Calvert INVESTMENTS

4550 Montgomery Avenue, Bethesda, MD 20814
301.951.4800 / www.calvert.com

UNITED NATIONS GLOBAL COMPACT AND CEO WATER MANDATE
2013 Communication on Progress
Calvert Investments, Inc.
Submitted on December 28, 2013

Contact: Reed Montague
Title: Sustainability Analyst
Company: Calvert Investments, Inc.

CEO STATEMENT OF CONTINUED SUPPORT

We are pleased to share our latest United Nations Global Compact Annual Communication on Progress (UNGC COP) report that highlights our key activities from 2013 and the outcomes. The UN Global Compact (UNGC) principles in the areas of human rights, labor, environment and corruption align closely with both our own investment criteria and our shareholder advocacy and public policy initiatives. As part of Calvert's core mission, we harness the power of investment to strengthen corporate responsibility and contribute to global sustainability. This report will also serve as the annual Communication on Progress (COP) for the CEO Water Mandate.

As a small company with less than 200 associates, our most significant impacts come from our advocacy efforts and application of our sustainability criteria. Over the past year, Calvert has continued to address both our own sustainability and further engage on sustainable issues with companies and via public policy.

Interest in sustainable and responsible investing continues to rise and grow. More than ever, companies are focusing on environmental, social and governance (ESG) factors and seeking to address those issues. In a 2012 Deutsche Bank review of 100 academic studies, 56 research papers, two literature reviews and four meta-studies on sustainable investing found that 89% of studies demonstrated that companies with high ESG ratings show market-based outperformance and 85% of these studies indicated that these companies experience accounting-based outperformance. More than 1,200 institutional investors managing over $33 trillion have joined the Principles for Responsible Investment (PRI), of which we are a founding member, and have publicly committed to seek comprehensive corporate ESG disclosure and incorporate it into their decisions. As of December 2012, 53% of the S&P 500 and 57% of the Fortune 500 published a corporate sustainability report, with 63% of S&P 500 reporters using the Global Reporting Initiative (GRI) guidelines.

Having combined financial with ESG concerns since the early 1980s, we believe we have created an innovative and durable model that provides our investors with both sound financial returns and the ability to enhance companies' commitment and performance. However, we know that we must continue to refine how we conduct our business, strengthening our approach in order to provide superior financial returns for our clients and doing our part to meet global sustainability challenges. Our responses to the annual PRI survey, which we will fill out in early 2014, will detail our efforts in this area and be publicly available later next year.

Shareholder Advocacy and Engagement
Calvert's biggest impacts come from the changes we are able to make through our funds, both in the areas of advocacy and public policy – which are discussed in greater detail in the main area of this report.

One of the most important advocacy tools at Calvert's disposal is direct dialogue with companies, an effective means of gaining commitment and improving performance on sustainability. Constructive dialogue with senior management, built on a foundation of trust and an understanding of shared goals, is an essential part of Calvert's engagement. Calvert engages directly with companies both on its own, and as part of investor or broader stakeholder coalitions. Before we enter into dialogue, our sustainability analysts conduct in-depth research in order to understand the company, its lines of business, competitive landscape, the company's exposure to sustainability risks and opportunities, and its prior commitment to corporate responsibility. Calvert had discussions with more than 100 companies during the past year, including some at the CEO level.

During the 2013 proxy season, Calvert filed 22 shareholder proposals. Ultimately, we negotiated agreements with 14 companies on the issues of board diversity, sustainability reporting, pay day loans, and board oversight of sustainability issues as well as on water stress in company supply chains. Calvert continues to engage many companies in dialogue outside of the shareholder resolution process, both directly and through multi-stakeholder initiatives. To date, Calvert has filed another 23 shareholder proposals for the 2014 season.

Innovative Funds
Among our key recent contributions has been the development and launch of two new innovative funds, with distinct sustainability themes.

Calvert Green Bond Fund
Calvert continues to advance new models of sustainable and responsible investing. In October 2013, Calvert launched the Calvert Green Bond Fund, the first green fixed-income fund that invests in a broad portfolio of securities focused on environmental solutions or issued by companies considered to be environmental sustainability leaders. Green bonds represent an exciting

investable premise. According to the International Energy Agency (IEA), an additional $5 trillion (a doubling) of investment in clean-energy and low-carbon technology is necessary just to satisfy the IEA's 2020 target goals to limit global warming, and another $36 trillion (35%) must be invested before 2050 to meet longer-term targets.

Green bonds can play a key role in achieving this lower-carbon, sustainable global economy called for by the IEA, and which is being rapidly embraced by corporations, governments, and NGOs around the world. The Calvert Green Bond Fund is comprised of corporate bonds from issuers with over half of their revenue from environmentally beneficial technologies, products, or services, or that display strong environmental sustainability leadership, plus project-focused bonds that support clean energy, water conservation, or other green initiatives.

Calvert Emerging Markets Equity Fund

Having recently celebrated the first anniversary of its launch in late October 2012, the Calvert Emerging Markets Equity Fund seeks to invest in companies whose products, services, industrial or business practices help address one of at least ten global sustainability challenges in their local and/or international markets. These challenges, which overlap with the UN Millennium Development Goals, include addressing economic development, improving quality of life for the disadvantaged; providing access to safe medicines; expansion of digital access for the those with limited access; addressing climate change and other environmental issues; clean water and sanitation; human rights, labor rights and Indigenous Peoples' rights; gender equality and diversity in the workplace; and overcoming corruption. We believe that companies such as these need to be part of the solution to address sustainability and serving as a member of the UNGC can a differentiating factor.

Highlights

Through the platform of our funds, we are able to have a much more significant impact on corporate responsibility and sustainability beyond our own internal footprint as a small company. As a result, our annual COP focuses on the larger impacts we make through our investments. Some of these highlights from this year include:

- Published the third biennial diversity report, Examining the Cracks in the Ceiling, in March 2013, which evaluated the corporate diversity practices in the S&P 100 and found that large-cap companies are still failing to put substantial numbers of women and minorities in the boardrooms and executive suites.

- Released *Investing the Rights Way: A Guide for Investors on Business and Human Rights*, in conjunction with the Interfaith Center on Corporate Responsibility (ICCR) and the Institute for Human Rights on how investors can apply the UN Guiding Principles on Business and Human Rights as a due diligence and risk assessment framework to assess companies within their portfolios.

- Addressed several public policy issues encouraging greater support and stronger regulation for initiatives such as the Clean Air Act, tax incentives for renewable energy production and related United States Environmental Protection Agency (EPA) rules (consistent with our global efforts to address climate change).

- Continued to support and participate in other initiatives (in addition to UNGC and the CEO Water Mandate), which further the integration of ESG issues into the investment process such as the UN Principles for Responsible Investment and the UN Environment Programme Finance Initiative.

- Pushed with other investors for robust SEC rules implementing Dodd-Frank 1504 requiring disclosure of revenue payments by U.S.-listed oil, gas, and mining companies to governments of countries where they operate around the world.

CEO Water Mandate
Calvert was the first investment company to endorse the CEO Water Mandate and we remain committed to achieving progress with the Mandate's elements. We fully support the mission of the CEO Water Mandate and its goal to contribute promising solutions to the emerging global water crisis. We have outlined our efforts in this area in the CEO Water Mandate section, particularly on water disclosure and the human right to water.

This letter and the following report both reaffirm our continuing commitment to both the UNGC and the CEO Water Mandate. We look forward to maintaining our commitment to these critically important initiatives which reflect and reinforce Calvert's business and mission.

Sincerely,

Barbara J. Krumsiek
President and CEO
December 2013

ANNUAL PROGRESS

This section highlights Calvert's 2013 progress towards the UNGC and Ten Principles in each of the four issue areas: human rights, labor, environment, and anti-corruption. For each area, we discuss the actions we have taken, the progress made and any relevant outcomes.

Human Rights Principles

Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Business should make sure that they are not complicit in human rights abuses.

Investor Risks and Opportunities in Burma
Calvert continues to be actively engaged on many fronts regarding developments in Burma in light of recent overall progress toward democratic reform. In September 2013, Calvert revised its longstanding policy language that committed Calvert to urge U.S. companies to "cease operations" in Burma, which was replaced by a statement mandating Calvert to advocate "responsible investment" in the wake of the lifting of U.S. sanctions prohibiting new investment by American companies. Calvert will continue to engage companies that are establishing or expanding operations in Burma as it did in June 2013 with Coca-Cola on its human rights risk assessment process as it begins operations there (and in 2012 when GE agreed to undertake a similar assessment).

Dodd-Frank Section 1502/Conflict Minerals
Calvert continued to be a leader among investors on "conflict minerals" through a coalition with companies including AMD, HP, GE and Ford and human rights advocacy groups led by the Enough Project and Global Witness (plus shareholder advocates As You Sow and other sustainable and responsible investment (SRI) firms). The multi-stakeholder group supported disclosure requirements to certify that certain minerals used in cell phones and other consumer electronic components (tin, titanium, tantalum and gold) are not illegally mined to fuel the continuing bloody conflict in the Democratic Republic of Congo (DRC). Such requirements were enacted as Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The SEC in August 2012 approved and released the final rule implementing the reporting requirements of Section 1502. Calvert helped draft statements commenting on the rule for both the multi-stakeholder and investor groups, which reflected the consensus that its key provisions ensure sufficient information necessary for investors to assess due diligence efforts on the part of affected companies.

After the U.S. Chamber of Commerce filed a suit against the SEC on Section 1502/conflict minerals, Calvert took the lead among the investors in the multi-stakeholder group to forge a common statement including the key companies and NGOs (identified above) to urge implementation of the law along the lines outlined by the rule, regardless of the lawsuit. In July 2013, the court upheld the "conflict minerals rule" in favor of the SEC and the statute requiring adoption of the rule, a major victory for Calvert and its allies. Calvert then called upon all covered companies to move forward with the required disclosures and related due diligence processes that can curtail the use of the "conflict minerals" fueling the bloody conflict in the Congo as part of a joint investor statement issued by the Responsible Sourcing Network, Boston Common Asset Management and Trillium Asset Management.

Internet Freedom of Expression and Right to Privacy/GNI
Calvert has continued its leadership role among investors in the Global Network Initiative (GNI), the multi-stakeholder initiative launched in late 2008 on the basis of a four-year long dialogue originally convened by the Center for Democracy and Technology and Business for Social Responsibility that has brought together major internet and communications technology companies along with human rights NGOs, other SRIs and academic experts. With Microsoft, Google and Yahoo! as the initial company signatories, GNI aspires to become the global standard addressing corporate responsibility for freedom of expression and the right to privacy on the Internet. Calvert serves a founding member of the GNI Board of Directors (and one of our executives serves as Board Secretary).

This period saw Facebook added as part of GNI's base with Internet companies, extending its global reach at the conclusion of its year-long observer status. GNI has also engaged in an "Industry Dialogue" with eight European-based telecom companies to develop their policies on censorship, privacy and other human rights-related issues.

The credibility of the GNI has been tested—but its utility also demonstrated—as it reacted to the growing salience of National Security Agency (NSA) surveillance programs that favor national security over personal privacy. Calvert helped draft GNI statements on the need for greater transparency and accountability around surveillance and striking a stronger balance between those national security needs and the right to privacy. Calvert continues to engage on these issues largely through the GNI—as its leading investor voice—but also reach out as we have recently with Verizon to raise these issues with individual companies we own. Investor interest in online surveillance and privacy continues to mount given concerns that certain companies most visibly (even though involuntarily) implicated in these practices will lose user trust and in turn may lose current market share or new market opportunities outside the U.S.

Investor Guide/UN Guiding Principles on Business and Human Rights
Calvert, ICCR and the Institute for Human Rights and Business launched *Investing the Rights Way: A Guide for Investors on Business and Human Rights* in March 2013 in both New York City and London. The guide outlined how investors can apply the UN Guiding Principles on Business and Human Rights as a due diligence and risk assessment framework to assess companies within their portfolios. The report and launch events demonstrate Calvert's intellectual leadership and influence among investors on both sides of the Atlantic on human rights.

UNGC Human Rights Working Group
Calvert joined the UNGC Human Rights Working Group in late March as one of nine new members selected. The group was formed in 2006 and has been active in developing and refining tools and other guidance materials for business on how to respect and support human rights. Calvert participated in the December 2, 2013 meeting in Geneva and subsequently chaired the session on "The Financial sector: Towards greater clarity on how the UN Guiding Principles apply" at the Second Annual UN Business and Human Rights Forum there later that week.

Indigenous Peoples' Rights

Global Reporting Initiative G4 Indicator Comments
In 2013, Calvert submitted both general comments to the GRI on the G4 draft indicators and also emphasized ways to strengthen reporting of their policies and operational impacts on Indigenous Peoples.

Indigenous Peoples' Rights
Calvert signed a joint investor letter of support to the original sponsors of the Non-Disparagement of Native American Persons and Peoples in Trademark Registration Act of 2013 in Congress, with the objective of delegitimizing trademarks that use the term "redskin", a term offensive to American Indians.

First Peoples Worldwide Indigenous Rights Risk Report/ Extractive Industry
First Peoples' Worldwide launched an extractives report in October 2013 to which Calvert provided support behind the scenes. The report makes the financial case for why investors, shareholder and corporations should to respect Indigenous Peoples rights and work with Indigenous communities to minimize their financial risks while maximizing investment return and shareholder value. First Peoples' determined that 92% of the 370 oil, gas and mining sites analyzed posed between medium and high risk to shareholders. Calvert attended the launch event at the U.S. SIF's annual conference and is a steering committee member of the Indigenous Peoples' Working Group.

UNDRIP Business Reference Guide
Calvert supplied comments earlier in the year and again in October to drafts of the *United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP): A Business Reference Guide* being produced by the UNGC. The Guide, designed to help businesses respect and support the rights of Indigenous Peoples, was released in December 2013.

FedEx Corporation/NFL Franchise
Calvert co-filed a floor resolution at FedEx's annual general meeting in September, along with Boston Common and Mercy Investments. The Oneida Nation of Wisconsin served as the lead filer and presented the resolution, which asked the company to reassess and reconsider its involvement with the Washington NFL team in light of the team name. Although the vote count was small as the motion can only be voted on by shareholders present at the meeting, we believe it sent a message to the company on this issue. Calvert will continue to work with other investors on this issue to press for change. At a subsequent October symposium calling on the Washington NFL team to change its name, held by the Oneida Nation of New York, Congresswomen Eleanor Holmes Norton (D-D.C.) asked when team sponsors such as FedEx would show leadership on this issue.

LABOR

Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Bangladesh Tragedy/Garment Industry Safety
Following the April 2013 collapse of the Rana Plaza building in Bangladesh that killed over 1,100 people in the deadliest garment factory incident in history, Calvert intensified its long-standing engagement with apparel companies, stakeholders, and government officials on strengthening workplace protections for workers in this industry. Calvert signed a May ICCR letter representing 200 investors to the companies urging retailers to join the global Accord on Fire and Building Safety in Bangladesh, a framework to guarantee systemic reforms necessary to safeguard the health and safety of factory workers. It also voiced strong public support in other ICCR investor statements calling for apparel brands and retailers to embrace a stronger Accord.

Despite progress over the past decade, grave concerns and critical issues remain unaddressed in Bangladesh and several other countries that are critical suppliers to the apparel industry. Calvert believes that companies in the retail industry should disclose the countries they source from in order to demonstrate their responsibility for decent workplace practices for the benefit of their workers, investors and customers. Calvert wrote to the CEOs of 26 companies, including American Eagle Outfitters, Limited Brands, Nordstrom, Target Corporation and The Walt Disney Company, asking them to publicly disclose the list of countries where they source at least 5% of the company's global order volume.

Forced Child Labor in the Uzbek Cotton Industry
Calvert has continued to be the leader among investors of an international multi-stakeholder initiative with major global apparel brands, other SRI firms and U.S. and European-based NGOs to curtail forced child labor in Uzbekistan's cotton fields, directly mobilized by that country's government. The Cotton Campaign registered a success in June 2013 when the U.S. State Department downgraded Uzbekistan in its 2013 Trafficking in Persons Report to Tier 3, after it faced potential sanctions and removal of foreign assistance. Calvert helped shape the campaign's approach to sanctions and their use of leverage by the U.S. Government to persuade the Uzbek government to accept ILO tripartite monitoring of its 2013 fall harvest ahead of a technical assistance mission. The ILO finally conducted its long awaited monitoring mission of the fall harvest following six years of mounting pressure by the Coalition amidst indications that forced labor directly mobilized by the government persists on a massive scale, though the use of children has diminished.

Food and Beverage Sector Engagement

- **McDonald's Corp**
  Calvert's engagement with companies in the food and beverage sector led to some successes. In 2012 and 2013, McDonald's Corp. invited Calvert to provide input to an overhaul of its Supplier Code of Conduct. Calvert is pleased with the new Code, which now includes standards regarding human rights and human trafficking, freedom of association, and explicit support for the United Nation's Universal Declaration of Human rights. The Code also includes stronger whistleblower protection, grievance and violation reporting procedures. Calvert continues to ask the company to recognize more explicitly those same rights in its own operations. Calvert met with the McDonald's again in November on the issue of how the company and its franchisees may be opposing increases to the minimum wage through their trade associations.

- **PepsiCo**
  As members of the Ceres Stakeholder Team for PepsiCo, Calvert contributed to concrete changes in PepsiCo's sustainability approach. When the company launched its Performance with a Purpose strategy in 2011, it

included provisions for environmental sustainability, health and wellness, and diversity and inclusion. Calvert felt that labor and human rights were a significant and troubling omission from the company strategy, given the company's risk in its own operations, bottling operations and agricultural supply chain. At Calvert's request, the 2012 stakeholder meeting added an entire afternoon devoted to labor and human rights.

In 2013, the company released an updated Sustainability Report that included human rights in the workplace framework. The company will perform a corporate assessment across the entire business to map human rights risks and opportunities, integrate findings into management systems, develop key performance indicators, track performance, and report externally. PepsiCo will embed its human rights work in a revamped governance structure, including an executive-level council and an operational level committee, with sub-committees on policy, assessment, training, and disclosure. The company also incorporated human rights into its annual employee Code of Conduct training for employees.

- **The Coca-Cola Company**
  Calvert engaged with The Coca-Cola Company for several years on the issue of human rights, labor relations, and the human right to water. In September 2013, Calvert met with senior staff from Coca-Cola for an update on the company's progress on human rights, labor, water, diversity, and nutrition/obesity issues. Based on these conversations and our participation in an ongoing ICCR dialogue with Coca-Cola on water issues, Calvert updated its ESG assessment of the company on our website.

Calvert's Women's Principles
The Calvert Women's Principles (CWP) continued to be adapted and implemented in companies worldwide through two distinct initiatives and will celebrate its ten year anniversary in 2014. The Women's Empowerment Principles (WEP), adapted from the CWP by United Nations Women and the UNGC, has grown to over 600 signatories with the CEO Statement of Support, demonstrating CWP's growing global reach. In March 2013, Calvert participated in the Fifth Annual WEP in New York City. This year's event also marked the first annual WEP Leadership Awards, which Calvert helped select in coordination with other members of the UN WEP Leadership Group.

Calvert also serves in an advisory capacity to the San Francisco Gender Equality Principles (GEP) Initiative in partnership with the San Francisco Department on the Status of Women (SFDSW) and Verité, which are also based on the CWP. This Initiative engages Bay Area companies to develop gender equitable workplaces. Calvert also participated in the March launch of the New York Women's Business Principles, also inspired by the CWP. As part of our involvement, Calvert attended two GEP events in August, both sponsored by the SFDSW – a GEP Roundtable on women's empowerment and sponsorship and an annual Gender Equality Council dinner focusing on the Gender Equality Challenge, an expansion of the GEP which encourages Bay Area companies to publicize their strategies for greater women's empowerment as model practices for peers to follow. Calvert has been instrumental in encouraging Bay Area companies to participate in the Gender Equality Challenge and companies that join will be highlighted in a January 30, 2014 event, co-sponsored by Calvert and hosted by the SFDSW. President and CEO Barbara Krumsiek will be the keynote speaker at the event.

Board Diversity Shareholder Resolutions
As part of the 2013 proxy season, Calvert successfully withdrew board diversity proposals filed at Equinix, Inc., NetApp, and QEP Resources, which subsequently added a female director to its board at the end of March. Calvert also filed a board diversity proposal with MetroPCS Communications before it bought T-Mobile Inc., after which the proposal was withdrawn as the new slate of directors was sufficient to meet Calvert's diversity concerns.

Calvert filed a board diversity resolution with Urban Outfitters for the third consecutive year, with increased investor support. The proposal gained significant media attention from the *New York Times* and other publications ahead of the vote. In efforts to quell growing concerns around the inclusiveness of its board, Urban Outfitters nominated Margaret Hayne, the wife of CEO, Chair, and Founder Richard Hayne and President of the company's Free People brand. While acknowledging this step towards greater board diversity, Calvert and others noted that her position within the company – and her relationship to CEO Richard Hayne – did not make her an independent addition to the board. Calvert presented the proposal at the company's annual meeting. Our proposal with Urban Outfitters registered 27.9% of shareholder support, a decrease from last year that was likely affected by the addition of Margaret Hayne to the board.

Third Biennial Diversity Report
The third biennial Diversity Report since 2008, "Examining the Cracks in the Ceiling," evaluating the corporate diversity practices of companies in the S&P 100 was released in March 2013. The report found that large-cap companies are still failing to put substantial numbers of women and minorities in the boardrooms and executive suites. The highest rated companies included Citigroup Inc., Merck & Co., The Coca-Cola Co., and JPMorgan Chase. The five lowest rated companies included Berkshire Hathaway, Simon Property Group, National Oilwell Varco Inc., Ebay, and Apache Corp. Calvert held a telenews event to help publicize the report, generating wide media coverage, including with Bloomberg, Forbes, and the Motley Fool. We were able to use the report to further our advocacy efforts and will continue to evaluate the corporate diversity practices of companies in the S&P100.

ENVIRONMENT

Principle 7: businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally-friendly technologies.

INCR and Production Tax Credit for Wind Power

Calvert continued to be an active member of the Investor Network on Climate Risk (INCR), particularly in the effort to support legislation for the Production Tax Credit (PTC) for wind power, which was due to expire at the end of 2012. It participated in meetings with Congressional and Senate staff and drafted an investor letter in February to the House and Senate in support of the PTC. Calvert also hosted a meeting of INCR in October where it established 2012-2013 policy objectives, and planned further efforts to support of the wind PTC. Investor involvement helped lead to the passage of the legislation signed by President Obama, including the Production Tax Credit for wind energy as part of the "fiscal cliff" deal passed by Congress. All wind projects begun in 2013 were grandfathered into an extension for the tax credit.

350.org Divestment Campaign on Fossil Fuels

Calvert watched closely the 350.org divestment campaign urging college and university endowments, along with foundation, union and pension funds, to divest from companies producing fossil fuels. In December 2012, Calvert posted a statement on its website expressing support for the campaign's broad objectives and making the case for active ownership and engagement as a complementary strategy. The statement also pointed to specific fossil fuel companies engaged successfully by Calvert on climate change, alternative energy and revenue transparency. Calvert then posted subsequent statements in 2013 expressing support for specific elements of the President's climate change agenda and addressing its portfolio exposure with little or no exposure to the energy sector. Calvert's position embraces both divestment and engagement as a combined two-prong strategy focused on pressuring fossil fuel companies to reduce carbon emissions and shift towards renewable energy, reinforced by legislative and regulatory efforts to advance these objectives. Calvert has three fossil fuel-free funds and several others with very low energy sector exposure.

Climate Change and Energy

Calvert joined BICEP (Business for Innovative Climate and Energy Policy) and ACSB (the American Council for Sustainable Business) for a series of meetings in June 2013 with House and Senate offices on climate and energy policy. The objective was to make lawmakers aware of business support for legislation that would reduce greenhouse gas emissions and promote renewable energy and energy efficiency. Calvert returned to Capitol Hill with Ceres in July and again with Ceres and U.S. SIF in November to meet with Congressional staff to emphasize support for extending the benefits of master limited partnerships (MLPs) to renewable energy projects, the production tax credit and climate change. We supported the EPA's rulemaking under the Clean Air Act to reduce carbon emissions from new electric power plants and welcomed the President's support for those rules and for extending such rules to existing power plants, which are estimated to contribute 40 percent of U.S. greenhouse gas emissions. Currently MLPs help draw investment to oil and gas projects and Calvert argued that removing barriers for solar, wind, and even energy efficiency projects would provide an investment opportunity for while also helping to diversify our energy system and address climate change. Calvert's CEO was quoted in a document that lays out the benefits of a change in MLP rules that was produced by Ceres and distributed on Capitol Hill.

Pebble Mine/U.S. EPA
Calvert and Trillium have coordinated investors representing over $100 billion in assets that provided comments to the U.S. Environmental Protection Agency expressing concerns about large-scale mining in the Bristol Bay region of Alaska since 2011. Pebble Mine is a proposed copper, gold and molybdenum mine that would be situated at the headwaters of the Bristol Bay Fishery Reserve by the Pebble Partnership, made up of U.K.-based Anglo-American and Northern Dynasty Minerals Ltd. of Canada and would impact Alaska's Bristol Bay watershed, which produces roughly half of the world's commercial supply of wild sockeye salmon. The EPA's draft assessment found that an open pit mine would likely cause significant negative impacts.

In September 2013, the multinational mining company, Anglo American, the primary driver of the Pebble Mine project in Bristol Bay, withdrew its support for the project leaving the much smaller Canadian mining firm Northern Dynasty as the sole owner of the stake. While the company did not state that overcoming the huge operational challenges of building and operating a mine in the pristine Bristol Bay region and the fierce opposition to mining on the part of a diverse set of stakeholders in the area were the reasons it pulled out, it was a significant announcement for those concerned about the potential impacts of mining in that part of Alaska. In light of Anglo American's withdrawal, investors are reiterating their long standing support for the EPA Assessment process and once again urging the agency to carefully review the potential risks of mining under the Clean Water Act.

Pesticide Advocacy
In 2013, Calvert, with other investors, engaged several companies, including Panera Bread, Cheesecake Factory, and Hain Celestial, on the issue of

pesticides used in food production. Investors sought clarification of measures to encourage suppliers to use sustainable agriculture, Integrated Pest Management, and assure consumers of minimum pesticide residues. Calvert also joined other investors and non-profit groups in calling for the U.S. EPA to follow a two-year restriction on the use of a class of pesticides believed to contribute to bee die-offs. The petition calls for U.S. EPA to observe a moratorium followed in fifteen other countries to allow for further study on the effect of these pesticides on bees.

Food Sustainability Initiatives

Calvert has continued to participate in several food initiatives during this past year. Our work focuses on the intersection of sustainable agriculture leading to improved water quality and use, community water rights, and fair labor.

- **Equitable Food Initiative**
  The Equitable Food Initiative (EFI) is a new certification scheme that brings together workers, growers and retailers in the effort to produce better fruits and vegetables. It has transitioned from a Steering Committee governance structure to a full Board of Directors, with Calvert having one seat of twelve. It will spin off from Oxfam America in April 2014 and is signing up retailers. The primary strength and challenge of EFI lies in its training of farm workers in product safety, pesticide management, and workplace safety and fairness. Part of the certification involves managements of pests, soil, water and habitat, with an emphasis on using an Integrated Pest management approach to minimize the use of highly hazardous pesticides.

- **Behind the Brands**
  Calvert has been an active investor supporter of Behind the Brands (BTB) campaign. Organized by Oxfam International, the BTB campaign benchmarks the ten largest food and beverage companies according to their public commitments on farmers, women, land and water rights, climate change, workers, and transparency in their agricultural supply chains. Calvert authored an investor statement with signatures from investor firms representing $1.4 trillion of assets under management. We also presented with Oxfam staff on a webinar designed to attract other investors to the campaign. The campaign has succeeded in garnering new commitments from Mars, Mondelez and Nestle to address issues related to women cocoa farmers in their chocolate supply chains. In addition, Coca-Cola made sweeping commitments to respect land rights and operate under the principle of Free, Prior Informed Consent (FPIC), rolled out in complement to new Sustainable Agriculture Guiding Principles.

- **Menus of Change**
  Calvert participates on the Menus of Change (MOC) Business Leadership Council, sponsored by the Culinary Institute of America and Harvard's School of Public Health, Department of Nutrition. The Initiative hopes to create a

long-term, practical vision for the integration of optimal nutrition and public health, environmental stewardship, and social responsibility concerns within the foodservice sector and broader food industry. Its objectives include training the next generation of chefs on how to cook healthy, sustainable food, incubating new models of food service innovation, and driving collaboration across related industries. The first annual report rating on the food industry, its progress towards key sustainability and nutrition metrics, and proposed steps for improvement was released in June 2013. Calvert authored the section focusing on investor perspective. Calvert also spoke in two plenary sessions at the first MOC summit that coincided with the release of the report and brought together about 400 professionals from the food service, culinary, investment, and public health industries.

Water Sustainability/CEO Water Mandate

Water Advocacy and Public Policy Work

Calvert strongly supports the principle that universal access to fresh water is a fundamental human right and is at the forefront of investing sustainably and also in using our voice to change corporate behavior and promote positive public-private water initiatives. We remained an active leader in policy and advocacy related campaigns such as the ICCR Food and Water working group; the Ceres Water working group; the CEO Water Mandate; and the Principles for Responsible Investment (PRI) work related to water. Calvert promoted the CEO Water Mandate's Disclosure Guidance document and encouraged select holdings to pilot the approach contained in the disclosure guidelines. Calvert remained active in the CEO Water Mandate's working group on human rights.

CEO WATER MANDATE INFORMATION

Calvert supports water sustainability through its shareholder advocacy efforts and policymaking initiatives. Calvert was the first investment company to endorse the UN's CEO Water Mandate. Launched in 2007, this seminal, private-public initiative helps corporations develop, implement, and disclose their water sustainability practices and policies in six critical areas: direction operations, supply chain and watershed management, collective engagement, public policy, community engagement and transparency. The following brief summary outlines our actions and outcomes in each of the six CEO Water Mandate work elements.

1. Direct operations

Investment criteria
As a sustainable and responsible investment company, the application of sustainability investment criteria to Calvert mutual funds is our most powerful and direct tool for reducing water-related risks and capitalizing on water-related sustainability opportunities. The rigorous application of sustainability criteria helps to identify companies that are well positioned to enhance long term value through sound ESG management.

The Calvert Global Water Fund was launched in October 2008 as part of a Solutions Strategies Investment portfolio which seeks to invest in companies that produce products and services designed to address water-related environmental and sustainability challenges. The Fund seeks growth of capital through investment in equity securities of companies active in the water-related resource sector.

Education
As part of Calvert's efforts to educate financial providers and the general public on the global water crisis, we launched the Calvert Water Investing App in late November. The free app is available on both Apple and Android mobile devices and includes several features:

- "The Daily Drip" – a roundup of weekly news about water-related issues of interest to investors and financial advisors.

- "Learn" – the place to get up to speed on the facts about global water challenges, environmental impacts and view a short water film.

- "Views" – expert commentary and analysis from Calvert on key water issues, including daily tweets from Calvert water analysts and profiles of water themed companies.

- "Invest" – facts and performance updates about the Calvert Global Water Fund and the portfolio management team.

Calvert also updated its white paper, “Quenching the World’s Thirst for Water,” which discusses water demand and investment drivers. For example, the paper notes that water-related infrastructure alone will require the investment of $22 trillion globally over the next two decades. We also wrote about business model challenges facing water and electric utilities on our website. Both industries must tackle a potential revenue gap from the need to increase rates in order to cover infrastructure and technology modernization, while protecting the public’s ability to afford services.

Calvert staff speaks regularly on the human right to water and corporate water stewardship at various venues across the country. For example, we spoke on a panel at the 2013 Ceres meeting regarding management of water-related agricultural supply chain risks, with representatives from PepsiCo and the World Wildlife Fund.

We also work to educate financial advisors and planners about water. Calvert participated in and helped sponsor an hour-long televised webinar in November presented by Financial Advisor Magazine to inform and engage clients on water investment. The webinar covered the investment thesis for water investment, how water investments can improve client portfolios, investor advocacy on water issues, and the value of active management. About 800 investment advisors registered for the event, with 444 viewing the live event.

Shareholder Advocacy on Water

Shareholder advocacy provides investors with powerful ways to directly influence corporate behavior and policies. Our water advocacy continues to focus on the theme of the entwined risks from water and climate change in company supply chains, as well as the human right to water. In 2013, we added a focus on the risk to water utilities from pressure to maintain low rates, reduced demand per customer due to conservation, and water stress. We also included the water-energy nexus, by engaging with publicly-traded electric utilities on water use and carbon emissions, which affect water use and quality of water in rivers and lakes.

In 2013, we filed five resolutions on environment and climate change, critical issues linked to both water availability and water quality. We engaged in numerous dialogues on water management, human rights, supply chain and disclosure.

Water Risk and the Human Right to Water

Calvert engaged with several water utilities on these issues central to the viability of the water utility business model given changing pricing and supply issues:

- Supply security (reduced supply and poor quality due to climate change and physical risks to infrastructure),

- Demand management (declining demand per customer given conservation),

- Credit ratings (downgrades on some bonds issues by utilities, increasing the cost of capital),

- Affordability and the human right to water (giving customers the right price signals to fund new infrastructure while protecting access to water), and

- Conservation (decoupling price signals from water use, conservation programs).

Calvert met with the CEO and CFO of American Water Works Co, one of the largest publicly-traded water and wastewater utilities in the U.S. Calvert also engaged California Water Services and SJW Corp. on similar issues.

A shareholder resolution at Louisiana-based electric utility Cleco Corporation was supported by 45% of shareholders. The resolution asked for enhanced sustainability reporting, including issues related to water scarcity as a risk for electricity generation. The company agreed to produce a sustainability report in the fall of 2013.

In 2013, we completed several dialogues related to water risk in the supply chain. After two years and two resolutions, Fossil Inc. finally agreed to participate in a telephone conference with Calvert to discuss our shareholder proposal on water risk in the supply chain. Calvert's first resolution from the 2011 proxy season garnered a 31% favorable vote. In May 2013, a shareholder proposal on water risk was again presented for a vote at the company's annual shareholder meeting which earned 29% support.

We completed a productive dialogue with Hanesbrands Inc., a U.S.-based apparel manufacturer. Calvert was concerned about the company's water footprint from cotton as a key raw material. The company is using a water risk mapping tool, improving disclosure of water indicators, and as a result of the dialogue, released a new sustainability website.

Calvert also engaged with other CEO Water Mandate signatory companies, particularly on the human right to water, such as Nestle and Coca-Cola.

In May, Calvert met with Nestle Chairman and former CEO Peter Brabeck as part of a small roundtable meeting for investors. When Calvert asked the Chairman for an overview of Nestle's approach to the human right to water, our analyst felt the answer was confusing. Calvert asked Nestle for a follow up meeting with the Human Rights Specialist and others. In an August meeting, the company clarified its approach to the human right to water. Calvert will continue to monitor Nestle's implementation of its policies.

As a member of ICCR, Calvert engaged with Coca-Cola on a variety of water-related topics, particularly the human right to water, water mapping and pressing for greater clarity on the concept of water neutrality. This engagement has been led by staff of the Missionary Oblates of Mary Immaculate and enjoys wide participation from ICCR membership. Calvert also had several separate discussions with the company about the materiality of water risk in emerging markets and community issues related to water use and quality.

Sustainability

Calvert engaged several oil and gas sector companies on overall sustainability issues, including water impact. For example, Calvert discussed water issues with ExxonMobil, particularly water monitoring and management within its hydraulic fracturing and oil sands operations.

Climate Change Risk

In 2013, we engaged with a number of companies on climate change risk and water. This included dialogue with McCormick & Co., on its sustainability report progress, climate change and water commitments. The company has begun responding to the Carbon Disclosure Project and recently released its first stand-alone sustainability report.

2. Supply Chain and Watershed Management

As an asset management company, we do not have specific supply chain and watershed management initiatives and outcomes to report. Our leverage comes in the form of asserting investor influence on companies we own in our investment portfolios to encourage them to understand their supply impacts and to improve their watershed management (discussed above).

3. Collective Action

The SRI community has a long tradition of working collectively to achieve common goals. This is also true of our work on water sustainability.

Calvert continues to exercise leadership in various multi-stakeholder forums to help define, advance, educate and communicate about water risk and opportunity. Among the groups with whom we collaborate are the UN PRI, CEO Water Mandate, Ceres, ICCR, U.S. SIF, Investor Environmental Health Network, Business for Social Responsibility, INCR, GRI, and the Carbon Disclosure Project.

4. Public Policy

We have taken a strong position on the issue of human rights and water. Calvert recognizes that access to water is a human right and we are eager to see this important policy issue at the fore of our discussions in the CEO Water Mandate. Accordingly, we also participate in the CEO Water Mandate's Human Rights Working Group where we continued to urge companies to embrace explicitly the human right to water and to make the commitment actionable through their policies and operations.

Calvert worked with other investors to reinforce support for the EPA Assessment process for large-scale mining operations in Alaska. Investors are once again urging the agency to carefully review the potential risks of mining under the Clean Water Act.

Calvert wrote an op-ed in support of solar energy that appeared in the Arizona Republic on January 18. The op-ed noted the opportunity in Arizona for expanded solar power, which would bring jobs and investment to the state. The piece also noted the availability of sunshine in the state and the scarcity of water that makes solar power advantageous. Other forms of power generation (coal for example) require significant water withdrawals, which can jeopardize power availability, especially during times of drought. For example, we advocated in support of the federal Wind Production Tax Credit, which was extended through 2013. Wind energy is less water intensive than fossil fuel electricity production. Calvert also wrote similar op-eds in support of solar energy that appeared in the Baltimore Sun (August 19, 2013) and in the Montana paper, the Missoulian (March 20, 2013).

5. Community Engagement

Calvert continues to use its ownership position to help strengthen community engagement processes. Notable in this effort is our work with Dow Chemical, a company we hold in our SAGE funds. With these companies, we use strategic engagement to advance ESG performance on the part of companies that may not meet all of Calvert's Signature criteria today but have the potential to improve. We encouraged Dow Chemical through face-to-face meetings to strengthen and disclose its stakeholder engagement process with community leaders, government officials and other key stakeholders who are concerned about legacy pollution problems. In 2012, the company committed to strengthening its community process and to disclosing information about corporate efforts to implement a full dioxin cleanup in Midland, MI and throughout the Tittabawassee river region. The company now maintains a website to deliver timely information to community members and is steadily making progress with both the cleanup and communication.

We continue to push for more meaningful stakeholder processes that allow for stakeholder involvement early in a planning or reporting process. Too often corporations solicit stakeholder input at the eleventh hour, when a report is on its way to the printing press or a plant is about to be sited. Since water sustainability is fundamentally a local issue, we believe local experts and local stakeholders have a valuable role in the front end of water management, be it risk identification or hydrologic modeling.

6. Transparency

Calvert, as a sustainable and responsible investment company, has always pushed for better disclosure of ESG-related risks and performance data across the board. We explicitly incorporate into our analysis a range of environmental liabilities including water pollution and energy use as well as “intangible” assets such as environmental management, performance and investment. We believe that failure to account for and fully disclose these risks and liabilities could lead to inaccurate market valuation of a company.

Calvert provided feedback on the CEO Water Mandate’s draft *Corporate Water Disclosure Guidelines: Toward a Common Approach to Reporting Water Issues.* We also promoted the *Guidelines* in many of our corporate engagements involving water risk.

During 2013, we filed our 65th shareholder resolution asking for enhanced sustainability disclosure. Water use and water quality are typically included in the suite of performance indicators we ask high impact companies to track and disclose.

Calvert has increasingly focused on the link between climate impacts and water risk recognizing the climate change may complicate and exacerbate water scarcity, flooding, competition for water resources, water pricing, insurance costs and other issues of that affect small and large companies alike. For example, we participated in the summer strategy meeting of the Shareholder Initiative on Climate & Sustainability in New York City, which discussed climate and sustainability-focused corporate engagement strategies for the 2014 proxy season. Calvert’s contributions to the meeting focused on our efforts on physical climate risk and adaptation, sustainability governance, water risk, and our joint work with World Wildlife Federation and Ceres on corporate renewable energy investment.

We will continue to actively encourage the material significance of water use through our economy, society and culture. We will also use all the tools and venues available to us as investors, including ongoing participation in the CEO Water Mandate workstream on disclosure and transparency to promote better understanding, measurement, management, collaboration and disclosure of water impacts, water risks and opportunities.

CORRUPTION

Principle 10: business should work against corruption in all its forms, including extortion and bribery.

Dodd-Frank Section 1504: Extractives Revenue Transparency
Calvert has continued to demonstrate leadership among investors in supporting extractive revenue transparency as an imperative for investors interested in full disclosure of material information related to oil, gas and mining in certain countries. Calvert was widely credited for its leadership role among investors and has remained actively engaged in the Securities and Exchange Commission (SEC) rule-making process pertaining to Section 1504 of the Dodd–Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank").

The SEC issued the final rules for the implementation of the Section 1504 provision of Dodd-Frank in August 2012. The content of the final rules were broadly consistent with the position advocated by Calvert, representing a remarkable victory. Calvert's previous written comments to the SEC were cited and quoted extensively in notes to the rules, especially with respect to the materiality of particular factors to which it drew attention. Subsequently, a lawsuit was filed by the U.S. Chamber of Commerce and the American Petroleum Institute challenging rules. In July 2013, U.S. District Court of the District of Columbia issued a ruling that "vacated" the SEC's rule, declaring it inoperative until the SEC addresses certain key issues (the necessity for exemptions for certain countries and public reporting of the disclosures).

In August, Calvert drafted and submitted a letter to SEC Chairman Mary Jo White endorsed by investors representing more than $5.6 trillion in assets under management that acknowledged the value of the Commission's rules to implement Section 1504 and urged it to reinstate rules consistent with those issued. In the fall, Calvert held four separate meetings with SEC staff and Commissioners Michael Piwowar, and Kara Stein to discuss investor support for the disclosures required by Section 1504 and the steps the Commission may take in response to the ruling in API vs. SEC. Calvert emphasized the materiality of the disclosures required by Section 1504 and the need for the SEC to continue its vigorous defense of this long-needed reform. Calvert will continue its advocacy in support of a strong rulemaking for Section 1504 in 2014.

Sustainability Governance
Calvert filed shareholder proposals requesting board oversight of environmental and social issues with UPS, Lowes, Denbury Resources and Range Resources. In all four cases, Calvert successfully withdrew the proposals in exchange for amendments to the companies' governance documents to reflect board oversight of sustainability issues. Two additional companies – Energen and Whiting Petroleum – also implemented new public disclosures of board oversight of environmental and social issues as a result of Calvert dialogues.

Sustainability Reporting

Calvert withdrew two resolutions related to sustainability reporting in Q1 2013, with both LifePoint Hospitals and Cameron agreeing to publish sustainability reports. Health Management Associates, Cleco and Pioneer Natural Resources were unable to satisfactorily address Calvert's proposals and the resolutions were brought to the companies' annual meetings for a shareholder vote.

#13717 (12/13)