

Investing in the Talent Economy: Human Capital Management Takes Center Stage



Human capital management is a key performance lever for companies globally, creating both opportunities and challenges for investors. In response to evolving trends in the talent economy—like demographic shifts and technological trends—we enhanced Calvert’s approach to assessing companies with leading talent management practices.

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Over the last 70 years, the global economy has shifted from being largely resource-reliant to increasingly driven by highly skilled workers. Technology companies now dominate equity markets, while shifting demographics, automation and artificial intelligence (AI) continue to redefine the role of human capital.

Just as labor markets continually evolve, Calvert continually evolves the lens through which we assess company performance on financially material human capital management issues. This approach feeds into our Diversity, Equity and Inclusion (DEI) research index which aims to identify companies leading in human capital management. The initial focus of this index was on workforce and leadership representation and inclusion, as our research as well as others' pointed to a strong relationship between diverse workforces and productivity and innovation,¹ but the methodology has recently expanded to include additional aspects of human capital management.

Over the past five years, we have seen significant improvement in diverse workforce representation and data availability on DEI across companies globally. Corporate progress on workforce representation and improved data availability—combined with labor market changes driven by a shrinking labor force in key regions, generational shifts and AI—have created new investment opportunities and risks that we want to account for in our investment strategy.

We believe there are four pressing and financially material human capital trends facing companies today and we have expanded our Calvert DEI index methodology to reflect them.

1. Declining labor force in OECD countries

As the OECD country labor force declines due to demographic trends such as aging populations and lower birth rates, companies may face mounting challenges in maintaining productivity and sustaining growth. The projected annual labor force growth rate in the U.S. between 2023 and 2033 is 0.4%.² This is a notable decline from previous periods: for example, it was 1.3% from 1979 to 2007, and 1.8% between 1948 and 1979.³

This decline is shared across many OECD countries and is set to push the old-age dependency ratio (the ratio of individuals aged 65 years and above to the working age population) to 52% by 2060.⁴ For comparison, this ratio was 31% in 2023 and 19% in 1980.⁵

This shortage of available workers makes it increasingly vital for companies to support and retain existing employees, ensuring that their skills and experience remain within

the organization. It also points to the importance of representation in hiring as companies will need to ensure they're evaluating all eligible talent in order to fulfill staffing needs. As a result, our new methodology incorporates a stronger focus on talent acquisition and retention themes such as workforce representation, career advancement and pay and compensation.

2. AI, employment and recruitment

The arrival of AI presents another driver of structural change to the labor force. While automation can help fill gaps created by a shrinking workforce, it also requires a committed focus on upskilling and reskilling current staff to adapt to new technologies. According to the World Economic Forum's *Future of Jobs 2025* report, AI is expected to generate over 170 million new jobs, eliminate 92 million jobs by the end of the decade, and make⁶ 40% of current job skills obsolete by 2030. Companies may face intense

¹ Academy of Management, 2024; McKinsey, 2023

² Bureau of Labor Statistics, 2024

³ Economic Policy Institute, 2025

⁴ OECD, 2025

⁵ OECD, 2025

⁶ World Economic Forum, 2025

pressure to retrain, reskill and reconfigure internal talent pipelines. Moreover, there is evidence that AI doesn't simply substitute entire jobs, but substitutes tasks within jobs, changing the composition of what workers do.⁷

Less discussed is the strain AI puts on downstream workers, primarily in developing economies, behind the scenes who label, categorize and annotate data. These workers, often referred to as "crowdworkers," train AI algorithms on several functions such as text prediction and recognition of objects. They tend to be highly skilled and STEM educated, but in roles that require repetitive, routine work with minimal social protections and low pay.⁸ Responsible investors concerned with human rights should consider the implications of scaled automation on the rights and well-being of these workers.

AI will also have an impact on how companies scout and onboard new talent. AI has rapidly become embedded across nearly every stage of the hiring process: according to the Society for Human Resource Management (SHRM), over 50% of U.S.-based organizations now use AI to support recruitment, while some industry surveys place adoption closer to 80 to 87%.⁹ Companies in the technology, IT, software, finance and real estate industries are leading this adoption. AI-driven recruiting can inadvertently reinforce existing biases by learning from historical hiring data which may reflect unequal patterns of gender, race or socioeconomic background. Algorithms that prioritize conventional résumé structures or language may also disadvantage candidates with non-traditional experiences or from underrepresented groups. As a result, companies risk narrowing the diversity of their talent pipelines, and overlooking unconventional but high-potential candidates. Over time, this can weaken an organization's ability to attract, engage and retain the broad, adaptive talent needed to thrive in an AI-enabled economy. This is why our expanded methodology focuses on company recruiting and career advancement practices to ensure companies are taking strides to maintain a diverse talent pipeline and retain high quality talent by offering career growth.

3. Evolving employee preferences

Millennials, Gen Z and younger cohorts now comprise 54% of the U.S. labor force.¹⁰ These younger workers are reshaping the job market, placing greater emphasis on creativity, collaboration and technology—while also prioritizing purpose and autonomy.

Younger generations are also more likely to be early adopters of AI and amplify productivity. To attract faster learners, scale expertise and retain ambitious employees, companies will need to create workplaces to match these evolving preferences.

Alongside generational shifts, employment models have also evolved, with more than a third of the U.S. workforce now engaged in flexible, project-based "gig" roles.¹¹ Remote work has further shifted labor demand across regions. On the global stage, a Randstad survey of 26,000 workers across 35 countries found 83% ranked work-life balance as a top priority in their current or future job—in line with job security and slightly ahead of pay.¹² Younger workers tend to view work as a holistic component of their life and expect it to align with their lifestyle and values.

Considering these demographic shifts, many companies have adjusted their policies and practices to attract and retain high-performing talent who can lead innovation and improve productivity. The preferences of Millennial and Gen Z workers are no longer fringe or outlying, rather they are dominant preferences that are impacting the contract negotiation power balance. Companies with workplace cultures and policies aligned with these preferences (flexibility, collaboration, and creativity) are more likely to succeed in attracting high quality talent. This is why our expanded methodology places greater emphasis on work life balance and company culture by looking at indicators of inclusivity and employee culture and manager ratings.

⁷ "Artificial Intelligence and the Labor Market" Hampole, Papanikolaou, Schmidt, Seegmiller, September 2025

⁸ "The Artificial Intelligence Illusion: How Invisible Workers Fuel the "Automated" Economy," International Labour Organization, December 10, 2024.

⁹ Society for Human Resource Management (SHRM), *Talent Trends: Artificial Intelligence Findings*, 2024.

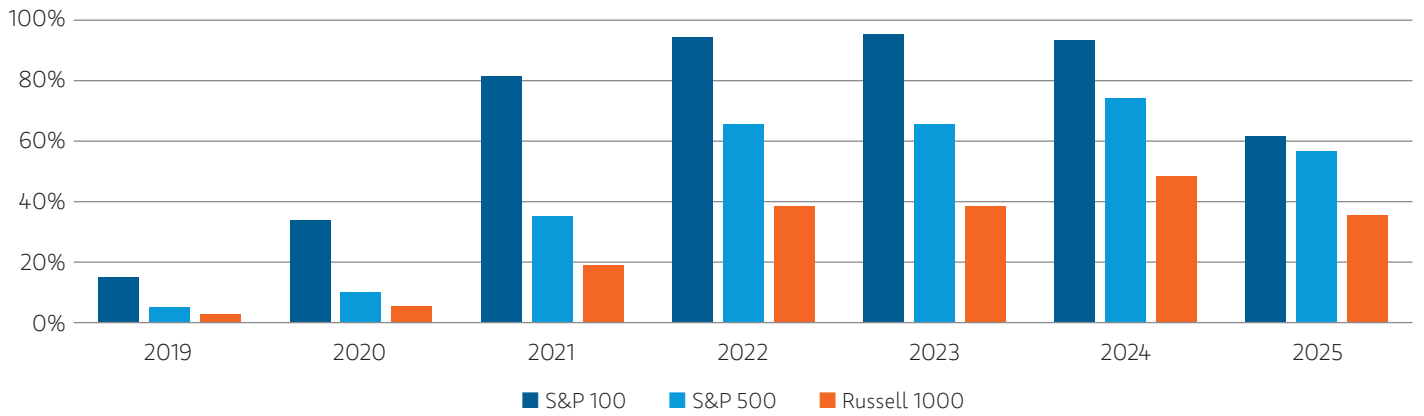
¹⁰ U.S. Department of Labor, August 2024

¹¹ McKinsey, 2022

¹² Randstad, Workmonitor 2025 survey

DISPLAY 1

Growth and Decline of EEO-1 Public Disclosures



Source: PeopleReturn, February 2026

4. Corporate progress and increased data availability

Over the last six years, the percentage of U.S.-domiciled companies reporting full EEO-1 data has markedly increased across major indexes. EEO-1 data is workforce demographic data that is mandatory for all private sector employees with more than 100 employees to report to the U.S. Equal Employment Opportunity Commission (EEOC), but it is not a legal requirement for that data to be publicly disclosed. In 2019, only 5% of companies in the broad S&P 500 disclosed their full EEO-1 data; by 2024, that number stood at more than 70% (*Display 1*). However, by 2025 the numbers decreased, but remained well above their original levels. We

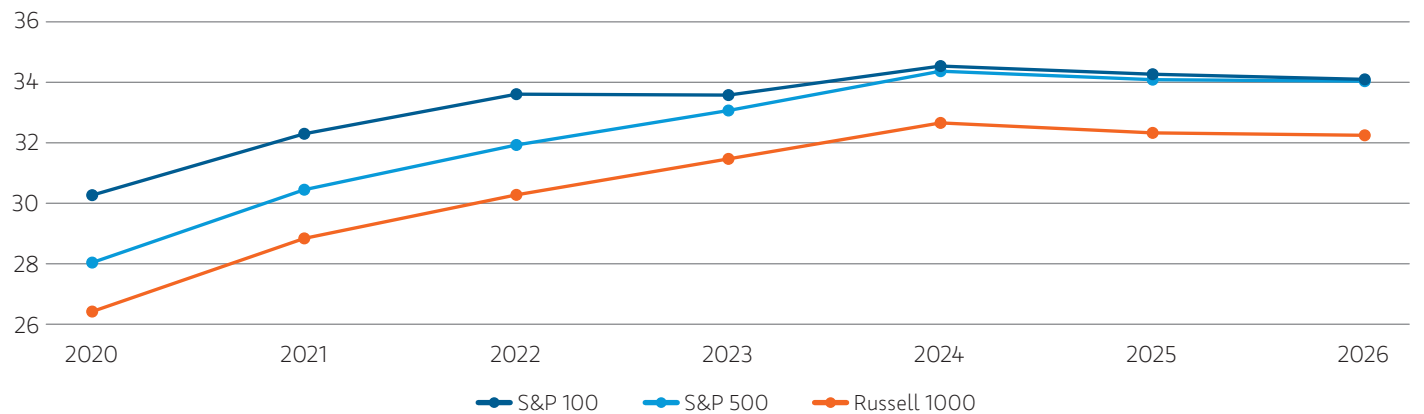
suspect this decrease is in part due to regulatory scrutiny of DEI efforts in the United States. Either way, the overall progress makes workforce representation and disclosure in and of itself a less differentiated investment signal, which is why we expanded our methodology to include a broader range of talent management factors.

Another data trend to note is a stalling in board-level gender representation (see *Display 2*) and less differentiation in this area among companies; for example, the percentage of Russell 1000 companies with more than 30% female board directors grew from 35% in 2020 to 66% in 2025. After initial increases, we've seen this area plateau making it a less useful investment signal as well.

DISPLAY 2

Growth and Plateau of Female Board Directors Overtime

% Female Board Directors Overtime



Source: Factset, February 2026

Today's Labor Market Trends Elevate New Investment Themes

Calvert is expanding its methodology to better align with today's talent economy

Today's Labor Market Trends...

DECLINING LABOR FORCE IN OECD COUNTRIES <ul style="list-style-type: none"> Aging populations Lower birth rates Employee shortages 	AI, EMPLOYMENT AND RECRUITMENT <ul style="list-style-type: none"> Reskilling and upskilling AI workers & human rights AI as a recruitment tool 	EVOLVING EMPLOYEE PREFERENCES <ul style="list-style-type: none"> Post-COVID Millennials and Gen Zs Innovative and values aligned corporate culture 	CORPORATE PROGRESS AND INCREASED DATA AVAILABILITY <ul style="list-style-type: none"> More transparency for investors Plateauing and retreating data trends
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ELEVATE NEW INVESTMENT THEMES FOR CALVERT:

REPRESENTATION <ul style="list-style-type: none"> Gender Ethnic Board Age Board Culture 	CAREER ADVANCEMENT <ul style="list-style-type: none"> Career Opportunities Rating Gender Pipeline Ratio Internal Mobility Prioritize Internal Promotion 	PAY & COMPENSATION <ul style="list-style-type: none"> Compensation and benefits rating Median employee compensations CEO Pay Ratio Living Wage Gender Pay Gap 	WORK LIFE BALANCE <ul style="list-style-type: none"> Work life balance rating Family support Flexible working support 	CORPORATE CULTURE <ul style="list-style-type: none"> Culture Values Rating Senior Management Rating Veteran Inclusion Disability Inclusion LGBTQ+ Inclusion
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Provided for illustrative purposes only. This represents how the Calvert generally implements its investment process under normal market conditions.

How we are changing our Calvert DEI methodology to adapt to new trends and opportunities

Based on the demographic changes underway and company rates of progress (and stalling), we see value in differentiating companies across several themes within human capital management: talent acquisition & representation, career advancement, pay and compensation, work-life balance and corporate culture. We leverage both minimum guardrails and performance metrics to evaluate how companies manage talent within each theme.

In addition, we have raised leadership thresholds and added new components to our methodology, including Glassdoor ratings on career opportunities, compensation, work-life balance; talent pipeline and new hire ratios; and factors on internal mobility, U.S. living wage, and veteran inclusion.

We still look for companies that are able to expand their recruiting network and outreach to women and ethnic minorities, who are often underrepresented in many corporate roles. We view this as a leading indicator of a company's potential progress on talent management.

EXAMPLE DATA APPLIED IN NEW METHODOLOGY¹³

Calvert's expanded set of criteria reflects our view of the breadth of material factors that companies face today in acquiring, retaining and managing human capital. By tracking new data and trends, we can refine our research methodology to better identify companies that we believe are well-positioned for long-term growth and positive societal impact in today's labor market.

The Result

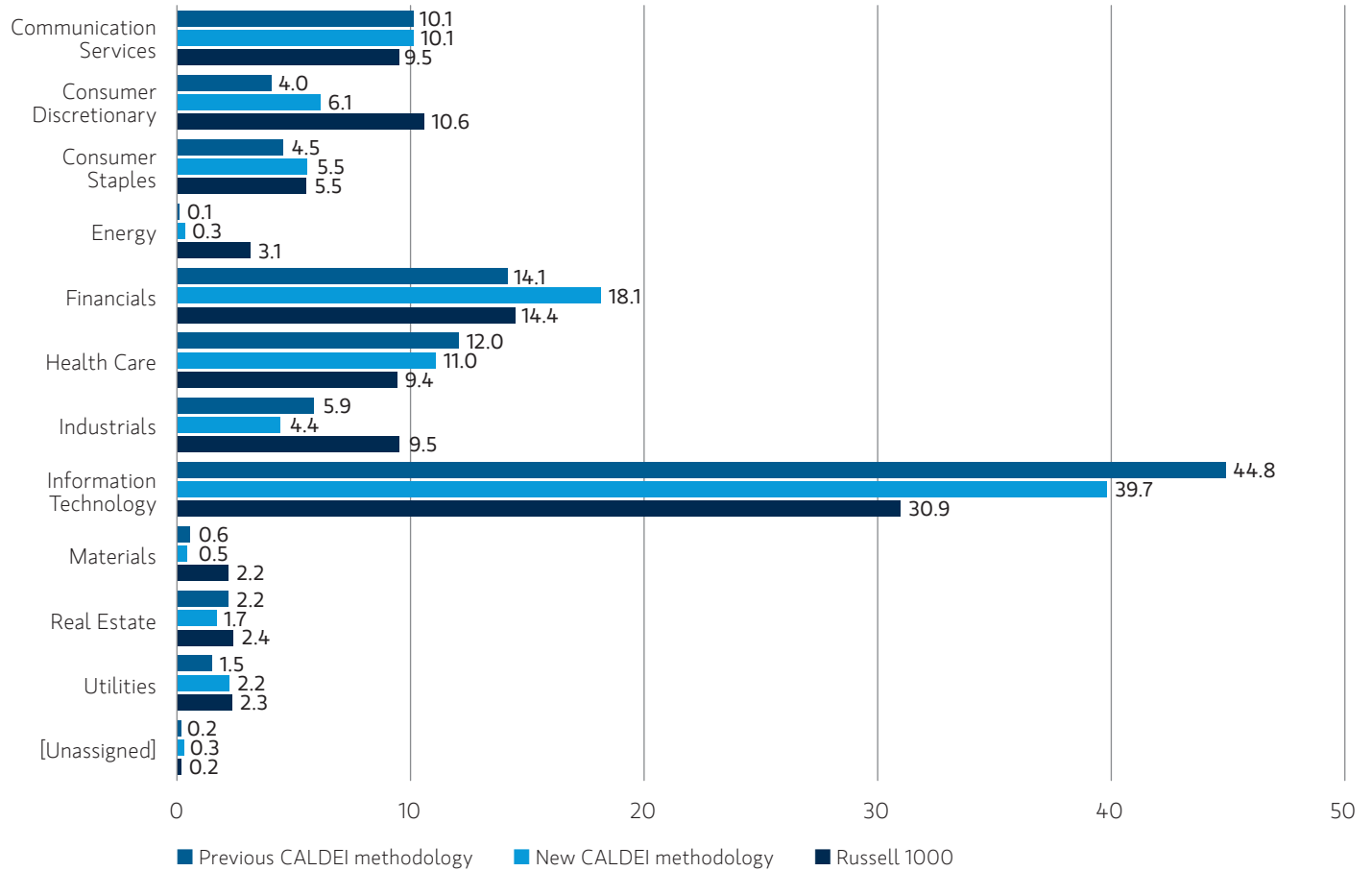
We believe Calvert's enhanced DEI index methodology results in a balanced and diversified index, broadening exposure across sectors while reducing concentration to a few large industries (see *Display 3*). This updated approach seeks to strengthen the fundamental profile of the index, with companies demonstrating higher growth potential, stronger profitability and more resilient balance sheets (see *Displays 4 & 5*). Overall, our refinements improve both the quality and range of the investment opportunity set while bolstering its strong human capital management focus, (*Display 6*).

¹³ All data available for U.S. listed companies. Select data available for International and Emerging Markets companies. Data listed is an illustrative, not exhaustive example of inputs in talent management methodology.

DISPLAY 3

Sector weights of talent management universe pre and post CALDEI methodology enhancements

Updated CALDEI index still maintains broad sector exposure reflecting our view that talent management is a financially material theme across all sectors. This also enables the strategy to be used as a core portfolio in asset allocation.



Source: Calvert as of June 20, 2025. Subject to change due to active management. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell securities in the sectors shown above. It is not possible to invest in an index.

DISPLAY 4

Growth characteristics pre and post CALDEI methodology enhancements

We believe the updated CALDEI methodology yields a higher-quality and modestly more growth-oriented index composition. This may illustrate how companies that excel in talent management may achieve high growth and demonstrate superior quality and profitability.

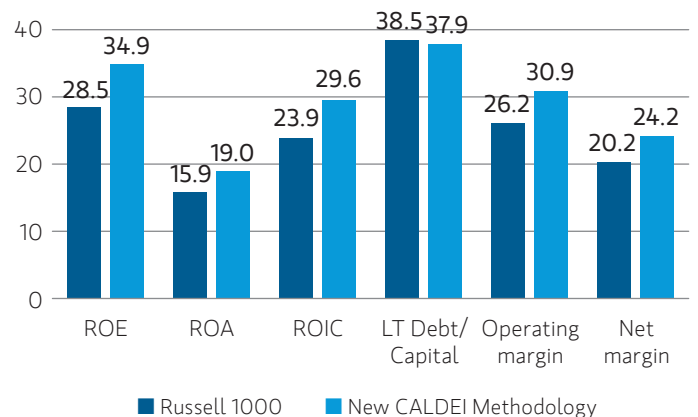
GROWTH FUNDAMENTALS	RUSSELL 1000	PREVIOUS METHODOLOGY	NEW METHODOLOGY
P/E using FY1 Est	22.76	22.35	22.80
Price to Earnings using FY2 Est	27.13	23.98	25.63
Hist 3Yr EPS Growth	11.50	18.61	20.57
Est 3-5Yr EPS Growth	11.78	12.21	11.67

Source: Calvert as of June 20, 2025, subject to change due to active management. It is not possible to invest in an index.

DISPLAY 5

Profitability and quality characteristics pre and post methodology enhancements

Profitability & Quality (%)



Source: Calvert as of June 20, 2025, subject to change due to active management. It is not possible to invest in an index.

DISPLAY 6**Performance on Human Capital Metrics**

By focusing on bottom-up stock selection with talent management metrics, the CALDEI index components achieve higher scores in diversity, equity, inclusion (DEI), and human capital management related metrics, as confirmed by both proprietary data and third-party vendor sources.

TALENT MANAGEMENT	PREVIOUS METHODOLOGY SCORE	NEW METHODOLOGY SCORE	BENCHMARK
CRM Number of Women on Board Score			
Weighted Average	3.97	4.08	3.82
Average	3.76	3.76	3.38
Ethnic Fractionalization on Board			
Weighted Average	43.96	44.80	40.79
Average	40.13	42.72	36.32
CRM Talent Management Score			
Weighted Average	0.66	0.71	0.60
Average	0.54	0.63	0.51
MSCI Management Score - Human Capital Development			
Weighted Average	5.86	5.94	5.51
Average	5.56	5.61	5.00
MSCI Management Score - Labor Management			
Weighted Average	5.42	5.58	5.21
Average	5.72	5.78	5.26

CRM Number of Women on Board Score: Internal score to rate gender representation on boards. **Ethnic Fractionalization on Board:** The likelihood that if you chose any two people from the board they would be from different ethnic groups. **CRM Talent Management Score:** Proprietary score to made up of financially material indicators in representation, career advancement, pay and compensation, work life balance, and corporate culture. (Score: 0-1, 1 being the best). **MSCI Human Capital Development Management Score:** Assesses the company's management systems, policies and practices to manage its exposure to risks related to its workforce talent requirements and its ability to attract, retain and develop a highly skilled workforce, including employee development, training, performance management and retention. (Score: 0-10, 10 being the best). **MSCI Labor Management Score:** Assesses the company's ability to manage its exposure to risks related to the complexity of its workforce (size, labor intensity and regions of operation), the relationship between management and labor, the strength of worker protections, and its employee engagement efforts. (Score: 0-10, 10 being the best), the relationship between management and labor, the strength of worker protections, and its employee engagement efforts. (Score: 0-10, 10 being the best)

Source: Calvert as of June 23, 2025, subject to change due to active management. It is not possible to invest in an index.

BOTTOM LINE: Calvert's enhanced research methodology is built on the latest labor markets trends such as demographic shifts and the influence of AI to provide a more nuanced understanding of the talent management landscape. By integrating these elements, Calvert delivers valuable insights for investors seeking to identify companies with a strategic edge in talent management. These ongoing methodological advancements reflect Calvert's enduring commitment to thought leadership and innovation at the forefront of investment strategy.

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