

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.

Kraft Foods

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.

Kraft Foods Inc. (Kraft) has shown greater commitment to sustainability since the end of its relationship with former parent and tobacco giant, Altria, in 2007. The company has demonstrated continued improvement in environmental performance and goal-setting. Kraft recently hired a Director of Sustainability and a Director of Sustainable Packaging. Kraft has partnered with various groups such as the Rainforest Alliance and the Carbon Disclosure Project (CDP), in an effort to improve transparency and explore supply chain best practices. Kraft has made solid progress on two SAGE objectives. First, the company published a Political Contributions policy and related data. Second, the company published some performance data on workplace safety. Nevertheless, the company needs to deepen its sustainability efforts where they are weakest. Many of the company's products, such as its Oscar Meyer line, rely heavily on animal products, yet the company has no animal welfare policy or disclosure of programs on its website. Finally, the company has not addressed significant environmental and other risks in the palm oil supply chain. Kraft's peers, such as Unilever, have joined together to form the Roundtable on Sustainable Palm Oil (RSPO). Unilever also has committed to purchase only certified sustainable palm oil by 2015, and it has condemned the practice of deforestation for palm oil production.

KRAFT ADVOCACY OBJECTIVES

- Disclose animal welfare policy and programs:
 - Disclose Kraft's existing animal welfare policy and supplier standards.
 - Commit to phasing out gestation crates, as competitor Smithfield Foods has done.
 - Demonstrate leadership by phasing in environmental enrichment for pigs.
- Provide data on workplace safety audits and performance as a key performance indicator.
- Address palm oil supply chain risks:
 - Join the RPSO as a full member.
 - Report carbon emissions in the palm oil supply chain to the CDP.
 - Commit to sourcing palm oil from responsible suppliers that do not engage in deforestation.
- Establish a corporate policy on political contributions, including those made to trade associations, and disclose contributions made with corporate funds.

ENGAGEMENT TOOLS APPLIED

- Direct Calvert dialogue
- Multi-Stakeholder dialogue
- Sign-on letters sent on specific objectives

*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>.

RECENT ENGAGEMENT

- On June 22, 2009, Calvert held a conference call with Kraft's Vice President of Sustainability; Associate Director of Corporate Affairs and Global Public Policy; and Senior Director of Investor Relations. We reviewed the objectives set forth in Calvert's Large Cap Value Fund/SAGE Strategy introduction letter and established a path for continued engagement. Kraft had met with Calvert in June 2008 and the groundwork laid in that meeting was helpful to moving forward the SAGE agenda.
- Kraft had updated its environmental sustainability report a few days before our meeting. We provided a brief critique of the new report and asked the company to provide an overview of its future plans for reporting on environmental, social, and governance risks. We also discussed the culture of sustainability within the company, and whether senior executives and the board of directors are fully supportive. Calvert thanked Kraft for making progress on two of the SAGE objectives raised in the letter we sent to the company in December 2008. First, the company published a Political Contributions policy and related data. Second, the company published some performance data on workplace safety. Calvert encouraged Kraft to expand disclosure in both areas. Kraft updated Calvert on all SAGE objectives, including animal welfare, palm oil sourcing issues, and, as noted, workplace safety and political contributions. Calvert stressed the timeliness of making concrete progress on several of these issues, particularly animal welfare.

As of 7/31/2009, securities of Kraft Foods represented 2.21% of the Calvert Large Cap Value Fund.

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