

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.

Duke Energy

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.

Duke Energy is a sustainability leader in the U.S. utility industry, with strong commitments regarding the environment and climate change along with comprehensive reporting. Duke's top management diverged from the industry to play a constructive role on federal climate change policy, even while noting the challenges related to the sector's dependence on coal. The company is an active supporter of mandatory greenhouse gas (GHG) emissions reductions and is making significant progress toward long-term goals to reduce its own emissions. With almost 50% of its power generation coming from coal-fired plants, Duke faces significant climate change risks as one of the largest emitters of CO₂ in the United States, making investments in renewable energy and energy efficiency an imperative for the company. In addition, the company should continue to find innovative and cleaner ways to manage and replace its aging power plants and transmission infrastructure. Given Duke's push towards nuclear power, the company would benefit from improved engagement with environmental and local community stakeholders.

DUKE ENERGY ADVOCACY OBJECTIVES

- Enhance commitments to 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 and publicly report the company's progress.
- Support climate change public policy initiatives that set strong and clear reduction requirements in GHG emissions.
- Expand and set targets for renewable energy investments, and report on progress toward prioritizing investment in renewables and energy efficiency relative to investments in clean coal or nuclear power.
- Enhance disclosure of nuclear safety management including key performance indicators, and partner with industry peers to increase transparency and establish common performance metrics. Further disclose and expand the role of the Board Nuclear Oversight Committee.
- Adopt a shareholder "Say on Pay" policy that gives shareholders the opportunity at each annual meeting to cast an advisory vote on executive compensation.
- Disclose corporate policy and contributions on political spending using corporate funds, including those made to trade associations, civic leagues, welfare organizations, local associations of employees, and other tax-exempt organizations.

*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>.

ENGAGEMENT TOOLS APPLIED

- Direct dialogue with Duke Energy executive management
- Multi-stakeholder forums
- Sign-on letters on specific objectives



RECENT ENGAGEMENT

- After our initial letter dated December 15, 2008, Duke Energy reached out to Calvert and welcomed an ongoing relationship and dialogue.
- On June 11, 2009, Calvert held a conference call with the Senior Vice President, Chief Sustainability Officer, Office of the Chairman, and the General Manager, Investor Relations, to introduce the SAGE Strategy and provide an overview of Calvert's engagement objectives. Calvert has had previous engagement with Duke Energy before it was a holding in our funds, and the company recognized the importance of now being included in the Calvert Large Cap Value Fund and the current advocacy objectives.

During the meeting, Calvert discussed the key environmental, social, and governance (ESG) areas where we believe the company could achieve or exceed best-practice, including climate change policy, renewable energy standards, nuclear safety management, executive compensation and political contributions. Duke Energy recently briefed Wall Street analysts on its nuclear operations and safety management and listened carefully to our suggestions and concerns, especially regarding climate change. Duke Energy's leadership in calling for mandatory climate change legislation is exemplary, and Calvert urged the company to use this leadership position to further strengthen its public policy position related to renewable energy targets. Both parties recognized and discussed different investor engagement organizations through which we could reinforce our dialogue.

- On October 21, 2009, Calvert met with Duke sustainability staff to discuss ESG disclosure. We discussed best practices and urged expansion of disclosure, including additional analysis and strategy to limit GHG emissions as well as quantitative scenarios of carbon costs. We also spoke about the importance of expanding disclosure to better evaluate the company's renewable energy goals.

- On January 21, 2010, Calvert met with Duke Energy's Strategy, Policy, and Regulatory group in Washington, D.C. to discuss the company's outlook on climate legislation and regulation with an emphasis on prospects for congressional action on cap and trade as well as renewables. The discussion also covered how the company is strengthening relationships in the policy arena.
- On March 30, 2010, Calvert held a series of meetings and discussions with a number of Duke Energy senior executives at the company's headquarters in Charlotte, N.C. The company shared its future growth directions and replacement of power plants, including how it plans to address mid-to long-term challenges. Calvert discussed the need for key performance indicators in the nuclear energy industry and relayed the importance of disclosure regarding political contributions and executive compensation. We conveyed our positive view of the company's sustainability leadership and emphasized its opportunity to improve stakeholder engagement. The company committed to addressing and disclosing new key performance indicators and said that it would consider ways to improve stakeholder relationships.
- On April 26, 2010, Duke Energy issued its new sustainability report, which centered on the theme of balancing affordability, reliability, and clean energy. The company included stakeholder viewpoints and a significant GHG emissions reduction target of 17% by 2020. Calvert reviewed and provided feedback of the new report and urged the company to connect its nearer 2020 goals with the longer-term 2050 objectives and vision.

As of 7/31/2010, securities of Duke Energy represented 2.08% of the Calvert Large Cap Value Fund.

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