

### 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.

## Royal Dutch Shell PLC

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.

Royal Dutch Shell (Shell) has very strong policy commitments to workplace safety and environment, human rights, and governance and ethics in place that include board-level accountability. Still, the company leads western-based integrated oil and gas companies in workplace fatalities and continues to struggle with violence, gas flaring, and spills in Nigeria. Shell has made significant policy commitments to greenhouse gas (GHG) reduction, but trails industry-leader BP in its alternative energy outlays relative to its overall capital investments. The company's progress on human rights impact assessments is laudable. However, due to its great exposure to continuing violence and instability in the Niger Delta, Shell needs to commit resources and demonstrate concrete progress in Voluntary Principles on Security and Human Rights (VPs)\*\* implementation in Nigeria in coordination with state security forces and government officials. The company's leadership in the Extractive Industries Transparency Initiative (EITI)\*\*\* and high performer designation in Transparency International's 2008 Report on Revenue Transparency in Oil and Gas Companies can be complemented by public support of U.S. revenue transparency legislation and by supporting the proposed International Accounting Standards Board (IASB) standard for country-by-country payment reporting.

### ROYAL DUTCH SHELL 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 (IPCC) and publicly report the company's progress.
- 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 IPCC.
- Sharpen strategic focus on alternative energy consistent with the company's technological capabilities and market opportunities, increase investment in renewable energy technologies in particular, and advocate for increased government investment in renewable technology development.
- 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.
- Dedicate sufficient resources to VPs implementation and human rights impact assessments in the Niger Delta where the company's operations and reputation remain at significant risk. Also, support strengthening the global VPs' plenary process through more accountable leadership, greater resources, and more transparent public reporting to complement the company's own significant implementation efforts.
- Curtail gas flaring in Nigeria consistent with the targets set by the country's High Court, and eliminate gas flaring in existing and future projects by making

\*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.

necessary investments in re-injection and sequestering and shutting operations that must flare.

- Endorse and implement country-by-country payment reporting as has been proposed to the IASB and support the Extractive Industries Transparency Disclosure Act publicly.

### ENGAGEMENT TOOLS APPLIED

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

### RECENT ENGAGEMENT

- On January 23, Calvert met with Shell's Head of Stakeholder Relations, introduced the Calvert Large Cap Value Fund and SAGE Strategy and provided an overview of Calvert's engagement plans.
- On March 2, Calvert met with the Vice President, Sustainable Development, to discuss the VPs and Shell's progress on revenue transparency and the EITI.
- On May 15, Calvert again met with the Head of Stakeholder Relations who was joined by the General Counsel for Exploration and Production and the Senior Counsel for International Government Relations. The discussion touched on Shell's views on U.S. climate change legislation, the company's operations in Nigeria, gas flaring, the VPs, and the EITI Disclosure Act.
- On June 5, Calvert met with Shell's Corporate Affairs and Sustainable Development Director and the Vice President, Investor Relations North America at the company's offices in New York City, and on June 30 with the Executive Vice President, Communications. These two meetings covered

recent efforts at enhancing workplace safety, curtailing gas flaring in the Niger Delta (in conjunction with the Nigerian government), our requests that the company support the proposed EITI Disclosure Act, and the company's inclination to invest more significantly in bio-fuels, rather than solar or wind power. We also discussed the recent violence and production disruptions in Nigeria and the critical role the VPs could play in reducing risk to Shell's operations and reputation in connection with the recent military crackdown.

As of 7/31/2009, securities of Royal Dutch Shell represented 2.50% of the Calvert Large Cap Value Fund.

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