SAGE ADVOCACY | Enhanced Engagement Profile

August 2009

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.

ExxonMobil

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.

ExxonMobil has demonstrated some positive change in its approach to environmental, social, and governance (ESG) issues, although there are significant areas where Calvert seeks improvement.

ExxonMobil is enhancing the carbon efficiency of its operations in the short term and investing in emissions-reduction technologies for the long term with R&D initiatives to develop hydrogen fuel cell and biofuel technologies (the latter with a new algae-based initiative). Moreover, the company has a reputation in the industry for its strong safety culture, and its overall spills have declined in the wake of the 1989 Exxon Valdez disaster.

Until recently, ExxonMobil failed to publicly acknowledge and commit to address the environmental and economic threats posed by global climate change. The company funded research designed to discredit the established scientific consensus and resisted regulation of carbon emissions on a U.S. domestic and global basis. Under new CEO Rex Tillerson (who assumed the position in 2006), ExxonMobil states it has curtailed funding of groups whose research contradicts the scientific consensus on climate change. The company has also shifted the tone of its approach to climate change public policy by acknowledging the reality of the problem, although it continues to oppose the cap on emissions favored by industry peers BP, Royal Dutch Shell, and ConocoPhillips. Instead, it has proposed a carbon tax that has attracted little other support.

The company has a relatively strong human rights policy for its industry. However, it could strengthen implementation through the use of human rights impact assessments (HRIAs). ExxonMobil has responded to human rights and governance-related challenges in many of its high-risk operating environments by implementing the Voluntary Principles on Security and Human Rights** through its Framework on Security and Human Rights and by demonstrating a strong commitment to the Extractive Industries Transparency Initiative (EITI).*** ExxonMobil's explicit support for the principles of the UN Declaration on the Rights of Indigenous Peoples is also note-worthy, but how these guidelines are implemented is unclear.

ExxonMobil continues to refuse to add a prohibition of discrimination based on sexual orientation to the company's Equal Employment Opportunity (EEO) policy, despite the fact that many of its industry peers and beyond have taken this action. The company is also resisting increasing shareholder pressure regarding investor rights on key areas such as "Say on Pay," majority voting, and proxy access.

EXXONMOBIL ADVOCACY OBJECTIVES

- Support climate change public policy in a U.S. and global context that reduces greenhouse gas emissions by 80% by 2050, consistent with the recommendations made by the Intergovernmental Panel on Climate Change (IPCC).
- Increase investments in renewable technologies and products sufficient to establish market leadership, building on the company's second-generation biofuels and hydrogen fuel cell projects. In addition, advocate for greater U.S. Government support for these and other renewable technologies to create incentives for further investment and development opportunities.

*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 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.

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

Calvert INVESTMENTS

- Establish greenhouse gas (GHG) emission reduction commitments and report on the company's capacity to reduce emissions in the range of the reductions proposed in the U.S. Climate Action Partnership Blueprint for Legislative Action.
- Commit to clear standards for reducing GHG emissions and improving energy efficiency, water use, and land reclamation in the company's oil sands development in Alberta, Canada. Use the results to assess oil sands investments in the context of the company's long-term business strategy, the carbon intensity of its reserves, and potential environmental liabilities.
- Insist upon full participation of independent civil society, particularly organizations focused on human rights and good governance, in candidate and validated countries alike engaged at any stage of the EITI process, especially Equatorial Guinea.
- Support U.S. legislation and efforts through the International Accounting Standards Board (IASB) to make mandatory revenue transparency a global industry standard.
- Support strengthening the global Voluntary Principles plenary process through more accountable leadership, greater resources, and more transparent public reporting to complement the company's own significant implementation efforts.
- Disclose how ExxonMobil operationalizes its laudable support for the principles of the International Labor Organization Convention 169, the UN Declaration on the Rights of Indigenous Peoples, and the World Bank Operational Policy and Bank Procedure on Indigenous Peoples through its human rights programs.
- Modernize corporate governance policy and practices to enhance investor rights and improve transparency and accountability through constructive engagement on "Say on Pay," majority voting, and/or proxy access.
- Amend the company's EEO policy to explicitly address non-discrimination on the basis of sexual orientation and gender identity and/or expression.
- Expand and enhance sustainability reporting to include more robust performance metrics, concrete goals and objectives, and increased communication about the challenges, as well as the achievements.

ENGAGEMENT TOOLS APPLIED

- Direct dialogue with ExxonMobil executive management
- Multi-stakeholder forums
- Alliances with likeminded investors and non-governmental organizations (NGOs)
- Possible shareholder resolutions
- Sign-on letters on specific objectives

RECENT ENGAGEMENT

- In October 2008, Calvert's Senior VP of Sustainability Research and Policy addressed a range of ESG issues with ExxonMobil senior managers from around the world at the company's Global Leaders Forum.
- In January 2009, ExxonMobil's VP of Public Affairs responded to Calvert's findings following its Integrated Oil and Gas Industry Review.
- In April 2009, Calvert and members of the Publish What You Pay coalition met with the President and Executive VP of ExxonMobil Production Company regarding the proposed Extractive Industries Transparency Disclosure Act.
- In the spring of 2009, Calvert's Senior Sustainability Analyst participated in ExxonMobil's External Assessment Panel that advised the company on its sustainability reporting process.

STATUS AND NEXT STEPS

- In terms of status, we are currently engaged in ongoing dialogue with ExxonMobil. With regard to next steps, we will be notifying ExxonMobil about its inclusion in the Calvert Large Cap Value Fund and opening dialogue on engagement objectives.