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## CALVERT GLOBAL WATER FUND ADVOCACY ACTION PLAN

The Calvert Global Water Fund is designed to support sustainable solutions to the global water crisis. At stake are complex and sensitive issues including scarcity and regional imbalances; environmental quality and climate change; and equitable and affordable access in developing countries, especially in the context of privatization. We believe that the sustainability-focused investment theme of the Fund, combined with the application of the criteria and backed by strategic advocacy objectives highlight best practices and contribute to higher standards in the sector.

Calvert's approach explicitly addresses these challenges and opportunities through clear sustainability criteria:

- The Fund seeks to invest in companies that produce or market water-related products, services and technologies that enhance access and affordability, public health, and quality of life. Calvert believes that equitable access to water is a fundamental human right. The Fund will take into account the specific human rights issues related to the sector, as well as those pertaining to environmental as well as governance commitments and performance.
- We will apply threshold responsibility standards and will critically evaluate companies that contribute directly to governments that are under US or International sanction for grave human rights abuses such as genocide or forced labor and seek to avoid investing in companies that manufacture tobacco products; or that manufacture firearms, weapons, or the critical components of weapons that violate international humanitarian law and that are inherently offensive weapons.

Consistent with the sustainability and responsibility standards for the Fund, Calvert has developed an advocacy action plan for the Fund that:

- Advances four core advocacy objectives that cut across the sector: disclosure and transparency; equitable and affordable access; climate change; and stakeholder engagement (see below)
- Undertakes company-specific engagement related to these four advocacy objectives with Suez Environnement, Veolia, and Aqua America, among others.

Our advocacy and company engagement efforts are supported by close working relationships with environmental, development, and human rights organizations with substantive expertise and credibility on water issues.

In July 2008, Calvert became the first investment firm (or SRI) to join the UN Global Compact CEO Water Mandate, which is coordinated by Pacific Institute as its Secretariat. The CEO Water Mandate's initial focus is on promoting greater disclosure and transparency; consideration of human rights factors; and stakeholder engagement and community consultation by major water providers and industrial users.

### **Calvert Advocacy Themes**

Calvert understands the global sustainability challenges related to water, from environmental quality and climate change-related scarcity, to access and affordability. The Fund directly addresses these challenges through its investment criteria and commitment to advance both sector-wide and company-specific advocacy objectives. As the first investment firm to join the UN Global Compact's CEO Water Mandate, Calvert places a strong emphasis on promoting disclosure and transparency in conjunction with the Pacific Institute.

## **ADVOCACY ACTION PLAN**

### **1. Sector-Wide Advocacy Objectives**

- **Disclosure and Transparency:** We urge environmental, social and governance (ESG) disclosure and adherence to global standards, and support clear and consistent policies as well as transparency as it relates to safe drinking water, access or affordability regulation.
- **Equitable and Affordable Access:** We urge human rights policies and implementation programs to address equitable and affordable access, and may engage with companies to address and resolve allegations of poor conduct or non-transparency in the context of privatization.
- **Mitigation of Water Impacts Associated with Climate Change:** We seek to raise awareness of adaptation strategies with regard to water in response to climate change and to link the important relationship between water use and energy use.
- **Stakeholder Engagement:** We promote best practices to involve local stakeholders and communities, and will in turn involve other investors and civil society organizations to strengthen accountability for this sector.

### **2. Advocacy/Engagement collaborations**

Our overall advocacy and company engagement will be supported by working relationships with environmental, development and human rights organizations with substantive expertise on water. Several have already assisted us in identifying key water-related issues, risks and opportunities as we plan our advocacy objectives:

*The **CEO Water Mandate*** is a public-private initiative led by the UN Global Compact that seeks to address the global water crisis. The Pacific Institute serves as its Secretariat. CEOs sign a "call to action" and endorse a strategic framework to address the issue of

water sustainability in their operations and supply chains. The six areas are: Direct Operations; Supply Chain and Watershed Management; Collective Action; Public Policy; Community Engagement; and Transparency. The mandate seeks to engage companies with stakeholders to address and find solutions to the challenges around water.

*The **Pacific Institute*** is the leading think-tank on water-related issues. It aims to find policy solutions to issues such as water shortages, habitat destruction, global warming, and environmental injustice. Based in Oakland, California, the organization is well-known for conducting research, publishing reports, recommending solutions, and working with decision makers, advocacy groups, and the public on water related issues.

Calvert is also working with investor coalitions on specific water-related initiatives, including **Ceres**, which is assessing investor risks related to water and **UNEP FI's** Water & Finance Workstream, which among other objectives seeks to mobilize capital towards the Millennium Development goals related to water and poverty-alleviation. We are also participating in the **Business and Human Rights Institute's** dialogue on water and human rights (which includes GE and Coca-Cola).

### 3. Company-Specific Advocacy

Given the risks and opportunities related to water, Calvert will engage with companies to urge the adoption and implementation of policies and programs that address key areas of sustainability impact, especially around certain social issues. These include human rights safeguards; policies that signal strong governance and accountability systems; and community and stakeholder engagement programs.

If there is poor disclosure or serious allegations of misconduct from such companies, Calvert will engage with companies and promote further transparency for a particular project. Engagement will also address company-wide disclosure, affordability and access, supply chain and climate change-related water use issues, and management of water resources.

At the same time, we recognize the value of engagement with relevant companies outside of the Calvert Global Water Fund universe. Water-related sector risks are not limited to the Fund, but need to be addressed across all Calvert Social funds. Therefore, we plan to also engage with large companies in our existing sustainable and responsible funds, such as PepsiCo. Engaging companies that are major users of water will carry the additional benefit of promoting the clean technologies and best practices that we will support through the Fund.

Initial dialogue candidates include:

**Suez Environnement** is one of the largest global players in water, recently spun off from Suez SA. Calvert views the changes at Suez as an opportunity to enhance accountability related to its involvement in developing countries. Calvert will continue to raise the critical issues of stakeholder engagement and equitable and affordable access in our second year of dialogue with the company. We will also use our new membership in the CEO Water Mandate (of which Suez is also a member) to focus on promoting greater disclosure and transparency as well as consideration of human rights factors.

**Veolia Environnement** faces challenges similar to, but less acute than those faced by Suez Environnement, including quality of service, affordability and labor issues.

**Aqua America, Flowserve, Itron, and Valmont** would benefit from transparency and disclosure consistent with its peers. Calvert is filing shareholder resolutions with these companies to promote such disclosure.

**Outreach to all Calvert Global Water Fund holdings.** Calvert will signal to a broad set of Fund holdings – approximately 60 companies – the importance of environmental, social and governance (ESG) disclosure and transparency to address risks in the water-related sector in the form of a “Welcome to the Fund” letter. We will also underline the importance of policies or programs related to their specific sub-sector and sustainability impacts.

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*As of 12/31/08, securities of Suez Environnement represented 5.28% of the Calvert Global Water Fund. Securities of Veolia Environnement represented 5.31% of the Calvert Global Water Fund. Securities of Aqua America represented 2.26% of the Calvert Global Water Fund. Securities of Flowserve represented 2.42% of the Calvert Global Water Fund; 0.012% of the CSIF Enhanced Equity Portfolio; and 0.06% of the Calvert Social Index Fund. Securities of Valmont Industries represented 0.98% of the Calvert Global Water Fund; 1.05% of the Calvert New Vision Small Cap Fund; and 0.02% of the Calvert Social Index Fund. Securities of Itron represented 2.69% of the Calvert Global Alternative Energy Fund; 2.42% of the Calvert Global Water Fund; 3.54% of the Calvert Capital Accumulation Fund; 3.59% of the Calvert Social Mid Cap Growth Fund; and 0.04% of the Calvert Social Index Fund.*

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