

**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.\*

## Devon Energy Corporation

This company is a Calvert SAGE™ Strategy holding and is not eligible for investment in the Calvert Signature® Strategy portfolios.

In September 2010, Devon Energy disclosed the company's Aboriginal relations policy. By publicly committing to conduct its operations in a manner that respects and responds to the values of these critical stakeholders, Devon created greater assurance in these operations and reached Calvert's SAGE enhanced engagement objective in this area. Devon also decided to limit its operations to onshore projects in North America in 2010, which diminishes the need for the company to become engaged with the Extractive Industries Transparency Initiative (EITI)\*\* as had been recommended in one of Calvert's other previous advocacy objectives. The company's discontinuation of its operations in the Gulf of Mexico also limits exposure to risks that may have resulted from regulatory changes for operations in that area.

Despite Devon's significant progress on social sustainability issues and the change in the company's risk profile, concerns stemming from the company's environmental, health, and safety (EHS) policy, programs, and performance disclosure persist. Devon's reporting lacks the company-wide consistency of many of its peers and does not include specific targets for important areas such as greenhouse gas (GHG) emissions as well as water and energy use, which is especially surprising in light of Devon Canada's strong history of disclosing GHG reduction targets through the Canadian GHG Challenge Registry. In light of the growing momentum toward mandatory hydraulic fracturing fluid disclosure, Devon should bring its reporting in line with many of its peers and likely future regulations by providing comprehensive disclosure of the chemicals used in its fracturing operations on a well-by-well basis. Devon's disclosures also lag that of other companies with operations in both the major gas shale and oil sands plays, which is a missed opportunity both strategically and in terms of sustainability. More detailed and consistent reporting of EHS performance at both Devon's shale gas and oil sands operations for example could create opportunities for the company to demonstrate the effectiveness of its innovations in water management in Canada and the strong steam-to-oil ratios of its Jackfish and other Alberta, Canada operations. All of this reporting could benefit from the structure and comparability provided by the Global Reporting Initiative (GRI) guidelines, which Calvert recommends Devon use as a sustainability reporting format in the future.

### DEVON ENERGY ADVOCACY OBJECTIVES

- Establish commitments and report on GHG emissions reductions in response to the need for global emissions reductions of 80 percent by 2050 as recommended by the Intergovernmental Panel on Climate Change (IPCC).
- Support climate change public policy initiatives that set strong and clear reduction requirements in GHG emissions. In addition, expand any current carbon mitigation or renewable energy strategies.
- Commit to publicly-disclosed standards for the company's gas shale operations, including detailed disclosure of the contents of hydraulic fracturing fluids used at these operations.
- 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. Assess oil sands investments in the context of the

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

company's long-term business strategy, the carbon intensity of its reserves, and potential environmental liabilities.

- Enhanced the scope, consistency, and usability of the company's sustainability reporting by making annual disclosures consistent with the applicable GRI guidelines.
- Strengthen the disclosure of stakeholder engagement in the communities neighboring high-risk projects.

### ENGAGEMENT TOOLS TO BE APPLIED

- Direct Calvert dialogue
- Possible shareholder resolutions
- Sign-on letters sent on specific objectives

### RECENT ENGAGEMENT

- On September 1, 2010, Devon Energy publicly disclosed its Aboriginal Rights Policy following two years of SAGE engagement on the issue. The policy includes a commitment to conduct the company's operations in ways that respect the interests and values of these critical stakeholders. Through the disclosure Devon achieved Calvert's engagement objective regarding public availability of the company's Indigenous Peoples policy and that objective will be retired.
- On June 7, 2010, Calvert participated in a Sustainable Investment Research Analyst Network (SIRAN) call with Devon's Vice President of Investor Relations, Vice President of Thermal Heavy Oil for Devon Canada, Leader of Environment, Regulatory and Sustainability for Devon Canada, and Communications Manager. During that call,

Calvert asked questions regarding the consistency of Devon Canada's and Devon Energy's sustainability disclosure and the Devon Canada representatives expressed an interest in providing greater disclosure regarding the environmental impacts of the company's oil sands operations.

- On June 2, 2010, Calvert followed up on its discussion with Devon about the possibility of the company disclosing its Aboriginal relations policy. Devon acknowledged the possibility, reviewed the disclosure internally, and the company posted its Aboriginal relations policy on its Web site in September 2010. Devon's disclosure fulfilled Calvert's enhanced engagement objective regarding developing and publicly distributing an Indigenous Peoples policy. Calvert and Devon also discussed the company's decision to divest of its operations beyond North America onshore and the implications of Calvert's advocacy objective regarding EITI.
- On November 5, 2009, Calvert met by phone with Devon's Senior Vice President of Communications and Investor Relations, Director of EHS, and Manager of Media Relations. The discussion focused on Calvert's recommendation that Devon become a supporter of the EITI and on the potential for the company to adopt a human rights policy that clearly outlines how it engages with Indigenous Peoples. Devon continues to consider the merits of both propositions and has committed to respond to Calvert on these points within a month.

### STATUS AND NEXT STEPS

Calvert plans to meet with Devon Energy in person during the first quarter of 2011.