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August 16, 2022

Submitted electronically via SEC.gov

Ms. Vanessa Countryman
Secretary
US Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Re: Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices (File No. S7-17-22)

Calvert Research and Management (Calvert) is a leader in the responsible investing arena and is headquartered in Washington, DC. Calvert traces its roots to Calvert Investment Management (CIM), which was founded in 1976. We launched our first responsible investment fund in 1982 and since have grown into one of the largest and most diversified families of responsibly invested mutual funds, encompassing actively and passively managed strategies, U.S. and international equity strategies, fixed-income strategies, and asset allocation strategies with $32.6 billion in assets under management as of June 30, 2022.

Calvert has a long history of joining with like-minded investors and industry groups to further the advancement of responsible investing. Our President and CEO, John Streur, testified to the Committee on Banking Housing and Urban Affairs of the United States Senate in 2019 on “The application of Environmental, Social and Governance Principles in Investing and the Role of Asset Managers, Proxy Advisors, and Other Intermediaries”. Mr. Streur’s testimony outlined several data driven arguments for the important role that responsible investing plays in ensuring that our financial system achieves the most sustainable future possible. We have also continually responded to the SEC’s inquiries and invitations for feedback on investor regard for climate and human capital issues.

Our history as dedicated responsible investors and experience engaging with government entities on regulatory issues impacting our industry position us well to respond to the proposed rule. We also recognize the strong efforts of our industry peers and organizations such as SIFMA and ICI in responding to the proposed rule and therefore have chosen to comment only on select areas.

Summary Comments

Calvert is broadly supportive of the SEC’s proposed rule to enhance ESG disclosure. We believe the proposed rule is a timely response to the overall maturity of the industry and growth of ESG funds and international disclosure regimes. We believe that three main areas of the proposed rule require further thought and consideration: fund categorizations and definitions; prospectus disclosures; and annual report disclosures.

In summary, we believe the three-tiered definitional framework requires refinement, particularly around the inclusion of ‘proxy voting’ and ‘engagement’ as strategies for ESG Focused funds and the definition of an Impact Fund. We also find the annual reporting disclosures to be onerous and not helpful in achieving the rule’s primary goal of providing investors with more transparency on investment process.

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Fund Categorizations and Definitions

Definition of ESG Integration Fund:

Remove Governance from Definition to Avoid Capturing Too Many Funds: As noted by other industry participants, we believe that the definition of ESG Integration should be refined to exclude funds that may only consider governance (and not environmental or social factors). Otherwise, the regulation will capture most funds using an active fundamental investment process as governance has long been a central element of investment analysis for these types of investors. We suggest that the definition be refined to eliminate reference to governance or to clarify that governance refers only to governance of environmental and social factors.

ESG Focused Fund:

Global Alignment: At a high level, we agree with the definition and that "ESG-focused strategies focus on one or more ESG factors by using them as a significant or main consideration in selecting investments or in engaging with portfolio companies." We interpret this as being somewhat aligned with the European Sustainable Finance Disclosure Regulation's (SFDR) Art. 8 category whereby a fund must be constructed using a set of binding principles that pertain to ESG objectives. Along those lines, we suggest that the Commission strengthen the language used in this definition to clarify that "significant" or "main consideration" refers to some sort of binding, systematic or objective criteria or process that impacts the investment universe, investment decisions or investment portfolio construction.

Exclusionary Approaches: We generally disagree that exclusionary approaches alone should qualify a fund as an 'ESG Focused' fund. It is possible, and commonly done, to apply exclusions in a de minimis fashion and the intended impact of the proposed rule would benefit from omitting those funds from the ESG Focused category (e.g., religious based exclusions). One option the Commission could consider is introducing an 'ESG Exclusions' category which would enable those funds with some level of exclusionary implementation of ESG factors to have a way of signaling this practice to the market, without conflating exclusionary approaches with more sophisticated types of ESG integration into investment management, e.g. such as through a focus on the relationship between ESG factors and financial materiality.

Proxy Voting and ESG-related Engagement: We view proxy voting as a fiduciary duty and engagement as an ownership duty; they are not investment strategies in and of themselves. Typically, proxy voting or engagement alone are not tools for selecting securities, although they may be one input among many into security selection; indeed, they are most commonly implemented as tools for fulfilling ownership duties post-security selection.

Therefore, we do not believe that these two activities alone should be viable pathways to a fund classifying as an 'ESG Focused Fund'. We also observe that many funds use narrative about engagement activities (where minimal impact is actually achieved or evident) as a greenwashing practice today. If the Commission allows 'ESG-related engagement' to be a pathway to the ESG Focused category then the rule will set a low bar for many funds to enter this category.

While we recognize that the proposed regulation emphasizes strategies that use proxy voting and engagement as a 'significant' means for implementing their ESG strategies we believe that it will be extremely difficult for investors to differentiate between regular proxy voting and engagement activities and ESG focused or 'significant' ones. Therefore, we suggest amending this guidance to say that "An

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ESG-Focused Fund would mean a fund that focuses on one or more ESG factors by using them as a significant or main consideration (1) in selecting investments AND (2) in its engagement strategy with the companies in which it invests." Meaning that ESG Focused funds should be accompanied by a strong ESG engagement and proxy voting approach, but that should not be the only element that classifies them as ESG Focused funds.

Fund Marketing: We generally agree that funds that advertise the use of ESG factors as being significant parts of the investment process should be considered ESG Focused funds. The regulation as written suggests limits to the extent that ESG integration funds can discuss their ESG approaches in marketing materials. We believe that the regulation should still allow ESG Integration funds to discuss their ESG approaches as appropriate in marketing materials. Even if they may not be a significant part of the investment process in terms of dictating investment universe, investment selection or portfolio construction, ESG factors may still be meaningful to an investment team's philosophy or approach and managers should be permitted to describe them appropriately in marketing collateral. At a minimum, the regulation should better define what 'limited' marketing looks like for these funds.

ESG Impact Fund:
Investment Objectives: We agree with the intent of the proposal to identify funds that are seeking a specific impact objective and to require those funds to provide additional disclosures explaining how they are achieving that impact. However, we also agree with other industry participants that the proposed definition of an impact fund is too broad. We suggest that the definition be refined to focus on funds that include an impact objective in their stated investment objective and process. As written, the definition would require "an ESG-Focused Fund that seeks to achieve ESG impact or impacts" to include an impact objective as part of its investment objective. Rather than requiring funds that meet this broad definition to disclose an impact objective in their investment objective, we believe that the regulation should use investors' own pre-existing investment objectives to determine whether they are impact funds (i.e. it should follow that if an investor states an impact objective in their investment objective, then they should be considered an impact fund and be required to disclose accordingly). This is in part to avoid capturing funds that may invest in individual companies that have positive impacts or which may be classified as 'impact aligned', but do not consider themselves in aggregate to be an impact fund and do not exhibit an impact intention in the investment process.

Prospectus Disclosures

Word Limits: The Commission notes that text in the summary table should be brief, but we suggest a prescribed word or page limit to ensure that these disclosures do remain brief and do not overwhelm end investors. We also suggest word or page limits for the full prospectus.

Narrative reporting: We are supportive of narrative reporting on engagement in the full prospectus so that end investors are made aware of the activity and therefore can be prompted to request further information from managers if they desire. This information could be made available in client reports or in publicly available marketing materials.

Annual Report Disclosures

General Comments
Delay or Reconsider Quantitative Reporting: We support greater transparency and reporting in the investment industry overall, but observe that many asset management firms are already publishing annual stewardship and ESG reports that contain much of the information requested by the proposed

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rule. Further, there are data quality and availability issues with most ESG datasets, including GHG Emissions data, that will limit the utility of that data until after the Enhancement and Standardization of Climate-Related Disclosures rule (Issuer Climate Disclosure rule) has been implemented for some period. We suggest that at a minimum, the Commission consider a phased in approach whereby the rule first imposes the proposed qualitative prospectus disclosures and later determines if prescribed, quantitative annual reporting is worthwhile. Alternatively, the Commission could consider setting out voluntary minimum standards for quantitative annual reporting. We believe as proposed the reporting requirements are premature or duplicative to existing reporting practices and would make fund annual reports cumbersome.

Narrative Reporting: We are supportive of mandatory narrative reporting on a fund's approach to proxy voting and engagement where its approach is a key component of the fund's investment process. We believe quantitative reporting on engagements should be voluntary for these funds for reasons outlined in greater detail below.

GHG Emissions

Dependency on the Enhancement and Standardization of Climate-Related Disclosures for Investors: We are supportive of enhanced GHG emissions disclosure and are working to address this in our own fund management business. However, we note that for this reporting to be accurate and credible, it is dependent on the successful implementation of the Issuer Climate Disclosure Rule. As a result, we agree with our industry peers in that this reporting requirement should be delayed until the issuer Climate Disclosure Proposal has been implemented. In our comments submitted to the Commission on the Issuer Climate Disclosure Rule we suggested a one-year extension to each proposed filing group deadline. Delays to investor climate disclosures should follow accordingly.

Safe Harbor: We suggest that the Commission consider an extended safe harbor from liability for investors with regard to Scope 3 emissions disclosures due to the fact that Scope 3 estimation methodologies for financial institutions remain relatively nascent. In our comments to the Commission on the issuer Climate Disclosure Proposal we suggested that most issuers should have a 5-7 year safe harbor period for scope 3 emissions and that financial institutions should have a slightly longer period of 10 years. As a result, we believe that the disclosure of Scope 3 emissions for investors as part of this rule should be delayed accordingly.

Proxy Voting

No Industry-Wide Definition for 'ESG' ballot items: There are many ways to categorize ESG-related voting topics. Proxy voting service providers have their own categorizations, as do other third party vendors and asset managers themselves. We believe this disclosure requirement, as written, would not result in like for like comparison. If the Commission would like to proceed with this requirement, we suggest it narrow the focus to requiring disclosure on votes on shareholder proposals, say on pay, and director elections. We believe that these are more well-defined categories and illustrative of a manager's approach to voting against management and using its shareholder voice to hold companies accountable.

Redundant to N-PX Filings and Firms' Existing Reporting: The regulation's suggestion to report on ESG-related ballot items is also redundant to N-PX filings and proxy voting reporting that we and many of our peers already publish. We suggest that the regulation limit its required reporting on proxy voting to requiring managers to link directly to their N-PX filings in the fund annual report.

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ESG Engagements
We recognize the risk posed by lack of transparency around ESG engagement and agree with the risk of greenwashing this poses. However, we do not believe that the reporting requirements as prescribed will be effective in mitigating this risk and believe that it is more effective to let the market determine what is meaningful engagement reporting and what is not**.**

Lack of Industry Agreement on Engagement Reporting: There is not a clear industry definition of "ESG engagement" and while it is possible for the Commission to further refine this definition, we then question the ability of the Commission to police and enforce the definition for all funds that do ESG engagement, which will be many. We also caution against the unintended consequences of attempting to define what is intended as a dynamic, active practice that exercises ownership rights in investment management – where the imperative for managers to report against a certain definition may stifle innovation in this area.

Quantity vs. Quality: As written, we believe that the proposal will incentivize managers to report high numbers of 'light touch' ESG engagement over targeted, focused and meaningful engagements. We also believe that this style of reporting would give an advantage to concentrated funds which would be able to report a higher percentage of issuers engaged as compared to funds with numerous (e.g. 100+) holdings.

Optional vs. Mandatory Reporting: Many asset managers already provide firm level engagement reporting. We recognize the value of fund level engagement reporting, but do not believe this should be made mandatory in an annual report as it is possible end equally effective to do this in other client facing materials, or in a more dynamic way on a website (for example). We believe the Commission should put forward fund level engagement reporting as optional for funds where it is a key component of their strategy.