

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. Shell has also taken the very important step of supporting the Marine Well Containment Company, in response to the Gulf of Mexico oil spill. Still, the company has an improving yet unsatisfactory number of fatalities and continues to struggle with violence, gas flaring, and spills in Nigeria. In contrast to some of its major peer companies, Shell has stuck by its significant commitments to support constructive greenhouse gas (GHG) reduction public policy through the United States Carbon Action Partnership and has indicated that it will produce more natural gas than oil by 2012. However, Shell 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 demonstrate concrete progress in Voluntary Principles on Security and Human Rights (VPs)** implementation in Nigeria in greater 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 supporting the efficient implementation of the new U.S. revenue transparency regulations and endorsing efforts to mandate similar disclosures through other market regulators around the world. Shell has been addressing sustainability issues seriously over the last dozen years with mixed results (especially in Nigeria), nonetheless the company's recent progress and commitments indicate that it could be the sector's sustainability leader if the company maintains its improving performance.

ROYAL DUTCH SHELL ADVOCACY OBJECTIVES

- Enhance commitments to GHG emissions reductions that take into account 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.
- 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 environment, health, and safety standards for all entities involved in their deepwater exploration and production joint operating agreements.
- 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

*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.

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.
- Continue progress with curtailing 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 necessary investments in re-injection and sequestering and shutting operations that must flare.
- Improve safety practices and lower fatalities by continually evaluating and reporting on the company's new process safety standards.
- Support the efficient and expedited implementation of the new U.S. extractive industries transparency regulations publicly and endorse efforts to mandate similar disclosures through other market regulators around the world.

ENGAGEMENT TOOLS APPLIED

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

RECENT ENGAGEMENT

- On October 7, 2009, Calvert participated in a European Social Investment Forum conference call with Shell's

Executive Vice President, Investor Relations, and Investor Relations Officer for SRI.

- On November 25, 2009, Calvert met with Shell's Head of Stakeholder Relations and Vice President of Policy and External Relations in the company's Washington, D.C. office. The group discussed the company's climate change public policy, alternative energy investment, VPs implementation and administrative support, and Shell's position regarding the Energy Security Through Transparency Act.
- On March 16, 2010, Calvert met with Shell's Senior Manager, International Operations, regarding the company's operations in Nigeria and the prospects for further implementation of the VPs.
- On April 12, 2010, Calvert joined Shell's "annual briefing to socially responsible investors" at Goldman Sachs' conference center in London. The small gathering of about two dozen investors was addressed by the CEO as well as a Non-Executive Director and Chairman of the CSR Committee of the Board; Executive Director of Upstream International; Executive Vice President, Oil Sands; Executive Vice President, Downstream Strategy, Portfolio & Alternative Energy; an executive from Shell Nigeria; and Executive Vice President for CO₂. Presentations were made on Shell's overall global business strategy and the CSR Committee of the Board, followed by small Q&A group sessions focusing on Nigeria; health, safety, security, environment, and sustainable development; oil sands; biofuels; and carbon reductions.
- On July 7, 2010, Calvert participated in a SIRAN (Sustainable Investment Research Analyst Network) call with the Vice President and Manager of Investor Relations for North America regarding Shell's oil sands operations in Alberta, Canada. Calvert asked questions about the economics of these projects and the potential for further disclosure of environmental, social, and governance data including emissions reduction targets.

As of 7/31/2010, securities of Royal Dutch Shell represented 2.48% of the Calvert Large Cap Value Fund.

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