

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.*

General Electric

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

Over the last several years, General Electric (GE) has not only made substantive progress but has begun to demonstrate significant leadership in certain areas of corporate responsibility and sustainability performance. The company has strengthened its dialogue with stakeholders and has improved its sustainability reporting to enhance transparency and disclosure, as reflected in the Ceres-Association of Chartered Certified Accountants (ACCA) Best Sustainability Report Award it won for its 2007-08 report. According to the company's 2009 Citizenship Report, GE is steadily reducing its greenhouse gas emissions and cutting energy use and improving its record on air pollution, water use and spills. Between 2005 and 2009, under the umbrella of its flagship Ecomagination sustainability marketing platform, GE invested \$5.6 billion in R&D in cleaner technologies and in 2009 earned \$18 billion from sales of products it defines as environmentally positive. GE has developed and is implementing a comprehensive human rights policy informed by its previous involvement with the Business Leaders' Initiative on Human Rights, and has also made strides toward greater diversity in its executive ranks as well as on its board.

Calvert has focused sharply on GE's responsibility for PCB contamination in the Hudson River, GE's major legacy issue and now one of the most complex and expensive environmental cleanup projects of all time. Throughout Phase I and a technical peer review process, Calvert closely monitored progress as the company spent \$830 million on research and dredging efforts which have thus far cleaned up roughly 10% of the area designated by the EPA for cleanup. Calvert commends the company's December 2010 public commitment to move forward with Phase II to complete the restoration of a healthy Hudson watershed to the benefit of local communities and businesses as well as wildlife. This commitment represents a final, decisive turning point in a nearly four decades-long debate over removal of mass quantities of PCB-contaminated sediment from the the river. GE will continue to bring to bear its state-of-the-art technology, logistics, monitoring, and project management to meet the cleanup objectives agreed upon with the EPA with a priority on safety and cost efficiency. Calvert will continue to monitor next steps including development and submission of a Phase II Project Plan to the Environmental Protection Agency expected in February 2011 and resumption of river dredging scheduled to begin in the spring of 2011. Calvert will continue to register shareholder interest through our enhanced engagement with the company as GE takes on the immediate next steps.

GE ADVOCACY OBJECTIVES

- Begin Phase II clean up of the Hudson River PCB remediation project. Strengthen and disclose stakeholder engagement process with community leaders, EPA officials, and other key stakeholders who are concerned about the company's legacy liability on the Hudson and Housatonic Rivers.
- Build upon the company's leadership on climate change public policy and investment in renewable energy technologies and products.
- Support climate change public policy initiatives that set strong and clear reduction requirements in greenhouse gas emissions.

*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>.

- Report on progress toward meeting the company's stated goal of balancing investment in renewables and energy efficiency technologies relative to investments in clean coal.
- Adopt a risk framework that addresses the potential hazards to workers, consumers, and the environment from GE's involvement in nanotechnology.
- Sustain positive momentum on human rights.
- Address human rights issues concerning water impacts in the company's infrastructure business and use in company products.
- Use human rights impact assessments or other approaches to assess risks on projects and countries where useful.
- Enhance integration of environmental, social, and governance (ESG) factors into GE Capital operations beyond power project financing.

ENGAGEMENT TOOLS APPLIED

- Direct dialogue with GE executive management
- Multi-stakeholder dialogue
- Sign-on letters on specific objectives

RECENT ENGAGEMENT

- On September 30, 2010, Calvert checked in with GE's Director, Corporate Citizenship Programs, about the status of the Hudson River cleanup. Calvert remains interested in arranging a face-to-face meeting to comprehensively discuss this topic. The EPA, stakeholders, and the peer review committee have all recommended that Phase II of the Hudson cleanup begin in Spring 2011 and proceed in a manner that allows for flexibility and adaptation as additional data are collected in the first year of Phase II. GE's proposed path forward toward Phase II, however, delayed a firm commitment to Phase II clean up until the additional data are collected.
- On June 24, 2010, Calvert met with GE's Vice President for Corporate Citizenship in New York City during the UN Global Compact Leaders Summit. Two specific Calvert objectives were discussed—completion of the Hudson River cleanup and consideration of human rights risk assessments.
- On December 4, 2009, Calvert met with GE's Vice President for Corporate Citizenship at GE's corporate headquarters in Fairfield, Connecticut. The discussion covered likely next steps with respect to the Hudson River cleanup and the case for GE to use human rights impact assessments given its limited range of potential human rights risks yet wide range of operating geographies.
- On December 3, 2009, Calvert spoke with GE's Director, Corporate Citizenship Programs and Senior Counsel for

Corporate Environmental Programs to learn more about GE's challenge to the Superfund Law. GE argued that Superfund, the federal environmental cleanup program, does not allow for due process of law.

- On November 12, 2009, GE's Vice President for Corporate Citizenship and Director, Corporate Citizenship Programs, met with Calvert analysts at Calvert's corporate offices in Bethesda, Maryland. In continuing the discussion of specific SAGE advocacy objectives, the Calvert team and GE representatives focused on the personal and social dimensions of the changing company, with the end of the Jack Welch era and the beginning of Jeffrey Immelt's tenure as CEO at GE. The meeting addressed a variety of issues including Ecomagination, the Hudson, Healthymagination, capital services, climate, and others.
- On October 27, 2009, Calvert participated in a half day site visit to the Hudson River cleanup area. Calvert witnessed first hand the scale and complexity of this cleanup effort and registered our support for continuing with the river cleanup to completion. Phase I wrapped up in November 2009. GE and the EPA released summary reports in early 2010 and a technical peer review committee reviewed Phase I results.
- On February 8 and June 5, 2009, Calvert had meetings, both in person and over the phone with senior representatives from GE including its Senior Counsel, Labor Relations; Vice President of Corporate Citizenship; Director, Corporate Citizenship Programs; and Vice President for Corporate Environmental Compliance. Calvert provided GE with an overview of the SAGE enhanced engagement approaches, discussed a broad range of topics including human rights and labor rights, climate change and renewables as well as cleanup of legacy pollution. Calvert encouraged GE to develop and use human rights impact assessments (HRIAs) in certain operational circumstances and emphasized the flexibility with which they can be applied depending on the geographical and operational context. GE also outlined its progress, including initial audits, in applying its new international labor standards to major suppliers. Calvert in turn encouraged GE to report terminations of those suppliers demonstrating inadequate performance and to consider developing local capacity-building partnerships modeled on or in conjunction with its established rule of law projects in certain countries.
- Throughout engagements with GE, Calvert has touched on key areas related to climate change and renewables where the company's leadership has the greatest potential impact, including GE's role in the U.S. Climate Action Partnership (USCAP), its advocacy for a renewable electricity standard (RES) on Capitol Hill, and its actions on providing products that can help impoverished countries adapt their infrastructure to address climate change. Calvert will continue to monitor GE's progress on both USCAP commitments and adaptation initiatives. These are ongoing areas of dialogue.