June 10, 2011

Office of Agreements and Scientific Affairs, Foreign Agricultural Service
U.S. Department of Agriculture, Stop 1040,
1400 Independence Ave., SW., Washington, DC 20250

RE: Guidelines to Eliminate Child and Forced Labor in the Agricultural Supply Chain

Dear Chairperson Vetter and Fellow Members of the Consultative Group:

As a leader in Sustainable and Responsible Investments (SRI) for more than 25 years, Calvert Investments offers investors among the widest choice of SRI strategies of any investment management company in the United States. Many of our strategies feature integrated corporate responsibility and sustainability research that is performed by our proprietary team of 16 analysts, a leading source of such research in the investment industry. Based in Bethesda, Maryland, Calvert Investments manages over $14.5 billion in assets. Calvert regularly engages companies through multi-stakeholder initiatives and direct dialogues regarding a range of environmental, social and governance (ESG) issues, including labor and human rights in the supply chain.

We are pleased to see the development of Guidelines to eliminate child and forced labor in the agricultural supply chain and we greatly appreciate the opportunity to provide comments today. Supply-chain management, particularly labor and human rights issues (across many industries), has long been a concern among the SRI community because of reputational and potential legal risks. Now, broader awareness of these risks is growing at a significant pace (among regulators, consumers and the broader investment community), and has led to more company scrutiny, and in some cases regulatory action. For example, the California Transparency in Supply Chains Act of 2010 (SB 657) will require major retail and manufacturing companies doing business in California to publicly disclose policies and programs that help companies avoid slavery and trafficking in their supply chains. In addition, there has been significant attention in the past several years by the SRI community, human rights groups, trade unions, and apparel brands regarding massive forced child labor in the Uzbek cotton industry and the supply chains of many companies. Calvert has played a leading investor role in this initiative.

We believe the Guidelines can be strengthened through the following proposals:

1. Disclosure: As investors, corporate disclosure is a core aspect of our analysis. While we are encouraged by the Guidelines’ efforts to strengthen company communication regarding policies, programs and management systems to eliminate child and forced labor in agricultural supply chains, we believe a key element is missing from the Guidelines. We strongly recommend that a provision requiring companies to disclose key performance indicators (KPIs), particularly around compliance, be added to the
Guidelines. The benefit of transparent KPI compliance data is twofold: 1. it helps management better understand how a company is performing relative to its competitors, and 2. it helps inform investors, consumers and other key stakeholders whether a company is effectively managing labor and human rights risks within its supply chain.

2. Governance: Investors believe effective implementation of policies and strategies is linked to a governance mechanism, often through executive support and accountability. The current references to accountability in the Guidelines are vague and there is no reference to senior management oversight. We strongly recommend that a provision requiring companies to disclose a governance structure for the implementation of these policies and processes, be added to the Guidelines. This will send a message to employees, investors, consumers and other key stakeholders that the company takes the elimination of child and forced labor seriously and has established a system of internal accountability.

3. Linking Performance to Executive Compensation: We believe that linking sustainability performance – in this case labor and human rights – to executive performance is an effective tool to help companies manage environmental and social risks. We strongly recommend that a provision requiring companies to disclose how they are tying executive performance to improvements in supply chain labor performance be included in the Guidelines. This helps deliver meaningful impact and strengthens the message of executive accountability to all stakeholders.

Thank you for the opportunity to comment on USDA’s Guidelines for Eliminating Child and Forced Labor in Agricultural Supply Chains. We would also encourage the Consultative Group to organize a stakeholder consultation with the SRI community to share insights and knowledge. Such a consultation would provide the Consultative Group with an opportunity to hear from, and brainstorm with, experienced sustainability investment analysts in the areas of labor and human rights.

Sincerely,

Mike Lombardo
Senior Sustainability Analyst and Manager, Calvert Social Index
Calvert Investments

*Calvert Investment Management, Inc. was named Calvert Asset Management Company, Inc. prior to 4/30/11.