

**SAGE:**

Sustainability Achieved Through Greater Engagement

**Calvert SAGE Strategies:**

emphasize strategic engagement to advance environmental, social, and governance (ESG) performance on the part of companies that may not meet all of Calvert's Signature\* ESG criteria today but have the potential to improve.

**Anadarko Petroleum Corporation**

This company is a Calvert SAGE™ Strategy holding in the Calvert Large Cap Value Fund and is not eligible for investment in the Calvert Signature™ Funds.

Like many of its peers in the independent oil and natural gas exploration and production sector, Anadarko has lagged behind large, integrated oil and gas companies in its sustainability policy and program implementation and disclosure. However, Anadarko's improving greenhouse gas (GHG) emissions disclosure and CO<sub>2</sub> sequestering practices are encouraging. Still, the company's progress in its sustainability efforts has been uneven. For example, the company's 2009 report to the Carbon Disclosure Project indicates that Anadarko has decided against setting voluntary GHG reduction targets, but the 2010 submission indicates that the company is evaluating the role of emission and energy reduction activities on the company's GHG emissions baseline and an emissions reduction plan. Calvert urges Anadarko to make this evaluation a priority, as public targets based on absolute and relative emissions would minimize compliance costs and investors' exposure to regulatory risk in a very uncertain environment and, therefore, differentiate Anadarko from companies without the processes and discipline necessary to set public goals. In light of the Gulf of Mexico disaster, Anadarko should also greatly enhance its environmental, health, and safety (EHS) performance disclosure and conduct a public review of its EHS safety procedures and spill contingency plans to reassure investors and the public that the company has the least possible exposure to significant safety risks in its deep water operations and can operate efficiently under the likely new regulations. Anadarko should also begin publishing royalty payments to show its commitment to transparency, contribution to the U.S. economy and those of its other host countries, and readiness to comply with the payment reporting requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act. The company should also support implementation of the Extractive Industries Transparency Initiative (EITI)\*\* in the United States and globally. Given the company's operations in Algeria, Brazil, China, Cote d'Ivoire, Ghana, Kenya, Indonesia, Liberia, Mozambique, and Sierra Leone, it should have a better defined human rights policy.

**ANADARKO ADVOCACY OBJECTIVES**

- Establish commitments and report on GHG emissions reductions in response to the need for global emissions reductions of 80% by 2050 as recommended by the Intergovernmental Panel on Climate Change.
- Support climate change public policy initiatives that set strong and clear reduction requirements in GHG emissions. In addition, expand any current carbon mitigation or renewable energy strategies.
- Commit to public-disclosed standards for gas shale operations, including detailed disclosure of the contents of hydraulic fracturing fluids used at these operations.
- Conduct urgent reviews of safety procedures and spill contingency plans with the appropriate regulatory agencies at the company's deepwater exploration and production operations. Also verify or establish legally-binding EHS standards for all entities involved in their deepwater exploration and production joint operating agreements.

\*Calvert's Signature ESG criteria examine corporate performance across seven broad areas of concern: governance and ethics, environment, workplace, product safety and impact, human rights, Indigenous Peoples' rights, and community relations. For more information, please visit <http://www.calvert.com/sri-signature-criteria.html>.

\*\*The EITI is a global framework for promoting oil, gas, and mining revenue transparency for governments and companies.

\*\*\*The Voluntary Principles are global human rights standards for the oil, gas, and mining sectors and the first operational standards for any sector addressing corporate responsibility in zones of conflict.

- Report royalties publicly, especially those paid in the United States. Sign onto the EITI and support EITI implementation in the United States. In addition, support the efficient and expedited implementation of the new U.S. extractive industries revenue transparency regulations publicly and through the SEC rule-making process.
- Support the Voluntary Principles on Security and Human Rights (VPs)\*\*\* as the most relevant operational human rights standard for the industry and join the global plenary process to support implementation in light of the company's operations in Algeria, Brazil, China, Cote d'Ivoire, Ghana, Kenya, Indonesia, Liberia, Mozambique, and Sierra Leone.
- Establish and implement a human rights policy that guarantees local communities a significant role in project decision-making and includes policies specific to Indigenous Peoples, their lands, faith, and cultures.
- Improve overall diversity disclosure and performance.

#### ENGAGEMENT TOOLS APPLIED

- Direct dialogue with Anadarko Petroleum executive management
- Possible shareholder resolutions
- Sign-on letters on specific objectives

#### RECENT ENGAGEMENT

- On October 15, 2009, Calvert visited the Anadarko offices in Houston and met with the company's Vice President, Investor Relations and Communications; Manager, External Communications and Public Affairs;

Vice President, Deputy General Counsel and Corporate Secretary; Vice President, EHS; Director, EHS Services; and Senior Counsel. The meeting included a discussion of Anadarko's public position regarding the current climate change regulatory proposals, the relationship between natural gas and renewable energy sources, hydraulic fracturing fluid disclosure, the VPs, and the EITI. Anadarko reiterated that it is investigating the merits of supporting the VPs and the EITI, as Calvert has suggested.

- On June 30, 2010, Calvert signed onto a letter to Anadarko's Senior Vice President, General Counsel and Chief Administrative Officer, that asked the company to disclose the content of its hydraulic fracturing solutions as do many of its peers and also disclose its policies regarding water baseline testing, remediation, and disaster contingency plans for gas shale operations. The letter was organized by Trillium Asset Management and was also signed by other Anadarko shareholders including As You Sow; Catholic Healthcare West; Mercy Investment Services; the Sisters of St. Francis of Philadelphia; and Loring, Wolcott & Coolidge. The letter's content was consistent with Calvert's SAGE objective regarding Anadarko's gas shale operations. Calvert will follow up on the letter as warranted and raise it at the next meeting with the company, which will occur during the fourth quarter of 2010.

#### STATUS AND NEXT STEPS

Calvert plans to meet with Anadarko in person during the second half of 2010.

As of 7/31/2010, securities of Anadarko Petroleum represented 0.60% of the Calvert Large Cap Value Fund.

Investment in mutual funds involves risk, including possible loss of principal invested. You could lose money on your investment in the Fund, or the Fund could underperform, because of the following risks: a) the stock market may decline in value, b) the individual stocks in the Fund may not perform as well as expected, and/or c) the Fund's portfolio management practices may not work to achieve their desired result.

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