | June 2023

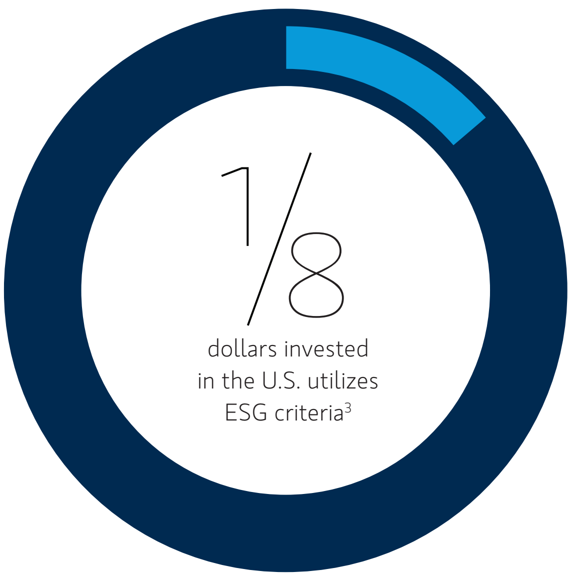
1 Performance

DO INVESTORS SACRIFICE PERFORMANCE IN ORDER TO INVEST IN A SUSTAINABLE AND RESPONSIBLE WAY?

No. Sustainable investing strategies may outperform or underperform their respective benchmark in any given year. However, studies have shown that sustainable investing strategies performed in line with traditional strategies over time and may offer lower market risk.[1] A meta-study from the NYU Stern Center for Sustainable Business covering more than 1,000 research papers from 2015 to 2020 found consistent positive correlations between ESG and corporate financial performance.[2] The study also found that ESG investing returns were generally indistinguishable from conventional investing returns.[2]

ISN'T RESPONSIBLE INVESTING A NICHE AREA OF INVESTING?

No. The US SIF foundation has identified $8.4 trillion in total U.S.-domiciled assets under management using sustainable investing strategies as of Dec. 31, 2021. This represents 1 in 8 dollars of the total U.S. assets under professional management.[3] Amidst the industry's rapid growth and heightened regulatory environment, the 2022 Trends Report used a different set of criteria for sustainable assets. US SIF required more granular information about how specific ESG criteria are applied. Accordingly, fewer sustainable investing assets are reported in 2022 than in prior reports issued by US SIF.



2 Research

WHAT IS ESG?

ESG—an acronym for environmental, social and governance—refers to a broad set of non-financial issues that can be used to evaluate a company's investment potential. Investors and managers are increasingly using these non-financial considerations to inform and guide their investment decisions.

[1] "Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds," Morgan Stanley, 2019.

[2] NYU Stern Center for Sustainable Business (in partnership with Rockefeller Asset Management). "ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020," Tensie Whelan, Ulrich Atz, Tracy Van Holt and Casey Clark, February 10, 2021.

[3] US SIF: The Forum for Sustainable and Responsible Investment, 2022 Report on US Sustainable Investing Trends. The smaller AUM relative to previous reports reflects a revised methodology that excluded assets of managers who claimed to use ESG factors but didn't identify any specific ESG criteria. Calvert was a benefactor of this report.

WHY SHOULD INVESTORS FACTOR ESG RESEARCH OVER TRADITIONAL FINANCIAL ANALYSIS?

They shouldn't. Either type of analysis can tell part of a company's story, but Calvert believes that both are needed in order to make the most informed investing decisions. Combining material ESG information with traditional financial analysis provides the most complete picture of a company's long-term risks and opportunities.

HOW IS ESG DATA USED IN EVALUATING POTENTIAL INVESTMENTS?

The data is typically used to identify a company's financially material ESG risks, how well it is managing those risks, and opportunities to improve its ESG performance. Financial materiality varies by industry because not every ESG factor will be material to all businesses and sectors. For example, water management will be more relevant to a paint and coating manufacturer than an IT service provider.

SHOULD ALL COMPANIES BE SCORED THE SAME WAY FOR ESG ISSUES?

No. While some ESG issues are applicable across industries (for example, gender diversity and executive compensation), companies across different industries are exposed to ESG issues in different ways, and that needs to be accounted for in their scoring.

HOW WOULD ESG KEY PERFORMANCE INDICATORS DIFFER BASED ON INDUSTRY OR SECTOR?

A commercial bank would have a heightened need for customer data security, for example, which would impact its Governance score. That would be less applicable for an industrial machinery company. But that firm would be more impacted by Environmental factors, such as changes in its fossil fuel use—which is less of an issue for a commercial bank.

HOW DOES THE CALVERT RESEARCH SYSTEM PROCESS WORK?

The Calvert research process focuses on identifying and evaluating:

- Financially material ESG risks to which issuers are exposed
- Management teams' ability to navigate those risks
- Opportunities for companies to improve their ESG performance

3 Engagement and Impact

WHAT IS ACTIVE ENGAGEMENT?

Calvert defines active engagement as the process of working with companies held in its portfolios to improve corporate governance on financially material ESG issues. The purpose of active engagement is to drive long-term shareholder value and positive change.

WHY IS ACTIVE ENGAGEMENT IMPORTANT?

Engagement is one of the most powerful tools that investors have to help companies move forward. Combined with a research system that helps spot material areas where the company can improve, engagement can help companies make choices that lower their risk, improve their financial performance and help gain competitive advantages. We believe that helping companies improve their ESG commitments make them better long-term investments.

ISN'T ACTIVE ENGAGEMENT SOMETHING ALL INVESTMENT MANAGERS DO?

No. While investment managers generally fulfill their proxy voting responsibilities, many vote in lockstep with proxy advisors' recommendations without evaluating their merits. Not all investment managers put in the time and effort to engage with a company's leadership, and not all maintain comprehensive proxy voting guidelines that encourage corporate responsibility.

HOW DO I KNOW WHETHER A COMPANY'S PROXY VOTING RECORD MATCHES ITS RHETORIC?

This informations is public, and can be found via SEC filings. But you can also usually find documentation for a management firm's voting history on their website. Calvert's proxy voting guidelines are available on our site, and proxy votes are made public. Visit https://www.calvert.com/Proxy-Voting.php

HOW CAN I TELL WHAT IMPACT MY INVESTMENTS ARE HAVING?

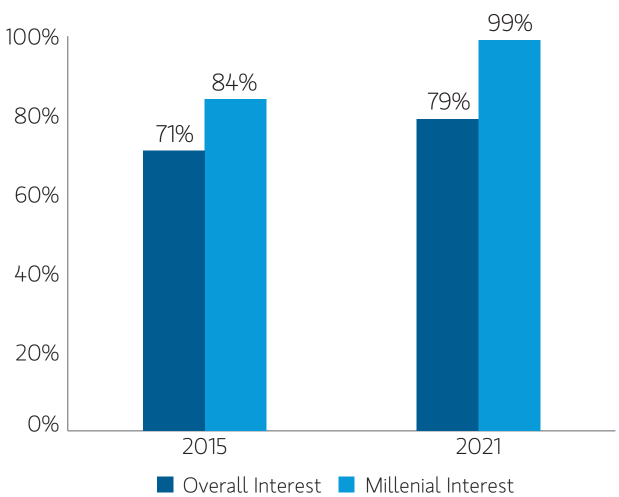
Different strategies have different impacts. For example, our impact tool breaks down the impact a particular mutual fund has had on emissions, water usage, landfill waste and more. Visit https://www.calvert.com/what-is-your-impact.php

4 Opportunity

WHO IS INTERESTED IN RESPONSIBLE INVESTING?

Surveys have shown that interest in Responsible Investing is growing among all demographics. Overall interest grew from 71% to 79% between 2015-2021, while interest among Millennials rose from 84% to 99% over the same period.[4] 71% of women say they take ESG factors into account when investing vs. 58% of men,[5] while 73% of high net worth investors in the UK say they invest in ESG.[6]

Interest in Responsible Investing from 2015-2021:[4]



HOW CAN I IDENTIFY WHETHER MY CLIENTS MAY BE INTERESTED IN RESPONSIBLE INVESTING?

From climate change to income inequality, many clients want to know about the impact of their investments. According to MSCI, when people incorporate ESG into their investment portfolios, their decision is usually based on three motivations: reflecting their personal values, improving investment performance and making a positive impact.[7]

DO PEOPLE INTERESTED IN RESPONSIBLE INVESTING PREFER TO WORK WITH AN ADVISOR OR GO IT ALONE?

According to a 2019 survey from Investment News in conjunction with Calvert, a greater portion of individuals say they want to go about ESG investing through an advisor (42%) than through an online platform (25%) or do-it-yourself approach (39%).[8]

WHAT CAN I TELL CLIENTS WHO'VE HEARD THAT ESG IS ABOUT PUSHING COMPANIES INTO ADOPTING "WOKE" PRACTICES?

ESG investing is about companies and their risks, not their politics. Investors increasingly see ESG as a measuring stick to a company's overall performance and a vital tool to mitigate portfolio risks. To quote Jon Hale, Head of Sustainable Investing Research for Morningstar, ESG "is part of the thinking of every major investment company because, at its core, it's just common sense."

IS RESPONSIBLE INVESTING LIMITED TO CERTAIN ASSET CLASSES LIKE LARGE-CAP EQUITIES?

No. Responsible Investing strategies can be executed across a wide range of asset classes and investment vehicles. You can build diverse portfolios covering all areas of global capital markets using Responsible Investing strategies. For example, Calvert offers over 60 investment solutions covering a full array of markets, opportunities and investment styles.

[4] Morgan Stanley, "Sustainable Signals: Individual Investors and the COVID-19 Pandemic," October 2021. This report presents results from an online survey conducted by the Brunswick Group from May 6–27, 2021 on behalf of the Morgan Stanley Institute for Sustainable Investing. The sample size was 800 U.S. individual investors age 18 and older with minimum investable assets of $100,000. The survey also included oversamples of 203 Millennials (aged 25–38).

[5] UBS, "Women and Investing: Reimagining wealth advice," UBS Chief Investment Office, February 28, 2022.

[6] The Intermediary, "73% of high-net-worth individuals invest in ESG, research shows," Jessica O'Connor, October 4, 2022; based on a 2022 Saltus Wealth Index report that surveyed 1000 investors age 18 and older in the UK with minimum investable assets of $310,000.

[7] MSCI, "ESG Investing: Finding your Motivation," 2023.

[8] 2019 survey of more than 300 financial advisory professionals and 400 investors. "Opportunity Knocks: How advisers can capitalize on growing ESG interest," Investment News, June 2019. Calvert sponsored this report.

Risk Considerations

The application of responsible investment criteria may affect exposure to certain sectors or types of investments, and may impact relative investment performance depending on whether such sectors or investments are in or out of favor in the market. In evaluating an investment, the investment adviser is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could adversely affect the analysis of the ESG factors relevant to a particular investment. Successful application of the portfolio's responsible investment strategy will depend on the investment adviser's skill in properly identifying and analyzing material ESG issues.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required.

For important information about the investment managers, please refer to Form ADV Part 2.

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