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[Responsible Investing](#)

[Why we raised our standards for proxy voting on board diversity](#)

By: John Wilson | March 12, 2021

Washington - At Calvert, we have used the power of our proxy vote to hold boards accountable for their attention to diversity for three decades. This year, expectations for corporate diversity are rising, and we are more aware than ever of the value of diverse leadership for long-term corporate performance. For this reason, we are increasing our standards for board diversity.

Globally, Calvert will vote against the nominating committees of companies that have fewer than two women on the board. Previously, we voted against the nomination of directors for company boards that lacked representation of women.

In addition, for companies in the United States, United Kingdom, Australia and Canada, Calvert will vote against the nominating committee at companies that have fewer than two people of color or are less than 40% diverse. The minimum standard previously was one person of color and a board that was 30% diverse. Even under our old standards, a disappointing number of companies failed to reach the threshold required for our support. In 2020, we voted against or withheld from 30% of director seats in the U.S., while outside the U.S., we supported fewer than half of director candidates.

Research indicates that diversity is a financially material ESG issue. In research begun in 2019 and continuing currently, Calvert found in ["Evaluating the financial materiality of gender diversity factors"](#) that gender diversity factors are associated with improved equity returns for both the U.S. and non-U.S. markets. Companies with at least two women on the board outperformed when compared to those with fewer women on the board, and U.S. large-cap companies with more than two women saw even greater improvement, leveling off at four women. In the U.S. and certain like markets, similar results were found for ethnically diverse boards.

Growing in importance

With increasing scrutiny on ESG issues, more firms have been expressing their eagerness to move the discussion forward. However, UN PRI, a leading proponent of responsible investment, recently noted the problem of asset managers with a commitment to ESG issues that's more theoretical than pragmatic. Calvert was one of the founding signatories of PRI in 2006, which, as of March 31, 2020, had grown to 3,038 signatories representing \$103.4 trillion in assets under management.

PRI noted that "some investors have joined the PRI, not out of any desire to incorporate sustainability into their investment practices, but to win mandates," and emphasized how important it is to monitor asset managers' voting records to ensure that the action matches the rhetoric.¹ It plans to announce new minimum requirements this summer, which may include engagement and/or voting requirements.

As always, our record is available [on our website](#).

Bottom line: Proxy voting is a vital way to hold companies accountable for their commitments to board diversity. This and other tools of structured engagement can help encourage positive change.

1. PRI, "Progress is being made on voting, but more can be done," February 26, 2021.



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