

Calvert

Corporate Sustainability Report

DECEMBER 2004



Calvert 
INVESTMENTS
THAT MAKE A DIFFERENCE®



THE CONCEPT OF SUSTAINABILITY expresses a simple truth: today's business organizations — including mutual funds — should conduct themselves in a manner that helps meet the needs of the present without compromising the ability of future generations to meet their own needs. At Calvert we believe that all investing must ultimately become sustainable investing — and that all businesses must eventually develop sustainable business models.

Since so much of our business at Calvert involves assessing other companies' social and environmental performance, it was a natural progression for us to turn the mirror on ourselves. This is Calvert's first report on our own sustainability policies and performance. We hope it enables our shareholders, clients and other stakeholders to learn more about how we conduct our business and how we measure our progress toward corporate social responsibility and sustainability. We also hope that it encourages other companies — in our sector and beyond — to rise to the challenge of transparency and sustainability reporting.

A handwritten signature in black ink that reads "Barbara Krumsiek". The signature is written in a cursive, flowing style.

Barbara Krumsiek, CEO

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Scope of this Corporate Sustainability Report

This Calvert 2004 Corporate Sustainability Report contains 2003 and available 2004 strategic and performance information relating to the Calvert Group, Ltd., in the United States of America. It presents Calvert's philosophy and initiatives in relation to our social responsibility. We also begin to examine our groupwide governance, management systems and performance information, including social and environmental performance.

During the reporting period, we did not experience any major operational changes. As this is our first report, we do not have any changes or restatements regarding operations or measurement systems to report from previous years.

Calvert's Corporate Sustainability Report is not independently verified. Internal assurance is provided through scrutiny at multiple levels, including an analysis of our practices in relation to Calvert's screening criteria by the Social Research Department. We intend to continue to review this process.

As frameworks for this report, we used the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (www.globalreporting.org) and the United Nations Global Compact (www.unglobalcompact.org). Cross-references to both these documents are provided as annexes to this report. We are not in a position to meet GRI requirements at the present time. We intend to incrementally build on this framework in future years, however, with the ultimate goal of producing a sustainability report "in accordance" with the GRI.

We welcome feedback on our first Corporate Sustainability Report. If you would like to comment, please contact Joe Keefe (joe.keefe@calvert.com) or Julie Gorte (julie.gorte@calvert.com) by e-mail or telephone (800.727.5578).

1. CEO STATEMENT

I am pleased to provide you with Calvert's inaugural Sustainability Report.

For over 28 years, Calvert (www.calvert.com) has helped investors reach their financial goals by offering mutual funds encompassing all major asset classes, including equity, fixed-income, and money market funds. Today, we manage approximately \$10 billion in assets across 29 mutual funds on behalf of over 300,000 investors. We are also a leader in the field of socially responsible investing, demonstrating that investors can manage risk and enhance long-term portfolio performance by investing in well-governed, socially responsible companies.

In the wake of recent corporate and mutual fund scandals, investors are rightfully demanding more disclosure and greater transparency on the part of the companies in which they invest. Mutual fund investors understand that ethics and integrity play a critical role in the fortunes of companies, investors and financial markets.

It is not just investors who are calling for greater transparency and integrity on the part of corporations. They are being joined by governmental and nongovernmental organizations, civic and religious groups, the media and the public. In an age of globalization, we all know that corporations can either help or hinder the development of stable financial markets, growing economies and healthy societies.

For years, Calvert has advocated greater disclosure and transparency on the part of corporations so that stakeholders — not only investors and shareholders, but employees, communities and the public — have the information they need to evaluate whether a company is discharging its responsibilities in a socially and environmentally sound manner. We believe that social and environmental disclosure is not only relevant, but that it is also highly material to investors, as it directly impacts a company's financial profile.

In recent years, Calvert has come to believe that increased social and environmental disclosure is best captured by sustainability reporting that is conducted in accordance with the Global Reporting Initiative (GRI) Guidelines. We have been supportive of the GRI initiative from the start and, in fact, have called upon many companies whose shares we own to issue sustainability reports utilizing the GRI Guidelines. It was therefore a natural step for Calvert to decide to issue its own Sustainability Report utilizing the GRI Guidelines. We believe our Sustainability Report utilizing the GRI Guidelines will help us to better identify and communicate our progress in implementing these principles. We also support the UN Global Compact and are committed to the universal principles in the areas of human rights, labor standards and environmental sustainability.

We hope this report enables our shareholders, clients and other stakeholders to learn more about how we conduct our business and how we measure our progress on issues of corporate social responsibility and sustainability. In addition, we know there are areas where we need to improve our performance. We hope the issuance of this report will be a learning process for our company and will allow us to set measurable goals and benchmarks against which we can monitor our future progress.

We have traveled a long way in our own commitment to social and environmental progress over the past 28 years at Calvert, but we know there is always room for innovation and improvement. This first Sustainability Report is a reflection of our continuing commitment to social and environmental responsibility, our belief that disclosure and transparency are integral to that commitment, our determination to constantly improve our own performance, and our hope that we can make a difference.

We trust you will find this report of value, and we welcome your feedback.

Sincerely,



Barbara J. Krumsiek
President and CEO
November 2004

2. INTRODUCTION

Calvert is committed to the belief that investment returns and corporate social responsibility — a company’s interaction with employees, customers, communities, and the environment — are intimately and necessarily connected.

WHY A CALVERT REPORT?

As socially responsible investors committed to the principles of sustainable development, we have long encouraged companies to disclose their social, environmental and governance data, and we have been active members of initiatives aimed at identifying best practices for companies reporting on their social and environmental performance. In 2003 – 2004 alone, we filed fourteen shareholder resolutions asking companies to report on their economic, social and environmental performance utilizing GRI reporting guidelines. Given our history and our commitment in this area, we felt it was important for Calvert — even though we are a much smaller organization — to rise to the challenge we have set for others.

Like many companies, we are wrestling with what sustainability means for us and how we can best capture and improve upon our sustainability footprint. We have long worked on these issues through our corporate social screening of other companies, and we are committed to focusing on our own performance as well — how we will continually advance our economic, social

and environmental goals within Calvert, and how we will respond to and resolve conflicts when problems arise. The issuance of this, our first sustainability report, is another step in that process.

In fact, preparing this report has been a valuable process in itself. We have

- Identified gaps or weaknesses in our management of sustainability issues, which can now be considered and addressed by our managers in the coming years
- Gained a deeper understanding of the challenges other companies face in producing sustainability reports and moving toward corporate sustainable development. This will enable us to more carefully scrutinize others’ reports in the future

Over the coming years, our goal is to increase our understanding, develop appropriate strategies, improve our sustainability performance, and report more widely. We also hope that it encourages other companies, in the financial services industry and beyond, to take similar steps in disclosing their sustainability practices.

3. COMPANY PROFILE

We manage approximately \$10 billion in assets on behalf of over 300,000 investors, including \$3.4 billion in our comprehensive family of socially and environmentally responsible mutual fund portfolios.

MISSION STATEMENT

The Calvert Group, Ltd., offering a range of investment products and services, seeks to enable individual and institutional investors to reach their financial goals in ways that are consistent with their beliefs and values. Through our investment process, we encourage companies to act with responsibility toward their customers, employees, communities, and the environment.

ABOUT CALVERT

Since its inception, Calvert has been a leader in developing innovative ways to meet the financial needs of our shareholders and contribute to the well-being of society at large. We are best known for our family of socially responsible mutual funds and for our award-winning fixed-income investment products.

For us, one quality of a successful investment is that it not only earns competitive returns but also contributes toward a sustainable future and enhances our quality of life. We have a long history of combining traditional financial analysis with responsible investment strategies that emphasize corporate governance and social and environmental performance:

- In 1982, our flagship fund, the Calvert Social Investment Fund (CSIF), was the first mutual fund to take a stand against investment in South Africa under the Apartheid regime. Following Nelson Mandela's call for an end to sanctions, CSIF became one of the first funds to invest in a free South Africa in 1994.

- In 1992, Calvert launched the Calvert World Values Global International Equity Fund, now the Calvert World Values International Equity Fund, the first socially responsible international mutual fund in the United States.
- In 1995, Calvert founded The Calvert Social Investment Foundation (Calvert Foundation), one of the first community-investment nonprofits focused on ending poverty through investments in disadvantaged communities.
- In 2000, Calvert became one of the first mutual funds to voluntarily disclose its proxy guidelines and voting record.
- In 2001, the Calvert Foundation created the Calvert Giving Fund, the first donor-advised fund combining Calvert's socially responsible mutual funds with charitable contributions and community development investing.
- In 2001, Calvert became one of the first U.S. companies to endorse the United Nations Global Compact.
- In 2003, Calvert's investment model won the Royal Award for Responsible Investment, sponsored by the United Nations Environment Programme Financial Initiative and the Royal Awards for Sustainability. The award cited Calvert's "outstanding example of corporate activity in the field of sustainability and socially responsible investment."
- In 2004, Calvert launched the Calvert Women's Principles, the first global code of conduct for corporations focusing exclusively on empowering, advancing and investing in women worldwide.

CALVERT GROUP ORGANIZATIONAL CHART

Illustrating the team structure and reporting lines within Calvert:



ASSETS UNDER MANAGEMENT

As of September 30, 2004, Calvert managed over \$10 billion in assets, primarily in 29 mutual funds with over 300,000 investors, including approximately \$3.4 billion in socially and environmentally screened mutual funds (representing 32% of total assets under management) across 18 portfolios.

We have 174 employees, most of whom are based in our home office in Bethesda, Maryland.

COMPANY OWNERSHIP

Calvert Group, Ltd. is a wholly owned subsidiary of Acacia Financial Corporation (operating in the USA), which is owned by Acacia Life Insurance Company, a subsidiary of Ameritas Holding Company, which is owned by Ameritas Acacia Mutual Holding Company.

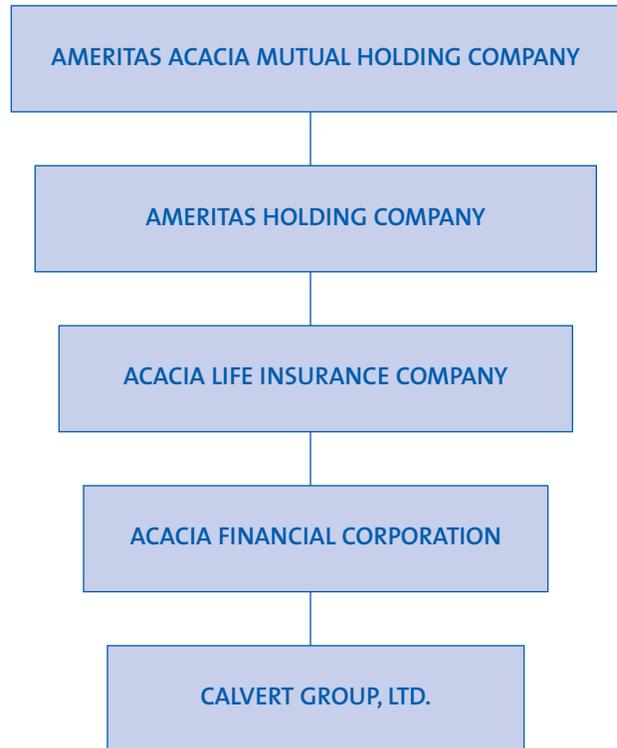
Calvert Group, Ltd. is the holding company for

- Calvert Asset Management Company, Inc. — Investment Advisor to the Calvert Family of Funds
- Calvert Shareholder Services, Inc. — Shareholder Servicing Agent for the Funds
- Calvert Administrative Services Company, Inc. — Accounting, Legal and Other Administrative Services for the Funds
- Calvert Distributors, Inc. — Principal Underwriter/Distributor for the Funds

Calvert does not currently have any joint ventures.

CALVERT OWNERSHIP CHART

This illustrates Calvert's chain of ownership:



PRODUCTS AND SERVICES

Since the launch of our first socially screened portfolios in 1982, Calvert has offered socially responsible mutual funds as well as nonscreened, fixed-income investments, allowing financial professionals and investors a range of choices on how to allocate and diversify.

Calvert's major products are mutual funds, which offer investors a convenient way to buy securities. Each mutual fund is its own investment company, pooling money from individuals and institutions and investing in a selection of securities that seek to meet each particular fund's objectives. Calvert offers a full line of mutual funds covering all major asset categories.

We distribute our investment products to the public through third-party intermediaries such as financial advisors, major wire house brokers/dealers, regional brokerage firms, financial planning organizations, and bank trust departments. Although we do not exercise control over these intermediaries, we monitor closely the movement of monies within our family of funds to ensure that these intermediaries adhere to the policies set forth in the funds' prospectuses.

In the institutional market, we distribute our investment products directly to organizations such as endowments, foundations, labor unions, and government agencies, as well as through retirement plans and through annuities offered by insurance companies.

Calvert is the program manager for the 529 College Savings Plan for the District of Columbia, working closely with the District of Columbia government to educate participants on how to save and invest in order to reach their families' educational goals.

A full list of Calvert's funds can be viewed in Annex 1, or for further information visit www.calvert.com/funds_profiles.html

Calvert is a privately held company, as are a large number of our competitors. Because publicly disclosing certain financial information could put Calvert at a competitive disadvantage, we have chosen not to disclose the following:

- Supplier Breakdown
- Payroll Information
- Capital Flows and Earnings
- Public Sector (taxes, subsidies, development)

CALVERT GROUP, LTD.	FINANCIAL DATA AS OF DECEMBER 31, 2003 <i>(in thousands)</i>		
	2001	2002	2003
CALVERT SALES OF NON- MONEY MARKET FUNDS, CONSISTING OF:	\$2,053,000	\$3,081,000	\$2,662,000
Equity Funds	\$603,000	\$625,000	\$647,000
Fixed Income	\$1,450,000	\$2,456,000	\$2,015,000
TOTAL ASSETS UNDER MANAGEMENT IN CALVERT FUNDS, CONSISTING OF:	\$7,544,000	\$8,571,000	\$9,652,000
Money Market Funds	\$3,133,000	\$2,772,000	\$2,274,000
Equity Funds	\$2,052,000	\$1,914,000	\$2,685,000
Fixed Income	\$2,359,000	\$3,886,000	\$4,693,000

Country/Region breakdown: Calvert Group, Ltd. derives its revenues and assets from USA/North American markets.

4. STRATEGY AND OPERATIONS

Our goal is to provide our shareholders with integrity-driven investments in well-governed, socially responsible companies — while striving to be the same kind of company ourselves.

We strive to be socially responsible in the way we conduct our business. However, we also recognize that we are stronger in some aspects of corporate social responsibility than in others. In some areas, for example, we have less defined formal management systems, and we are committed to strengthening these in the years ahead. In particular, we are committed to better identifying and articulating our direct and nondirect social and environmental impacts while developing improved strategies for managing them. We intend to monitor and report on this progress in future Sustainability Reports, with a goal of continual improvement in how we address the social, environmental and economic impacts of our business.

MANAGING OUR IMPACTS

Most of our direct impacts are office-related. Different types of businesses have different social and environmental footprints. Calvert's primary impacts are on people and workers, though like anyone who turns on the lights, we do also recognize that we have an ongoing environmental impact as well. Calvert has grown at a healthy rate for the past several years, but we are still a small business, with fewer than 200 employees and only one major office facility. Partly as a result of our size, we are still in the process of developing a full complement of formal structures and processes for monitoring and managing our direct impacts, including the collection of performance data in this regard. We are further ahead in some areas than others — for example, in our efforts to achieve racial and gender diversity in our board structures and employee demographics. This Sustainability

Report is an important step for us in developing stronger understanding, monitoring, record-keeping, and improvements in areas in which we have direct social, economic or environmental impacts.

PRODUCT MANAGEMENT PROCESSES

When Calvert evaluates a company for investment, we look at the company's financial metrics as well as the company's impact on society and the environment. All of our equity funds are socially screened and are managed by outside sub-advisors, whose work is overseen by our Chief Investment Officer of Equities and his team.

While researching and selecting investments, our portfolio managers work very closely with our social research analysts to assure that their stock picks pass our rigorous social and environmental screens. Once we own stock in a company, we take our rights and responsibilities as shareowners seriously. This can lead to shareholder advocacy with the corporations whose shares we own, initiating dialogue and/or filing shareholder resolutions in order to persuade those companies to adhere to higher standards of social responsibility.

Calvert's fixed-income products, including both socially responsible funds and nonscreened funds, are managed by Calvert's internal portfolio managers.

Although we work with financial professionals to distribute Calvert mutual funds to the public, we do not have any oversight jurisdiction with respect to their behavior or the policies of their broker/dealer firms.

However, we do monitor closely the financial advisors' movement of monies within our family of funds. As stated in our prospectuses, we do not allow market-timing activities and we aggressively enforce this policy.

THE MUTUAL FUND SCANDALS

In September of 2003, New York Attorney General Eliot Spitzer alleged that several mutual fund firms allowed a hedge fund to earn millions in profits at other fund shareholders' expense through improper fund trades—specifically, after-hours trading and improper market timing. The firms did not admit or deny the charge, but one of the firms named in Spitzer's allegations, Canary Capital Partners LLC, agreed to pay \$40 million to settle the civil charges.

Since then, the SEC, state securities regulators and mutual fund firms themselves have initiated probes into trading practices. Several individuals have been either charged with wrongdoing, have resigned or have been dismissed from their jobs.

When the scandal first broke, Calvert undertook an examination of internal controls, actions, and policies. Calvert has a long-standing, strictly enforced policy of not accepting trades from market timers, and Calvert daily rejects trades we identify as attempts to time the market through our mutual funds. Our policies against market timing are stated in all our funds' prospectuses. Additionally, Calvert does not accept or execute trades at that day's closing price after the market closes. Also, we never have and never will enter into any selective arrangements with clients for market-timing or late-trading purposes, and we have and always will do our utmost to obey the law.

We apply and enforce these rules strictly. Calvert has requested written assurances from our broker/dealers and 401(k) platforms with whom we do business that they are not accepting orders after 4:00 pm EST. Calvert also requested that these parties review Calvert's clear policies prohibiting market-timing and after-market trades, as disclosed in our fund prospectuses. Calvert employees annually sign a Code of Ethics, which includes a prohibition against market timing. We have also asked each of our employees to sign a pledge stating that they will not engage in market timing.

Each day we review the trading activity across all our funds, analyzing the purchases and sales so as to assure that all transactions are within Calvert's trading guidelines, including prohibitions against market timing. If we determine that an investor is trying to violate these guidelines, we refuse the trade and take action to restrict future trading activity. We also imposed a redemption fee in our Calvert World Values International Equity Fund a few years ago when we determined that certain investors might have been using the fund for market timing purposes. We have now implemented that fee for all funds except money market, limited term and Calvert Variable Series portfolios.

Finally, Calvert has recently put in place a revised compliance program that provides for periodic associates' meetings and other internal controls in an ongoing effort to create a culture of compliance and adherence to the highest ethical standards throughout the company.

Like many firms in our industry, Calvert has been asked to provide information on our practices to the U.S. Securities and Exchange Commission as the regulatory agencies continue to focus on new issues. Calvert has cooperated with all such requests for information.

5. STAKEHOLDERS

We believe that corporate social responsibility means being responsive to the values and concerns of our various stakeholders.

At Calvert we have promoted stakeholder engagement for many years because we believe that corporations should be governed in a transparent manner that aligns the interests of management, shareholders, customers, and society. Ongoing dialogue with stakeholders demonstrates a company's commitment to continual learning and improvement and ultimately strengthens the bonds of trust between that company and society at large, which is a fundamental requirement for sustainable development.

IDENTIFYING OUR STAKEHOLDERS

Calvert's stakeholder constituencies include

- Our owners
- Investors (shareholders) and institutional clients
- Employees
- Broker/dealers with whom we do business and their customers
- Our local, state and national communities, including businesses and governmental agencies
- Nongovernmental organizations working on social, environmental and economic issues, both domestically and internationally
- The natural environment
- Our colleagues and peers in the socially responsible investment and larger financial communities
- The general public

In April 2003, Calvert created the new position of Senior Advisor for Strategic Social Policy. In addition to providing proactive direction for Calvert's social vision and strategic leadership for socially responsible investing, the advisor coordinates policy initiatives among Calvert's CEO, Board of Trustees, Advisory Council, and the Calvert

Social Research Department. This helps Calvert systematically identify major stakeholders and emerging issues on which Calvert should engage.

ENGAGING OUR STAKEHOLDERS

At Calvert we are committed to the principles of transparency and inclusiveness and have long held regular dialogues with all of our stakeholders. These dialogues have helped us to grow the business in a way that is consistent with our stakeholders' values — for example, developing our indigenous rights screen (see page 42). Calvert maintains a web page (www.calvert.com/sri_4903.html) devoted to authoritative issue briefs on a variety of social and environmental topics. These briefs are often the result of stakeholder consultations and provide a process for sharing in-depth research with interested communities. In the text that follows, we summarize how we manage relationships with our various stakeholders.

OUR OWNERS

The Ameritas Acacia Companies — Ameritas Life Insurance Corp., Acacia Life Insurance Company and affiliates — are a diversified group of insurance and financial services businesses offering life insurance and annuities, group dental and eye care insurance, mutual funds, investments, retirement plans, banking, worksite benefits, and public finance. Committed to delivering on its promises, the enterprise provides products and services that improve customers' financial security and quality of life. Ethics, integrity and good citizenship are embedded in how the Ameritas Acacia Companies conduct business

every day. The financial strength and operating performance of Ameritas Life and Acacia Life are reflected in strong ratings by independent rating agencies.

SHAREHOLDERS

Calvert has a staff of 19 persons dedicated to shareholder services who respond to the needs and concerns of our shareholders and clients. In essence, shareholder services is the liaison point between Calvert and the investor. This department also handles broker operations and provides information pertaining to Calvert funds and Calvert accounts. Additionally, Calvert provides regular updates to shareholders in the form of quarterly *Impact* and *InVision* reports, annual and semiannual reports, and Calvert's annual report *Mutual Funds That Make a Difference*, which includes a detailed summary of our funds' social and environmental criteria.

INSTITUTIONAL CLIENTS

Calvert has a variety of institutional clients such as corporate plan sponsors, foundations, endowments, insurance companies, bank trust departments, nonprofit organizations, and college savings programs. Quarterly, Calvert publishes the *InVision* institutional newsletter, which highlights our financial and sustainability efforts over the previous quarter. Many of the materials described in the broker/dealer section below are used by our institutional clients as well.

Calvert maintains a website for institutional clients that provides information on our services and products, which include institutional mutual fund shares ("I Shares"), separate accounts and stand-alone screening and research services. Our domestic and international institutional relationships are managed primarily by the sales department's seven-person institutional team. Calvert's marketing and institutional sales teams also support the Washington, DC 529 College Savings Program.

EMPLOYEES

Information on our relationship with our employees is provided in Section 6b, Workplace.

BROKER/DEALERS WITH WHOM WE DO BUSINESS

Calvert relies on independent advisors and broker/dealer firms to sell Calvert Funds. As such, Calvert takes special care to keep these financial advisors informed of issues critical to Calvert's shareholders and mutual funds, including those relating to socially responsible investing. Calvert's marketing department works to anticipate and identify issues of importance to consumers that will help advisors offer our funds as solutions for those concerns. Recently, Calvert launched a "Corporate Responsibility Matters" campaign that addresses investors' and advisors' interest in improved corporate governance in the wake of corporate accountability scandals and market-timing scandals in the mutual fund industry. The sales tools for this and other campaigns include mailings, a seminar for advisors to present to clients and a special report on the company's website about corporate responsibility. Calvert's marketing department also provides materials and offers strategic advice for broker/dealers to help them reach out to new clients in specific market segments and to better advise and service their existing clients.

Calvert maintains a website for advisor use only that provides regular portfolio manager commentaries and updates about socially responsible investing issues. Calvert also conducts quarterly conference calls for financial advisors, allowing them to ask questions and provide feedback about Calvert's operations. Additionally, we engage in further educational work with the financial advisor community through dissemination of materials, support and due diligence meetings. Our due diligence meetings allow brokers and advisors to get the latest updates on Calvert funds while meeting with portfolio managers and representatives of our Sales, Marketing and Social Research departments. Most of this advisor and broker outreach is directed by our Sales department, which includes nine regional wholesalers

and ten internal wholesalers whose main responsibility is to educate and assist brokers throughout the United States. The regional wholesalers are located in their respective geographic territories and visit with the financial advisors in the advisors' offices. Calvert internal wholesalers make up the sales desk and provide information to the financial advisors through telephone and e-mail contact. Calvert also provides an investor relations desk and broker operations desk to help shareholders and broker/dealers with any questions they may have.

All of these communications help brokers and advisors offer Calvert products to their clients with the confidence that they are offering accurate, timely and educational information.

LOCAL, STATE AND NATIONAL COMMUNITIES, AND GOVERNMENTAL ORGANIZATIONS

Calvert's social and environmental research is greatly enhanced by work done in communities and governmental agencies. In return, we try to be responsive to the needs of those communities when we have relevant contributions to make. For example, Calvert has a strong corporate philanthropy program that provides assistance to many local charities and community institutions. Governmental agencies also ask for our assistance or information from time to time. In 2003, for instance, the U.S. Environmental Protection Agency launched its Energy Star Partnership program, and Calvert was one of the first companies to sign a formal partnership agreement to support the program. Moreover, every employee of Calvert is provided with one paid day per month to perform community service. Information on Calvert's community involvement is provided in greater detail in Section 6g, Community Relations.

NONGOVERNMENTAL ORGANIZATIONS (NGOs) WORKING ON SOCIAL, ENVIRONMENTAL AND ECONOMIC ISSUES, DOMESTICALLY AND INTERNATIONALLY

Calvert obtains a great deal of valuable counsel and information from NGOs all over the world, and, in return, we try to be responsive to the needs of the NGO community when we can. This responsiveness can take many forms. In some cases we make direct contributions to nonprofits (more information about such financial support is included in Section 6g, Community Relations). In other cases we may provide in-kind support through partnerships or collegial relationships with nonprofits to engage in shareholder advocacy. More information about these partnerships can be found in Sections 6a through 6g, below.

OUR NATURAL ENVIRONMENT

Information on Calvert's community involvement is provided in greater detail in Section 6c, Environment.

OUR PEERS AND COLLEAGUES IN THE SRI AND BROADER FINANCIAL COMMUNITY

It may seem odd to identify competitors as stakeholders. While we do compete, like any business, we do on occasion find opportunities to advance interests that we share with our competitors. In particular, we find that investors as a group often share concerns over companies' performance on social or environmental issues or matters related to corporate governance. When this occurs, Calvert often seeks or provides assistance to our colleagues in other investment firms, often social investment firms. We have co-filed shareholder proposals with many of our peers and sought co-filers from within that group as well. A complete list of the shareholder resolutions Calvert has filed, including co-filings, is available on Calvert's website at www.calvert.com/sri_2766.html.

THE GENERAL PUBLIC

Following more than two years of corporate scandals — including scandals in the mutual fund industry — Calvert is not only concerned about investor confidence and trust, but we also strongly believe that investors are searching for more responsible approaches to investing. In November 2003, Calvert released the results of a Harris Interactive® investor survey, which dramatically highlighted investors' growing concerns about ethical standards at corporations and mutual fund companies and the desire for integrity-driven investments:

- 93% of U.S. investors agreed that their financial advisor should investigate the ethical performance as well as the financial performance of companies before making investment recommendations.
- 84% were more likely to invest in mutual funds that engage in ethical business practices in their operations and reporting.
- 79% were more interested in how corporations are governed.
- 77% were less confident about the trustworthiness of corporate management.
- 71% agreed that companies operating with higher levels of integrity carry lower investment risk.
- 68% agreed that companies operating with higher levels of integrity deliver higher investment returns.
- 59% were less confident about the safety of financial markets.
- 45% were less confident about mutual fund integrity.

In view of these findings, Calvert launched a “Corporate Responsibility Matters” initiative designed to contribute to healthier companies, stronger markets and sound investments through shareholder communication and public education.

6. PERFORMANCE

We have structured our performance section according to the areas we use when analyzing companies for investment:

- Corporate Governance and Business Ethics
- Workplace
- Environment
- Product Safety and Impact
- International Operations and Human Rights
- Indigenous Peoples' Rights
- Community Relations

In each case we begin the section with a summary of the criteria we use when examining other companies' performance. We then report our performance against these criteria. In this way, we hope our stakeholders can see how we measure up against our own principles.

6a. CORPORATE GOVERNANCE AND BUSINESS ETHICS

Calvert assesses the corporate governance practices of the companies we invest in because we believe that companies with strong corporate governance and environmental and social standards are better positioned for long-term success.

HOW WE ASSESS GOVERNANCE AND ETHICS PERFORMANCE IN OTHERS

Corporate governance has long been regarded as a key indicator of the quality of corporate management. In the past few years, concerns over corporate governance have become headline issues and have risen to the top of many investors' priority lists. Governance is traditionally thought of in terms of board structure and conduct, charter and by-laws, executive and director compensation, and audit structure. These are all important governance issues, to be sure, but we believe that these are mainly about corporate structure and do not capture all aspects of corporate governance. In our view, nearly all the social and environmental information Calvert examines relates in some way to corporate governance: well-run companies should treat workers, consumers, customers, and communities with respect and fairness, and should not routinely incur environmental, safety, or other liabilities that harm shareholders or other stake-

holders. Needless to say, business ethics is an important component of governance as well. There is an intimate link between business ethics and corporate governance, just as there are strong causal links between governance and the other social and environmental practices we examine.

Business ethics

The principles that guide the day-to-day and strategic choices of all employees — from the executive suite to the shop floor — are often intertwined with and reflected in a company's charter and by-laws, its board operations, responses to shareholders and stakeholders, and treatment of workers, communities, customers, suppliers, competitors, and the natural environment.

The basic principles underlying Calvert's corporate governance and business ethics screen — similar to our other screens — are transparency and disclosure, responsibility, and accountability to stakeholders as well as

shareholders. Calvert's assessment of corporate governance and business ethics includes the composition and operation of boards of directors (including board diversity), corporate policies related to governance and ethics, the independence of key support functions such as audits, the degree to which boards and management give serious attention to shareholder and stakeholder concerns, executive compensation, improper use of influence (such as bribery and improper use of political influence), and compliance with all laws relating to corporate competitive and financial behavior.

KNOW WHAT YOU OWN®

Calvert's Know What You Own® screen for corporate governance includes securities drawn from a universe of the largest 1000 US companies that fail to meet Calvert's minimum corporate governance criteria. These companies fail Calvert's corporate governance criteria because

- They have compromised the interests of stakeholders, including shareholders
- They are engaged in serious securities fraud
- Their governance and business practices are significantly worse than those of their peers

OUR GOVERNANCE AND ETHICS PERFORMANCE

Formal governance processes: Internal communication of our expectations and aspirations

All employees receive a copy of the company's Code of Ethics annually. The Code of Ethics addresses matters specific to the securities industry, including insider trading and other issues. Following receipt, employees must sign a form acknowledging that they have read and understood the contents. Noncompliance with the Code of Ethics can result in disciplinary action up to and including termination of employment. The Code of Ethics document contains information about

- Disclosure of Holdings & Duplicate Statements and Confirmations for the Purchase and Sale of Securities or Options on Securities by Access Persons
- Preclearance Policy
- Notification of Reporting Obligation — Annual Certification to Board

- Restrictions as to Gifts, Entertainment, Favors, and Directorships
- Violations
- Enforcement and Sanctions
- Record-Keeping
- Insider Trading Policy and Procedures

In the wake of recent mutual fund scandals, Calvert has put in place a revised compliance program that provides for periodic associates' meetings and other internal controls in an ongoing effort to create a culture of compliance and adherence to the highest ethical standards throughout the company.

Formal management processes

To date, Calvert has not pursued any social, environmental or governance certification systems. Instead, the President and CEO of Calvert and the senior managers have responsibility as a team for establishing and implementing all of the operating policies of Calvert Group, Ltd. The Calvert Family of Funds consists of a full family of mutual funds. Each fund is served by a Board of Trustees that meets quarterly to supervise fund activities.

Board Independence

Calvert fund boards historically have been composed of a majority of independent directors, although none had an independent chair. The breakdown of our board and audit committee independence as of September 30, 2004 is shown in the table on the next page.

Board Diversity

The gender and racial/ethnic profile of the Funds' Boards is shown in the table on the next page.

Calvert believes that board diversity increases our understanding of how we operate and how we affect our stakeholders, as well as providing the diverse viewpoints and input we need to be innovative in providing cutting edge products and services to an increasingly diverse client base. As such, we consider race and gender — in addition to traditional qualifications like financial knowledge and an understanding of socially responsible investing — when considering additions to our Fund Boards.

In May 2003, Calvert issued model charter language for board corporate nominating and governance

committees focused on attaining diversity in corporate boardrooms. We believe that diversity is an essential attribute of a well-functioning board and an essential measure of good governance. As a result of our efforts, many companies have chosen to adopt key aspects of Calvert's charter language. This past fall the National Association of State Treasurers passed a resolution on corporate governance incorporating certain aspects of our model language as a way to help corporations achieve greater independence and diversity in their boardrooms.

CSIF Advisory Council

Shareholders of the Calvert Social Investment Fund (CSIF) also benefit from the services of an Advisory Council. Meeting semiannually, the Council provides consultation and advice primarily to the CSIF Board of Trustees on social and environmental issues that relate to Calvert and the Fund.

A key focus of the CSIF Advisory Council has been on diversity. The Council members recently decided to categorize themselves by identity group rather than race or

CALVERT GROUP, LTD.		BOARD AND AUDIT COMMITTEE INDEPENDENCE <i>(as of September 30, 2004)</i>			
CALVERT FUND BOARD	TOTAL MEMBERS	INDEPENDENT MEMBERS	TOTAL AUDIT COMMITTEE MEMBERS	TOTAL INDEPENDENT AUDIT COMMITTEE MEMBERS	
CSIF/Calvert Social Index Series	9	7	7	7	
Calvert Impact Series	5	3	3	3	
Calvert World Values	6	4	4	4	
Calvert Multiple Funds	10	7	5	5	
Calvert Variable Series	8	5	5	5	

Due to new regulatory requirements regarding mutual fund board independence, including independent board chairs, Calvert Funds Boards are in the process of changing their composition to comply with these new regulations, which are effective January 16, 2006.

CALVERT GROUP, LTD.		BOARD DIVERSITY <i>the gender and racial/ethnic profile of the Funds' Boards is as follows:</i>			
CALVERT MULTIPLE FUNDS BOARD	CALVERT IMPACT FUND	CALVERT SOCIAL INDEX SERIES	CALVERT SOCIAL INVESTMENT FUND	CALVERT VARIABLE SERIES	CALVERT WORLD VALUES FUND
8 White Men	2 White Men	5 White Men	5 White Men	4 White Men	3 White Men
1 White Woman	1 White Woman	2 White Women	2 White Women	2 White Women	2 White Women
1 Hispanic Woman	1 American Indian Woman	1 American Indian Woman	1 American Indian Woman	1 African-American Woman	1 Asian-American Man
	1 African-American Woman	1 African-American Man	1 African-American Man	1 Hispanic Woman	
		1 African-American Woman	1 African-American Woman		

CALVERT GROUP, LTD.		CSIF ADVISORY COUNCIL BREAKDOWN BY GENDER AND IDENTITY GROUP				
	WHITE	BLACK	LATINO	ASIAN	INDIGENOUS	TOTAL
Female	3	4	2	0	1	10
Male	5	2	1	1	1	10
Total	8	6	3	1	2	20

ethnicity. The Council breakdown by gender and identity groups as of June 30, 2004 is shown in the table above.

Compliance

Calvert has Chief Compliance Officers whose role is to monitor compliance with all applicable laws and regulations. To the best of our knowledge, Calvert is in compliance with all applicable laws and regulations. In 2003 and through the publication date of this report in 2004, we have had no claims or incidence of fines or noncompliance in connection with any laws, regulations or rules regarding the environment, advertising and marketing, consumer privacy, consumer health and safety, product information/labelling, or antitrust.

Improper use of influence

Calvert benefits from the counsel of many organizations, including several nonprofit organizations whose mission is to advance the cause of human rights. In addition, we have established a partnership with Transparency International to encourage corporations to develop strong codes and monitoring programs to eliminate bribery and corruption. As of September 30, 2004, Calvert had no claims or incidence of fines or noncompliance in connection with any laws, regulations or rules regarding bribery, corruption, money laundering, or federal campaign finance or election laws.

Auditor independence

Calvert uses several public accounting firms, which provide services to Calvert and its mutual funds. Deloitte audits the Calvert operating companies, while KPMG audits the funds. KPMG also performs nonaudit services on behalf of the Calvert operating companies as well as the funds; the ratio of nonaudit to audit fees was fewer than 20% in 2003. Young, Brophy & Co. provides internal audit services on behalf of the operating companies.

Executive compensation

A recent review indicated that our compensation practices for senior managers are in line with our industry regarding base pay and short-term incentives. Since Calvert is not a publicly held company and is a wholly owned subsidiary of a mutual insurance company, we do not have any stock-based incentives. Thus, when stock-based incentives were included in the compensation analysis, our total compensation package for senior executives fell below the median for our industry.

Calvert is a privately held company, as are a large number of our competitors. Because of competitive concerns, we have not historically disclosed actual compensation figures for senior management.

Political contributions

To date, Calvert has not made any political contributions, nor have we directed any funding to lobbying activities.

MORNINGSTAR RATINGS

Morningstar, the mutual fund ranking firm, has begun assigning corporate governance grades to mutual funds. Each grade is based on scores in five different areas: (1) regulatory issues; (2) board independence; (3) manager compensation and fund ownership; (4) fees; and (5) corporate culture of the advisor or sub-advisor. As of this printing, Morningstar has announced the ratings for approximately 1,100 randomly selected mutual funds. Calvert Tax-Free Reserves Limited Term Portfolio and Calvert Social Investment Fund Equity Portfolio have each received a "B" grade. To date, Morningstar has not announced when additional ratings will be released.

6b. WORKPLACE

We value the contribution of all our staff and recognize that their well-being is crucial to the success of the company.

HOW WE ASSESS WORKPLACE ISSUES IN OTHER COMPANIES

Companies eligible for Calvert portfolios provide safe and healthy work environments and promote the healthy development of all employees. We do not invest in companies that show a pattern of failure or noncompliance with respect to

- Fair labor standards and practices
- Occupational safety and health regulations
- Equal opportunity standards regarding race, color, gender, age, religion, ethnicity, national origin, sexual orientation, gender identity, or mental or physical ability
- Serious labor-related actions by international, federal, state, or local regulatory agencies

We favor companies that

- Actively hire and promote minorities and women
- Compensate their workers fairly
- Strive to achieve and maintain good labor/management relations
- Provide programs and benefits that support workers and their families
- Provide a safe and healthy workplace

OUR WORKPLACE PERFORMANCE

Within Calvert we place particular emphasis on diversity and take steps to ensure that each employee has an equal opportunity to develop herself or himself and is free from harassment and discrimination in the workplace. We offer a number of benefits to employees, and we take our responsibilities for worker health and safety very seriously. These efforts have been recognized by a number of awards, some of which are referenced below. We also recognize that there is room for improvement in

some areas, as shown in some of the findings of our 2002 Survey of Employee Satisfaction.

Employee satisfaction survey

An employee survey in 2002 produced the following perceptions from Calvert employees of our human resource practices:

Diversity	94% favorable
Leadership	90% favorable
Supervision	82% favorable
Career Development	80% favorable
Information/Communication	76% favorable
Pay and Benefits	75% favorable
Teamwork	73% favorable
Workload	72% favorable
Recognition/Rewards	66% favorable

We strive for continuous improvement. Based on the results of the 2002 survey, we identified the following areas for improvement: Recognition/Rewards; Workload; Teamwork; and Information/Communication. To address these areas, we

- Created a rewards and recognition taskforce to develop meaningful rewards and recognition
- Consulted with departments throughout the company on areas such as team building and internal communication
- Used companywide e-mails to communicate more information to employees

Some of the particular benefits that our employees indicated they appreciate include the following:

- Reimbursement for purchases of walking shoes or a bicycle for associates who commute to work by those means
- Reimbursement for childcare expenses for associates on business travel
- Assistance of up to \$5,000 with adoption expenses

- Tuition assistance for associates' dependent children seeking an undergraduate degree
- New-baby bonus
- Parental leave for mothers and fathers
- Domestic partner health care subsidy

Employee expectations

Employees receive an Employee Handbook regarding their conduct while at work. This includes information about

- Employment policies
- Affirmative action
- Individuals with disabilities — accommodation
- Harassment prevention
- E-mail policy
- Alternative work schedules
- Progressive discipline
- Compensation policies
- Absences, leave and disability policies
- Salary administration policies
- Grievance policy
- Preventing workplace violence
- Code of ethics
- Community service and matching contribution policies

In addition, employees participate in regularly scheduled antiharassment training. Violating the company's policy in this area could lead to disciplinary action up to and including termination.

Hiring and promoting minorities and women

Diversity is important to Calvert — we believe in equal opportunities for all. Our goal is for our employees to fairly represent the community in the Washington, DC metropolitan area, and we have a policy of actively hiring and promoting women and people of color. We also follow a policy of internally posting all job openings, so that current Calvert employees have an opportunity to apply for all such openings. While our efforts to date have resulted in progress, we recognize that we must continue to look for ways to increase representation of women and minorities at all levels of our company, specifically, within senior management. Our current efforts toward fulfilling this commitment are presented below.

When hiring senior staff, including when we utilize outside search agencies, we require that all employee recruitment proactively seek out diverse candidates, including women and minorities. We carefully monitor our performance on gender and minority diversity and regularly report these statistics to the Fund Boards.

We have developed a manager diversity program that supports the hiring of smaller minority and women-owned asset management firms to oversee a portion of our portfolio assets. As of October 2004, two minority-owned firms, Profit Investment Management and Union Heritage Capital Management, manage a portion of the Calvert Social Investment Fund Balanced Portfolio; New Amsterdam Partners LLC, a woman-owned firm, manages a portion of the Calvert Social Investment Fund Balanced Portfolio; Brown Capital Management, a minority-owned firm, provides investment advice for the Calvert Capital Accumulation Fund; and Channing Capital Management, a minority-owned firm, manages two new Calvert funds, Calvert Small Cap Value Fund and Calvert Mid Cap Value Fund.

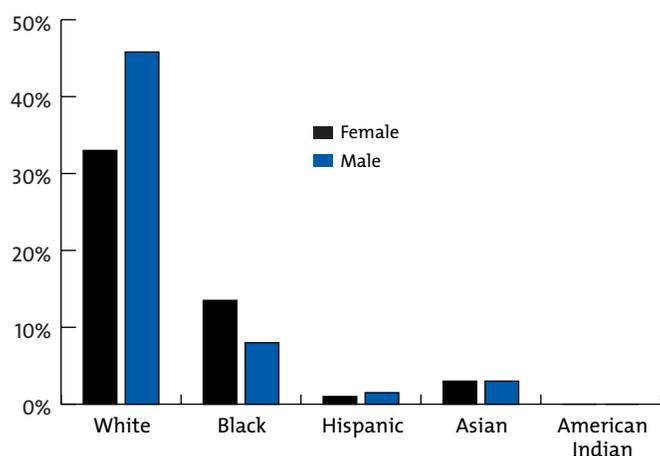
We continue to cultivate alliances targeting minority and women professionals. We are working with Georgetown University to foster relationships with the following campus groups: Net Impact, Black MBA, Society of Hispanic MBAs, and Graduate Women in Business. We have also worked with representatives from American University to build relationships with AU's chapters of Net Impact, Black MBA and Women in Business. We have also had a relationship with INROADS to hire minority interns from a diverse pool of college students. Finally, Calvert is a sponsoring member of DiversityWorking.com, the nation's leading online diversity job board.

Employee numbers

We have 174 staff (169 full-time equivalents). During 2003 our employee turnover was 6%, up from 5% in 2002 — fewer than two thirds of the average for US financial sector companies.

For 2003, the gender and racial/ethnic profile of our staff, managers and nonmanagers, is shown in the table on the next page.

	WHITE		BLACK		HISPANIC		ASIAN		AMERICAN INDIAN		TOTAL		TOTAL MALE & FEMALE
	Mgr.	Non-mgr.	Mgr.	Non-mgr.	Mgr.	Non-mgr.	Mgr.	Non-mgr.	Mgr.	Non-mgr.	Mgr.	Non-mgr.	
Female	4.5%	28.5%	0.5%	13.0%	0.0%	1%	0.0%	3%	0.0%	0.0%	5.0%	43.0%	48%
Male	6.8%	39%	0.5%	7.5%	0.5%	1%	0.0%	3%	0.0%	0.0%	7.9%	44.3%	52%
Total	11.3%	62.5%	1.0%	21.5%	1.5%	2%	0.0%	6%	0.0%	0.0%	12.8%	82.3%	100%



COMPENSATION

Policy

Our compensation policy is to offer a fair and competitive compensation package to all employees. We seek to ensure that our total compensation package is competitive within the marketplace and our industry. Understanding compensation trends helps us retain valuable employees and attract highly skilled recruits. We periodically retain a compensation consultant to ensure our compensation practices are in line with industry and geographic competitors.

Senior Management Pay

A recent review indicated that our compensation practices for senior managers are in line with our industry as regards base pay and short-term incentives. Since Calvert is not a publicly held company, and is a wholly owned subsidiary of a mutual insurance company, we do not have any stock-based incentives. Thus, when stock-based

incentives were included in the compensation analysis, our total compensation package for senior executives fell below the median for our industry.

Pay equity

We believe that equal work deserves equal pay regardless of gender, race or ethnicity. We monitor salary ratios

BREAKDOWN OF 2003 FEMALE TO MALE SALARY RATIO FOR:

	Minorities	Nonminorities
Managers and Officers	0.89:1	0.93:1
Professionals	0.91:1	0.89:1
Sales Workers	1.02:1	0.92:1
Technical Workers	1.03:1	1:1
Clerical/Office Workers	1.03:1	0.93:1

to ensure that we are living up to that principle, looking for a salary ratio of 1:1. Nationally, women earn 77 cents for every dollar earned by men.

During the coming year, we will be conducting an internal review of salary disparities that exist and exploring ways to address the causes of such disparities, if any.

Employee benefits

Our employees not only make valuable contributions to the success of our business — they are the heart of our business. By recognizing and supporting the needs of our working mothers, fathers and all our employees, we are investing in our company's future. The benefits we offer fall into the following categories: Core Benefits; Flexible Benefits; Family-Friendly Benefits; and Additional Work-Life Benefits.

Core Benefits

Our core benefits support our belief that employees should have a basic level of protection for the uncertainties associated with health, disability and death, along with adequate time off from work and retirement benefits. They include

- Catastrophic Medical Coverage
- Life Insurance
- Short- and Long-Term Disability Coverage
- 401(k) Plan (including company basic contribution plus company matching contribution)
- Paid Time Off

Flexible Benefits

Flexible benefits allow employees to use company-provided flex credits or their own pretax dollars to choose additional benefits in a manner most appropriate to their lifestyle and needs. Flexible benefits include the following:

- Expanded Medical Coverage
- Dental Coverage
- Flexible Spending Accounts for medical and dependent care expenses
- Additional Life Insurance
- Additional Long-Term Disability Insurance
- Accidental Death & Dismemberment Insurance
- Dependent Life Insurance
- Long-Term Care Insurance (after-tax dollars)

Family-Friendly Benefits

These benefits reflect Calvert's commitment to help employees balance the demands of work and family, and include the following:

- New-Baby Bonus
- Flex-time Options
- Dependent Care Leave
- Parental Leave
- Support services for mothers returning to work following childbirth
- Domestic partner health care subsidy
- Scholarship benefit for dependents

Additional Work-Life Benefits

These benefits reflect our commitment to help associates balance the demands of work and family, as well as concern for their overall well-being and personal growth:

- Child Care Referral Service and Convenient (In-Building) Child Care Facility
- Employee Assistance Program
- Dependent Care Flexible Spending Account Match
- Education Programs and Tuition Reimbursement (see box below)
- Credit Union
- Business Casual Attire

Educational Assistance

Calvert employees who work at least 20 hours a week may receive up to \$3,000 per year in education assistance. This policy provides financial assistance to participate in academic, vocational and adult education courses to acquire additional skills and knowledge directly related to their current position and/or to support the continued employability of employees. In particular, employees are encouraged to take an active part in their career development by taking classes that will prepare them for new responsibilities and promotions. In addition to outside educational opportunities, a variety of career development training programs are offered and tracked through our parent company.

- Recognition Programs
- Financial Services Assistance
- Biweekly Massage Therapy
- Sport & Health Club Subsidy
- Transportation and Parking Subsidy (plus reimbursing cost of shoes or bicycle for employees who walk or bike to work)
- Community Service Leave: Calvert supports the community service efforts of its employees by annually offering twelve days of paid leave to volunteer for community projects
- Legal Assistance

Rising Medical Insurance Costs

Historically, employees in US companies were not asked to pay toward the cost of their company medical coverage. This has changed over the last 20 years, and now nearly all employees share the costs with their company.

At Calvert the company pays approximately 70% of the costs and employees pay the remaining 30%. Medical coverage costs have increased significantly in the last three years, and although Calvert's increased costs have been below average for the financial sector, clearly employee contributions are on the rise, which is cause for concern. Each year during the open enrollment period for benefits, employees receive personalized reports that reflect any changes in the costs of the three medical plan options and the costs of additional coverage options (e.g., dental, vision, life insurance, etc.).

We encourage our employees to lead healthy lifestyles, as this will both prevent illness and help reduce future increases in medical coverage costs. For more on managing health, see the section on safety and workplace health.

Labor/management relations

Calvert works hard to achieve a culture of openness and collaboration that helps ensure positive relations between labor and management. For example, we have a system that protects employees from ad hoc dismissal and

encourages a collaborative approach to improving performance. This system progresses through a number of steps before dismissal can be considered. Managers must

- Set out expectations
- Communicate and document any concerns about performance
- Identify training to address weaknesses

Currently, Calvert's employees are not represented by a labor union or a collective bargaining agreement. However, employees are encouraged to use a number of formal and informal methods to communicate with Calvert management. For example, Calvert has an employee Managing and Advisory Group (MAG), which makes regular recommendations to management and provides opportunities for employee feedback at our quarterly staff meetings.

Our open door policy allows any employee to meet with the HR director or CEO about a grievance or issue they want addressed. We work together with the employee — over several meetings if necessary — to resolve the issue to our mutual satisfaction.

Safe and healthy workplace

Our policy is to ensure a safe and healthy working environment for all our employees. Because Calvert rents office space, we do not hire security personnel but rely instead on our landlord to provide building security.

Initiatives in place to ensure a safe and healthy working environment include the following:

- A wellness committee to promote healthy lifestyles
- Lunchtime seminars by medical professionals on health issues
- Screening by health professionals, including checks on vision, hearing, and posture
- Ergonomic assessments covering posture and workstation arrangement
- Regular massage therapy
- Employee assistance program offering confidential advice and support on any health issue, such as stress, communications issues or substance abuse
- Ozone alerts and information

- Revised emergency preparedness and evacuation procedures that have been made available to employees
- CPR and AED training, which is now being offered to employees.

Health and Safety Statistics

We currently do not track accident and illness rates. We have a safety committee to assist with office evacuation in the event of a fire or other emergency. This committee is chaired by our facilities manager, who works with Calvert's Human Resources Department to address health and safety concerns as they arise.

HIV/AIDS

Calvert complies with the Americans with Disabilities Act (ADA) and has a policy to provide reasonable accommodations to support any employee seeking an accommodation under the ADA. In addition, through Calvert Community Partners, our employee-directed community service group, employees participate in "Meals on Wheels" to distribute meals to HIV/AIDS patients. An educational program on HIV/AIDS has recently been added to the offerings of health and wellness programs. Additional information is also available to employees through our annual health fair and periodic blood drives.

Partnerships

Calvert has many close and collaborative working relationships with various organizations that add value to our analysis of workplace practices and help inform our own choices. Those relationships include the following:

- *Corporate Volunteer Council of Montgomery County.* Calvert has been a member and active board member for more than ten years. Calvert won a community service award from the Corporate Volunteer Council in 1997 for its community service programs.
- *Points of Light Foundation.* Calvert has been a member of the Points of Light Foundation for over eight years and was honored with the prestigious "Excellence in Service" Award in 1996.

- *Maryland Work/Life Alliance.* Calvert was a founding member of the Montgomery County Work/Life Alliance (now known as the Maryland Work/Life Alliance), a group that recognizes best workplace practices at its annual conference each February. Companies throughout the State of Maryland are invited to complete a survey and submit it to the Alliance. Calvert has won this award for the past five years and is presenting at a workshop sponsored by the Alliance to businesses interested in becoming "a great place to work."
- Calvert's work on labor and human rights, for example, has been greatly aided by counsel from the Hispanic Association for Corporate Responsibility, the Institute for Women's Policy Research, Amnesty International, UNIFEM, Business Women's Network/Diversity Best Practices, the AFL-CIO, Business and Professional Women, and the Executive Leadership Council.
- Calvert has established a partnership with the State of Connecticut Treasurer's Office to advance our current initiative on board diversity.

Recent external recognition

Our efforts to create a rewarding work environment were recognized by a number of institutions and publications in 2003:

- *Working Mother* magazine recognized Calvert as one of the top 100 companies for Working Mothers in the USA. This was the eleventh time in the past twelve years that Calvert (either by itself or as part of the Ameritas-Acacia enterprise) has received such recognition.
- The Maryland Work-Life Alliance presented Calvert with the Great Place to Work Seal.
- *Washingtonian* magazine listed Calvert as one of the 50 Great Places to Work in the Washington, DC Metropolitan area.
- The Greater Washington, DC Region Best Workplaces for Commuters recognized Calvert for our transportation policies.

6c. ENVIRONMENT

Part of being a socially responsible business is minimizing impacts on the environment.

HOW WE ASSESS THE ENVIRONMENTAL PERFORMANCE OF OTHER COMPANIES

Calvert's environmental standards are multidimensional, covering both stated policies and actual performance. We assess corporate compliance with federal, state and local environmental regulations and look for companies that have better than average environmental records relative to their industry peers. We do not invest in nuclear power plant operators or owners, or substantial nuclear waste contractors, because we feel current nuclear power technology is neither environmentally nor economically viable. We also search for companies that are outstanding in their environmental practices. Beyond these basic criteria, we seek investments in companies that meet the following criteria:

- Have implemented innovative pollution prevention or natural resource protection programs demonstrating they are on a path toward sustainable development
- Undertake positive environmental actions, including participation in government, private-sector, or company-specific programs (such as ISO 14001)
- Disclose sources of environmental risk and liability and take actions to minimize exposure to future risk
- Have implemented environmental lifecycle analysis for the company's products or invest in research and development to promote resource efficiency

OUR ENVIRONMENTAL PERFORMANCE

Since 1990 we have maintained an extensive recycling program and currently have programs underway to deal with many of our environmental impacts. In early 2004 our commitment to continuous improvement inspired us to begin planning for a Green Seal audit, which will

help us identify our main environmental impacts. We rent our office space, which means we do not control decisions about the building's energy and water use. We will nonetheless use the Green Seal audit report as an opportunity to approach our landlords and seek to influence their decisions in these areas.

Our marketing materials are made from recycled paper and we use soy-based inks on all our printed materials. We also encourage people to get their information from our website as a way to reduce demand for our printed materials.

The facilities manager has historically been responsible for the environmental program, as environmental performance has always been considered integral to running our office efficiently. The facilities manager reports to the Chief Financial Officer, who is the senior manager responsible for environmental performance.

Complying with regulations

Our Bethesda, Maryland office is in Montgomery County, which requires all businesses to recycle certain materials. We complete an annual report detailing the amounts of these mandatory items we have recycled, as well as a number of additional voluntary items (see below).

Waste reduction

Calvert encourages all employees to help reduce the amount of waste that is produced in the office.

Initiatives include the following:

- Encouraging double-sided copying
- Providing ceramic coffee cups to all employees and guests, eliminating our use of disposable cups
- Reusing building materials such as carpet and floor and ceiling tiles during construction work
- Purchasing used furniture and equipment whenever possible (e.g., chairs and printers)

- Donating excess furniture, supplies and equipment to charitable organizations or to employees for home use

Our recycling program

Calvert's recycling program was officially established in June 1990 and has grown to cover almost all office waste. We recycle quality white paper, color paper, glossy paper, newspaper, envelopes, computer paper, corrugated material, aluminum cans, glass bottles, plastic bottles, toner cartridges, office furniture and equipment, alkaline batteries, and computers.

Calvert generally provides every employee with one or more small, desk-sized recycling bins to help them to recycle easily. Employees are responsible for taking their own recycling to the four centralized recycling areas or to the large boxes placed throughout the office next to printers, copiers and vending machines. The materials are collected on a weekly basis. Facilities Department employees take the recycled materials to where they are collected weekly by the recycling vendor.

As an extension of our commitment, we launched our Corporate Computer and Components Recycling Program, which allows employees to recycle or donate personal computer equipment that is no longer in use. Calvert has contracted with Dell Recycling Services and will cover the cost of these services for employees. We also sponsor a cell phone donation program, collecting old cell phones and donating them to an area Senior Victim Assistance Program.

As part of our recycling program, all Calvert's construction contracts for space renovation require the contractor to recycle carpeting, gypsum board, metal, and doors where possible.

During the past year, Calvert has recycled over 35 tons of reusable materials, which, according to information provided by our property management company, is approximately

two thirds of all of the waste produced by the company. The recycling numbers to date for 2003 are as follows:

For 2003, Calvert recycled more than 35 tons of paper. The Environmental Protection Agency considers this equivalent to the following natural resource conservation savings:¹

- 254,591 gallons of water
- 149,088 kWh of electricity
- 120 cubic yards of landfill
- 2,128 pounds of air pollution
- 618 trees

These figures do not include our cardboard recycling, which the landlord does on our behalf.

Since Calvert's recycling program started in 1990, the company has recycled nearly a million pounds of paper, saving more than 8,000 trees and over three million gallons of water.

Buying recycled

Buying recycled products reduces demand on natural resources and also helps to promote recycling. Calvert is currently purchasing the following items with recycled materials or content: letterhead, envelopes, laser forms (customer statements and reports), laser printer toner cartridges, fax machine toner kits, copier equipment toner and copy cartridges, drywall (paper covering made from 100% recycled material), copier paper, special printing and copying jobs, miscellaneous office products (pencils, pads, folders, etc.), marketing materials, prospectuses, and brochures.

Calvert employees are also provided with a custom office product catalogue to assist them in choosing recycled products.

All of our copier paper contains at least 30% postconsumer recycled waste. According to our major vendor for nonpaper office supplies (e.g., pens, staples, clips, etc.), 44% of our purchases are made from recycled material.

1. Recycled savings based on the EPA formula: For every ton (1 ton = 2,000 lbs.) of paper and aluminum recycled, 17 trees, 7,000 gallons of water, 4,100 kWh of electricity, 3.3 cu. yds. of landfill space, and 60 lbs. of pollution are saved. These environmental equivalents come from a number of sources, including www.mathleague.com/recycled.htm and <http://es.epa.gov/techinfo/facts/recypapr.html>.

Finally, in 2004 Calvert instituted a program to help employees recycle their home computers, printers, and monitors responsibly. Calvert pays for each employee to responsibly recycle one system every three years.

Energy efficiency

While lighting is primarily the responsibility of our landlord, we are pleased that the landlord installs energy-efficient lighting in all replacements. The majority of Calvert's space has been renovated and includes all energy-efficient lighting. All lighting that is under the control of Calvert — such as desktop lamps in reception areas — has been replaced with energy-efficient, compact fluorescent lighting. In 2004, Calvert replaced all desktop computer monitors with flat-panel displays, which consume less than half the energy of cathode ray tube monitors.

We do not currently measure the following environmental impacts:

- Materials
- Direct and indirect energy use
- Direct and indirect water use
- Biodiversity indicators
- Emission and effluents
- Environmental supplier standards
- Transportation/logistical impacts
- Overall environmental expenditures

In the coming months, we will review our ability to evaluate these indicators so we can better manage our environmental footprint.

Communicating with staff

To keep employees informed of progress, we use bulletin boards to report on the trees, water, landfill space, air pollution, and electricity that has been saved or reduced by each employee's participation in the program. Seeing the positive effects of their actions helps employees maintain interest in the program.

Recent employee initiatives include a battery recycling program, which allows Calvert staff to bring in used batteries for safe and environmentally sound recycling and disposal.

External recognition

Over the past decade, we have won awards for our recycling program, including awards in 1994 and 1999 from the Maryland Recycler Coalition for Outstanding Corporate Leadership. For 2003, Calvert received the Montgomery County Government, Division of Solid Waste SORRT (Smart Organizations Reduce and Recycle Tons) Excellence in Recycling Award.

Partnerships

Calvert's partnerships with environmental organizations contribute substantially to our work. Some of the more significant partnerships include the following:

- Calvert has worked closely with As You Sow, Silicon Valley Toxics Coalition and the Grass Roots Recycling Network on electronic waste and recycling.
- Calvert has worked with the Rose Foundation, OMB Watch, RTKNet, the Corporate Sunshine Working Group, and International RTK on disclosure of corporate environmental performance.
- Calvert has a close and collegial working relationship with the Coalition for Environmentally Responsible Economies (Ceres) on a variety of initiatives, including Ceres' Electric Power Dialogue and the Sustainable Governance Project, and Calvert has long been a member of the Ceres coalition.
- Calvert is a member of the Investor Network on Climate Risk.
- Calvert participates in many shareholder advocacy initiatives of the Interfaith Center for Corporate Responsibility.
- Calvert has solicited and received valuable counsel from several environmental groups that assist with our social research and analysis, including Amazon Watch, Rainforest Action Network, Forest Ethics, and Smart Growth America.
- Calvert supports the Environmental Protection Agency's Energy Star Partnership, which in turn has been helpful to us in evaluating corporate efforts to improve energy efficiency.

Moving forward

We are proud of our environmental initiatives, but we also know that we are far from perfect. Calvert is not yet a carbon-neutral company, and we will be exploring options to become one. We have not yet formally evaluated our energy use and will be evaluating such options as expanding use of motion sensors, currently used in the restrooms, to cut lighting when rooms are unoccu-

ped, and possibly working with our building management to purchase renewable power. Moreover, while we are committed to environmentally conscious purchasing, sourcing and operations, we have not yet formalized these areas into written policies. These areas represent opportunities for growth and improvement. We look forward to seeing the results of the Green Seal audit of our offices and to analyzing its recommendations.

6d. PRODUCT SAFETY AND IMPACT

Offering the largest family of socially responsible mutual funds in the United States, Calvert seeks to invest in companies that are not only leaders today but whose products and services will help shape a better world tomorrow.

HOW WE ASSESS PRODUCT SAFETY PERFORMANCE AND IMPACT IN OTHER COMPANIES

Companies in our portfolios must produce safe products and services in accordance with federal consumer product safety guidelines. Due to concerns about the impact of certain products on society, we do not invest in major manufacturers of tobacco products, alcoholic beverages or weapons. We also exclude companies that operate gambling establishments. We seek to include companies that

- Produce or market goods and services that enhance the health or quality of life for consumers
- Maintain quality control and customer satisfaction
- Respond promptly to address and correct problems with product safety
- Demonstrate integrity in their advertising and labelling, both domestically and overseas
- Avoid animal testing or, when testing is legally required, reduce the use of animals. We also ask companies that rely on animal testing or products to demonstrate that they meet high standards of humane treatment.

OUR PRODUCT SAFETY AND IMPACT PERFORMANCE

At the heart of Calvert's range of products is the view that investing in companies that are committed to meeting the challenges of the future with an expanded view of corporate responsibility is more than just a matter of doing the right thing — it also makes good business sense. Our investment strategy takes into account nontraditional types of risk — e.g., governance, ethics and environmental — when choosing our investments. Our rigorous investment process seeks to ensure that our socially screened funds contribute to social progress and individual well-being. This includes an analysis of the products and services offered by the companies we evaluate for investment.

With respect to Calvert's own business, our mutual funds do not have the same kind of direct social and environmental impacts as other products or services. For example, Calvert funds do not consume energy like a car or have end-of-life concerns like computers. Our investors don't have the same worries about product safety or labelling as they do when buying prescription medication. We therefore do not have formal product safety and impact procedures as such. We do believe,

however, that our mutual funds offer an opportunity to invest in sustainable development, representing a net positive benefit to society.

Socially responsible investment process

All of Calvert's equity funds plus our CSIF Bond Fund and CSIF Money Market Fund are socially screened portfolios. Prospective equity and socially screened fixed-income investments first undergo in-depth financial analysis by our portfolio managers. As our portfolio managers are identifying financially attractive opportunities, Calvert's in-house Social Research Department helps identify companies with strong management and solid long-term prospects by analyzing their social, environmental and corporate governance performance. Drawing upon information from a wide variety of sources, including public records, government regulatory agencies, advocacy organizations, and the company's own management, the department analyzes the company's performance in seven broad areas:

- Corporate governance and business ethics
- Environment
- Workplace
- Product safety and impact
- International operations and human rights
- Community relations
- Indigenous peoples' rights

A company must meet all our social criteria to be eligible for investment. If a company satisfies the fund's criteria but demonstrates need for improvement in some areas, we may invest in it and then raise our concerns in dialogue with company management to improve its performance in these areas. Ultimately, our portfolio managers select only those investments that have met our rigorous financial and social criteria, thereby demonstrating long-term prospects for success.

Our belief is that corporations should be governed in transparent ways that align the interests of management, shareholders, customers, and society.

Initiatives

While financial and social analyses are essential components of Calvert's socially responsible investment strategy, they are only part of that strategy. Calvert has also developed a number of specific products and initiatives that have positive social impacts.

Special programs

Calvert's commitment to sustainability takes form in our socially screened funds and in two other programs noteworthy for improving the sustainability of our investments: Special Equities Program, with holdings in many of our mutual funds, and our High Social Impact Investing Program.

Special Equities Program

Calvert's Special Equities Program provides early, direct investments in companies run by visionary entrepreneurs who have identified profitable ways of addressing society's needs. CSIF and the Calvert World Values International Equity Fund allocate a portion of their assets to this program. At the end of 2003, just over 2% of the assets of the Calvert Social Investment Fund Balanced Portfolio, 0.15% of the Calvert Social Investment Fund Equity Portfolio, and 2.3% of the Calvert World Values International Equity Fund were Special Equities holdings. More information about this program is available on Calvert's website.

High Social Impact Investing Program

Calvert's High Social Impact Investing Program channels investment capital to nonprofit organizations with the goal of ending poverty through investment. Calvert funds participating in the program include Calvert Social Investment Fund, Calvert World Values International Equity Fund, Calvert Capital Accumulation Fund, and Calvert New Vision Small Cap Fund, all of which can invest from 1% to 3% of assets, depending on the fund. As of the end of the first quarter of 2004, Calvert shareholders had cumulatively invested \$14.8 million in four different areas: (1) affordable housing; (2) community development; (3) microcredit; and (4) small business loans.

Shareholder engagement

We believe that we have a responsibility to use the portfolio investments of our funds to encourage companies to achieve higher levels of social and environmental performance. We regularly initiate conversations with management to educate and press for improvements in areas of concern.

As a shareholder we have an opportunity to express our views at annual stockholder meetings. We vote all proxies in a manner consistent with the financial and

social goals of our funds. We disclose our voting guidelines and votes on our website.

When dialogue proves unsuccessful, we use shareholder resolutions to encourage a company to take action. In many cases this leads to a negotiated settlement with mutually beneficial results for shareholders and companies. In 1986, Calvert was the first mutual fund company to file a shareholder resolution. The issue at stake was labor/management relations. During the 2003–2004 proxy season, Calvert filed 34 shareholder resolutions. Our resolutions and dialogues have impacted our investments in a very positive manner.

Through Calvert’s Know What You Own® (KWYO) tool, Calvert encourages website users to discover whether their mutual funds are invested in companies with good environmental records, exemplary board diversity, safe products, and more. KWYO also enables users to discover which companies do not meet Calvert’s Corporate Governance Guidelines for investment.

Advertising and images in Calvert literature

In our marketing materials, our internal guidelines make a commitment to portraying persons of diverse backgrounds, and to only use images with the consent of the subject. When we work with external designers and advertising agencies, the same rules apply.

Customer privacy

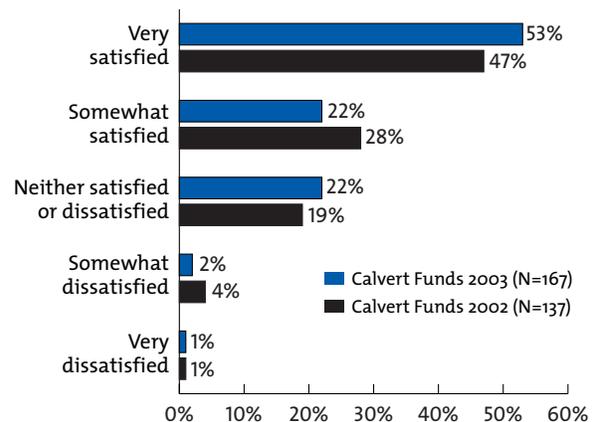
Calvert places a high priority on the privacy and security of our investors’ information. We require that all customers with online accounts have a Personal Identification Number (PIN) and use an internet browser that supports Secure Socket Layer (SSL). SSL support means that electronic messages between account

holders and Calvert cannot be read by outside parties, even if intercepted. Additionally, we have a strict online privacy policy, in which we promise not to disclose any nonpublic personal information about our customers to anyone, except as permitted or required by law.

Customer satisfaction

Calvert undertakes regular monitoring of customer satisfaction. The results from our 2003 survey are summarized below. Overall, 75% of Calvert’s shareholders reported that they were very satisfied or somewhat satisfied with customer service. This is less than the satisfaction rate for all mutual funds (84%). However, we are encouraged that only 3% of Calvert’s shareholders report dissatisfaction with our customer service, whereas the fund industry as a whole scored a 5% rate of dissatisfaction.

OVERALL CUSTOMER SATISFACTION



6e. HUMAN RIGHTS

Calvert believes that protecting the inherent dignity and the equal and inalienable rights of all members of the human family is the responsibility not only of government but of nongovernmental and business organizations as well.

HOW WE ASSESS HUMAN RIGHTS PERFORMANCE IN OTHER COMPANIES

Calvert expects companies to be responsible corporate citizens abroad as well as at home. Calvert avoids companies that have a pattern and practice of human rights violations or that directly support governments that systematically deny human rights. Calvert seeks to invest in companies that

- Adopt specific human rights standards for their international operations and practices
- Use more stringent standards than required by host countries
- Actively address human rights abuses

OUR HUMAN RIGHTS PERFORMANCE

Calvert is a small company, based entirely within the United States. As such, our direct impacts on human rights are small. Our primary impact is through our sponsored mutual funds and screening those investments for human rights performance.

In addition, we try to avoid sourcing from vendors or suppliers operating in countries or locales with poor records of protecting human rights, unless we can verify that the vendor's own performance meets our standards. Although we do not have a formal supplier satisfaction tracking system, we encourage suppliers and members of our local community to identify any issues of concern by contacting our Customer Service Department. Finally, when we feel our involvement can be helpful, we engage in public policy advocacy to advance human rights causes. A few examples are summarized below.

Preventing Bribery and Corruption

Since the fall of 2002, Calvert has worked with Transparency International on a campaign to improve corporate practices and policies to eliminate bribery and corruption. We urged more than ninety companies held in Calvert's World Values Fund to implement effective antibribery policies and programs throughout their supply chain. We are currently in dialogue with selected holdings based in Organization for Economic Cooperation and Development (OECD) member countries and are considering expanding the campaign to companies based in the United States and in non-OECD countries. To date, 23% have been responsive. Of those companies, 41% have comprehensive written detailed policies on this issue, 22% have corporate codes of ethics with a provision on bribery and 32% have no written policy on bribery and corruption.

Supporting the U.N. Global Compact

Calvert endorses the U.N. Global Compact, which affirms human rights, labor standards and the environment (<http://www.unglobalcompact.org>). These principles include commitment to uphold the freedom of association; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation. Our CEO has served on the Global Compact's Advisory Board.

Affirming the U.N. Universal Declaration of Human Rights

Calvert supports the Universal Declaration of Human Rights (www.un.org/Overview/rights.html), which is aimed at securing the economic, social, cultural, political, and civil rights of all people.

Promoting CEDAW

Calvert supports the UN Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) as the first and only international instrument that comprehensively addresses women's rights not only in the economic realm, but also within political, cultural, social, and family arenas (www.un.org/womenwatch/daw/cedaw). Calvert believes the United States should move toward a speedy adoption of CEDAW and has urged both the Senate Foreign Relations Committee and President Bush to support ratification.

The Calvert Women's Principles

Calvert believes corporations can have a great influence on the rights, status and empowerment of women around the globe. In 2004, we formally launched The Calvert Women's Principles at an event cohosted by the United Nations Development Fund for Women (UNIFEM). The Calvert Women's Principles constitute the first global code of corporate conduct focused exclusively on empowering, advancing and investing in women worldwide.

Working with local suppliers

In international organizations we tend to look for evidence of adherence to human rights through their

supplier policies. At Calvert we try as much as possible to source products and services locally. Our purchasing policy refers major suppliers to Calvert's Social Research Department for analysis and screening regarding their environmental and employment practices as well as their community impact. Although we have no formal policy regarding outsourcing overseas, review by our Social Research Department is meant to assure that we strive to meet the same criteria we apply to corporations — specifically, that we seek out suppliers that respect labor and human rights and avoid sourcing from companies that use child labor or forced labor or otherwise engage in discriminatory workplace practices.

In order to support the small business community in Calvert's locale, we try to do as much business as possible with local businesses such as printers, copy shops, and so forth.

We have developed a women-owned/minority-owned purchasing policy that seeks to source services and supplies from woman- or minority-owned vendors where possible.

6f. INDIGENOUS PEOPLES' RIGHTS

We are concerned about the survival and security of indigenous peoples around the world. Companies operating on or directly affecting the property (including intellectual property) of indigenous peoples should support appropriate economic development that respects their rights, cultures, environment, and livelihoods.

HOW WE ASSESS PERFORMANCE ON INDIGENOUS PEOPLES' RIGHTS IN OTHER COMPANIES

We are concerned about the survival and security of indigenous peoples around the world. Companies operating on or directly affecting the property (including

intellectual property) of indigenous peoples should support appropriate economic development that respects their rights, property, cultures, environment, and livelihoods. Calvert is also concerned about culturally offensive or negative images that promote racial, cultural or religious stereotyping of indigenous peoples, and we will

dialogue with companies that manufacture and/or market products with offensive labels and logos.

OUR INDIGENOUS PEOPLES' RIGHTS PERFORMANCE

In the workplace, we do not take any particular steps to support and promote indigenous people above and beyond the efforts we make with all minorities as part of our nondiscrimination policy. However, we do support indigenous peoples' organizations, such as the First Nations Development Institute and the International Indian Treaty Council. Calvert also created the first Indigenous Peoples social screen, which we apply to all our equity and socially screened fixed-income investments.

Taking action

Calvert has engaged in shareholder advocacy with a number of companies, encouraging them to develop comprehensive Indigenous Peoples' rights policies and implement programs to protect their rights, images, and cultures. Calvert has also publicly opposed the use of

offensive images to municipalities, policymaking bodies, and other institutions such as the Patent and Trademark Office, the Washington, DC City Council, and the DC Commission on Civil Rights.

In the summer of 2003, an Advisory Council member brought to Calvert's attention that the premier socially responsible investment industry conference — SRI in the Rockies — was being held at a site with a name offensive to American Indians. In response, Calvert arranged for a highly visible educational session at the conference and arranged for a delegation to meet with representatives of the conference site hotel and other local business owners to bring the issue to their attention. We also recommended that these businesses change their name to avoid continuing the use of a term offensive to American Indians. With Calvert's leadership and advice, the conference organizer — the Social Investment Forum — has since formed an Indigenous Peoples' Task Force to pursue this issue and to find ways of better integrating and prioritizing Indigenous Peoples' issues within the world of socially responsible investing.

Founding A New Screen: Indigenous Peoples' Rights

In late 1998, First Nations Development Institute, founded by CSIF Trustee Rebecca Adamson, approached Calvert's Social Research Department to explore developing a social screen exclusively aimed at addressing how corporations affect the welfare and cultures of Indigenous Peoples around the world. Although Calvert Social Research Department was already analyzing Indigenous Peoples' rights under other social criteria, it was not then a stand-alone screen.

This idea gained momentum during 1999 with incidents concerning the murder of indigenous Americans in Colombia and the threat from Occidental Petroleum to the U'wa people's ancestral land. Rebecca Adamson pleaded for support of Indigenous Peoples in their struggle against corporations, stressing that their very survival and way of life was at stake.

The Advisory Council formed a committee, consisting of council members, CSIF trustees and Calvert staff to develop a policy on Indigenous Peoples and their rights. In addition to using their own resources, the group sought input from individuals and groups that were well established in this arena. The first completely new issue to arise within the socially responsible investment community in several years, the Indigenous Peoples' rights criteria was adopted by the Calvert Social Investment Fund Board of Trustees and launched in October 1999. In 2002, the CSIF Board of Trustees refined the screen.

6g. COMMUNITY RELATIONS

We believe Calvert has an important role to play in the community. Corporate citizenship to us is about more than simply corporate philanthropy. At Calvert we believe it is about each of our employees and our entire company engaging proactively in the community.

GROUP COMMUNITY INVOLVEMENT

Our community involvement is provided in three ways: cash support, in-kind giving and volunteering. For 2003, we provided approximately \$605,800 in philanthropic activities and donations, outlined in the accompanying box.

Cash support

Calvert provides cash support to a broad array of local, national and international organizations. We generally look to provide support to organizations addressing education, health, poverty and social justice, women's issues, and the arts.

In-kind giving

Calvert and its employees provide the following in-kind giving:

- Food to the DC Central Kitchen
- Soap, personal products, toilet paper, cleaning supplies, diapers, and other items to the National Center for Children and Families
- Food delivery to Food and Friends
- Computers, furniture and other office equipment to various local charities

Volunteering

Calvert offers all employees the opportunity to spend up to 12 days a year volunteering on activities of their choice. Calvert has an employee-staffed committee called Calvert Community Partners that periodically alerts employees to volunteer opportunities and develops programs at the office. These activities range from clothing drives, making peanut butter and jelly sandwiches, tutoring high school students, delivering

CORPORATE PHILANTHROPY	
	2003
Charitable Giving	\$347,000
Local Charitable Giving	\$115,000
In-kind Giving*	\$217,000
Volunteer Hours**	1,100
Volunteer Value**	\$41,800
Total Charitable and In-Kind Giving and Volunteer Value	\$605,800
*Includes Calvert Group, Ltd. support for Calvert Social Foundation	
**Volunteer hours and value approximate total hours used annually by Calvert employees at average employee salary.	

meals to homebound HIV patients, and organizing charity fundraising events, to sponsoring and participating in the Greater DC Cares Servathons. Calvert also strongly supports Make-A-Wish Foundation and other community-based charities.

In May 2003, the *Washington Business Journal* named Calvert as a member of the Washington, DC area's Circle of Community Investors. This honor is given to a select group of local companies that are recognized as leaders in local philanthropy. This recognition was based on both our local and our overall corporate philanthropy as a percentage of revenue.

Formal memberships and partnerships

Calvert's civic and community involvement ranges from serving on boards and councils to partnering and participating in a variety of organizations. We are a member of the Circle of Community leaders with Greater DC Cares, which is the leading volunteer resource group seeking to improve people's lives in the Greater Washington, DC region by providing creative ways to effectively volunteer and serve. Additional examples of our memberships and activities include the following:

Boards

Calvert has representation on the boards of the Social Investment Forum, Greater Washington Board of Trade, Greater DC Cares, Trickle Up, Ceres, Center for a New American Dream, and the Corporate Volunteer Council.

Panels

We are involved with the U.N. Global Compact, Maryland-Worklife Alliance, Global Reporting Initiative (GRI) Stakeholder Council, Women's Initiative Network, Women's Economic Roundtable, Business Leaders for Sensible Priorities, the DC Sustainable Business Network, and the Institute for Women's Policy Research.

United Nations Environment Programme Finance Initiatives (UNEP-FI) Asset Management Working Group (AMWG)

Calvert is a member of the UNEP-FI AMWG. The AMWG consists of the CEOs from twelve asset management companies. The group's objective is to develop the ability of mainstream fund managers to identify and respond to social and environmental issues relevant to their profession. In 2003, the group ran four projects:

1. Understanding the Materiality of Key Environmental and Social Criteria
2. The Fiduciary Responsibility of Institutional Investors and Extra Financial Criteria: Are Current Regulations an Impediment?
3. Engagement with Pension Funds
4. The Meaning of SRI in Emerging Markets

Calvert Foundation

The Calvert Social Investment Foundation, a 501c(3) organization, was launched in 1995 in order to provide opportunities for individuals and institutions to channel investments into disadvantaged communities with the simple goal of helping to end poverty. For more information, visit www.calvertfoundation.org.

The Calvert Foundation is now an independent entity, with investment, research and donation products that support community development organizations and initiatives across the country and around the world.

Through socially responsible investment in affordable housing, micro-credit and social enterprise programs, the foundation helps create jobs, build homes, improve communities, and change lives.

The past year marked record impact for the Calvert Foundation, as it continued to ramp up its community investment portfolios with capital provided by almost 2,000 individuals and institutions, including the Calvert family of socially responsible mutual funds. Today, the Calvert Foundation has surpassed \$100 million in assets. Its flagship product, Calvert Community Investment Notes, broke the \$75 million mark, while its donor-advised fund product, Calvert Giving Fund, broke \$10 million. Since their inception in 1995, Calvert Community Investment Notes have built approximately 4,000 affordable homes, created 72,300 jobs and financed 4,200 community facilities (based on impact metrics collected from its portfolio organizations).

ANNEX 1: CALVERT'S FUNDS

The list of funds is available at www.calvert.com/funds_profiles.html

BALANCED AND EQUITY FUNDS:

- Calvert Social Investment Fund Balanced Portfolio*
- Calvert Capital Accumulation Fund*
- Calvert Large Cap Growth Fund*
- Calvert New Vision Small Cap Fund*
- Calvert Social Index Fund*
- Calvert Social Investment Fund Equity Portfolio*
- Calvert Social Investment Fund Enhanced Equity Portfolio*
- Calvert World Values International Equity Fund*
- Calvert Mid Cap Value Fund*
- Calvert Small Cap Value Fund*

BOND FUNDS:

- Calvert California Limited-Term Municipal Fund
- Calvert Income Fund
- Calvert National Municipal Intermediate Fund
- Calvert Short Duration Income Fund
- Calvert Social Investment Fund Bond Portfolio*
- Calvert Tax-Free Reserves Limited-Term Portfolio
- Calvert Tax-Free Reserves Long-Term Portfolio
- Calvert Tax-Free Reserves — Vermont Municipal Portfolio

MONEY MARKET FUNDS:

- Calvert First Government Fund
- Calvert Social Investment Fund Money Market Portfolio*
- Calvert Tax-Free Reserves Money Market Portfolio
- Calvert Cash Reserves — Institutional Prime

INSURED BANK PRODUCT:

- Calvert Insured Plus Account

CALVERT VARIABLE SERIES:

- Social Balanced Portfolio*
- Social Mid-Cap Growth Portfolio*
- International Equity Portfolio*
- Social Small Cap Portfolio*
- Social Equity Portfolio*
- Social Money Market Portfolio*
- Income Portfolio

Calvert mutual funds are underwritten and distributed by Calvert Distributors Inc., member NASD, a subsidiary of Calvert Group, Ltd.

* Indicates a socially screened fund

ANNEX 2: CALVERT 2004 CORPORATE SUSTAINABILITY REPORT MAPPED AGAINST THE GRI

GRI	DESCRIPTION	PAGE NUMBER
1.1	Vision and strategy statement	6, 10–11
1.2	Statement from CEO	4
2.1	Company profile	6–9
2.2	Major products	9, 37
2.3	Operational structure	8
2.4	Major divisions	7
2.5	Countries of operation	9
2.6	Nature of ownership	8
2.7	Markets served	9
2.8	Scale of organization	6
2.9	List of stakeholders	12–15
2.10	Contact person	3
2.11	Reporting period	3
2.12	Date of previous report	3
2.13	Boundaries of report	3
2.14	Significant changes	3
2.15	Reporting on joint ventures	8
2.16	Restatements	3
2.17	Decisions not to apply GRI	3
2.18	Criteria/definitions in cost/ benefit accounting	16, 20, 26, 29, 32, 33–34, 35
2.19	Changes in measurement methods	3
2.20	Internal assurance	3
2.21	Independent verification	3
2.22	Ways to get additional information	3
3.1	Governance structure	17–19
3.2	Percentage of independent, nonexecutive board	17–18
3.3	Process for determining board expertise	NR
3.4	Board-level processes	NA
3.5	Link to executive compensation	19
3.6	Organizational structure	17
3.7	Mission and value statements	5, 6, 11, 17, 19, 32, 33–34

GRI	DESCRIPTION	PAGE NUMBER
3.8	Shareholder resolutions	5, 10, 14, 31
3.9	Stakeholder identification	12
3.10	Stakeholder consultation	12
3.11	Information generated from stakeholders	12–15
3.12	Use of stakeholder information	12–15
3.13	Precautionary approach	11
3.14	External initiatives	6, 21, 25, 28, 32–33, 34, 35, 36
3.15	Business association memberships	36
3.16	Upstream and downstream impacts	32–33
3.17	Indirect impacts	26–28, 32–33
3.18	Major operations decisions	NA
3.19	Performance programs	16–36
3.20	Management system certification status	17
4.1	GRI Content Index	38
EC1	Net sales	9
EC2	Geographic breakdown of markets by sales	9
EC3	Cost of goods, materials, services purchased	9
EC4	Percentage of contracts paid in accordance	NR
EC5	Total payroll and benefits	20–22
EC6	Distributions to providers of capital	9
EC7	Increase/decrease in retained earnings	9
EC8	Taxes paid	9
EC9	Subsidies broken down by country	9
EC10	Donations	35
EC11	Supplier breakdown by organization/ country	9
EC12	Noncore infrastructure development	NA
EC13	Indirect economic impact	NA
EN1	Total materials use other than water, by type	28
EN2	Percentage of materials used that are wastes (external)	28
EN3	Direct energy use	28
EN4	Indirect energy use	28

NR = not reported

NA = not applicable

GRI	DESCRIPTION	PAGE NUMBER
EN5	Water use	NR
EN6	Land owned, leased, or managed (biodiversity)	26
EN7	Major impacts on biodiversity	NR
EN8	Greenhouse gas emissions	NR
EN9	Ozone-depleting substances	NR
EN10	Air emissions	28
EN11	Waste	28
EN12	Water discharges	28
EN13	Significant spills	NR
EN14	Environmental impacts of products	26
EN15	Percentage of product weight reclaimable/reclaimed	27
EN16	Noncompliance penalties	19
EN17	Initiatives to increase energy efficiency	28
EN18	Energy consumption footprint (annualized requirements)	28
EN19	Other indirect energy use	28
EN20	Water sources and ecosystems affected by use of water	NA
EN21	Annual withdrawal of ground/surface water	NA
EN22	Total recycling/reuse of water	NA
EN23	Total land owned	NA
EN24	Amount of impermeable land	26
EN25	Impacts on protected and sensitive areas	NA
EN26	Changes to habitats from operations	NA
EN27	Programs for protecting ecosystems	26–29
EN28	IUCN Red List species within operational areas	NA
EN29	Business units operating/planning in sensitive areas	NA
EN30	Other indirect GHG emissions	NR
EN31	Hazardous waste	NA
EN32	Affect on water source by discharges of water or runoff	NR
EN33	Suppliers	NR
EN34	Transportation	28
EN35	Environmental expenditures	NR
HR1	Human rights	32–33
HR2	Consideration of human rights impacts	32–33

NR = not reported

GRI	DESCRIPTION	PAGE NUMBER
HR3	Human rights within supply chain	32–33
HR4	Nondiscrimination	32–33
HR5	Freedom of association	32
HR6	Child labor	32–33
HR7	Forced labor	32–33
HR8	Employee human rights training	NR
HR9	Disciplinary appeals process	NR
HR10	Grievance system	21
HR11	Security	24
HR12	Indigenous rights	33–34
HR13	Jointly managed community grievance mechanisms	NR
HR14	Share of operating revenue redistributed to communities	NA
LA1	Geographic breakdown of workforce	8
LA2	Employment creation and job turnover	21
LA3	Percentage of employees in unions	24
LA4	Employee involvement in operational changes	NA
LA5	Health and safety reporting	24–25
LA6	Health and safety committees	24–25
LA7	Standard injury and lost day rates	25
LA8	HIV/AIDS programs	25
LA9	Training	NR
LA10	Equal opportunity	21–22
LA11	Female/male ratio in management	22
LA12	Benefits beyond those legally mandated	23
LA13	Formal worker representation in decision-making	24
LA14	Occupational health management systems	24–25
LA15	Union agreements on health and safety issues	24
LA16	Programs to support promotion/end-of-career training	23
LA17	Policy/programs for skills management	23
PR1	Customer health and safety	29
PR2	Product labelling	29
PR3	Policy/procedures for consumer privacy	31
PR4	Noncompliance with consumer health and safety	19

NA = not applicable

GRI	DESCRIPTION	PAGE NUMBER
PR5	Complaints upheld by regulatory bodies for H&S	NA
PR6	Voluntary codes/product labels/awards for CSR	6, 20, 25, 28
PR7	Noncompliance with product information/labeling	19
PR8	Procedures/management systems for customer satisfaction	31
PR9	Procedures/management systems for advertising	31
PR10	Breaches of advertising/marketing regulations	19

GRI	DESCRIPTION	PAGE NUMBER
PR11	Complaints regarding breaches of consumer privacy	19
SO1	Impacts on communities	30, 35–36
SO2	Bribery and corruption	17, 32
SO3	Political lobbying and contributions	19
SO4	Awards	6, 20, 25, 28
SO5	Money paid to political parties and institutions	19
SO6	Court decisions on antitrust/monopoly regulations	NA
SO7	Preventing anticompetitive behavior	NR

GRI Finance Sector Social Issues Supplement

GRI	DESCRIPTION	PAGE NUMBER
CSR1	CSR policy	5, 16–17, 20, 26, 29, 32, 33, 35
CSR2	CSR organization	7, 17
CSR3	CSR audits	2
CSR4	Sensitive Issues	11
CSR5	Noncompliance	17, 19
CSR6	Stakeholder Dialogue	12–15
INT1	Internal CSR Policy	22
INT2	Staff Turnover	21
INT3	Employee Satisfaction	20
INT4	Senior Management Remuneration	22
INT5	CSR Bonuses	9
INT6	Male/Female Pay Ratio	22–23
INT7	Employee Profile	22
SOC1	Charitable Contributions	27, 35
SOC2	Economic Value Added	NR
SUP1	Supplier Standards	32–33

GRI	DESCRIPTION	PAGE NUMBER
SUP2	Supplier Satisfaction	32
RB1	Retail Banking Policy	NA
RB2	Lending Profile	NA
RB3	Lending with High Social Benefit	NA
IB1	Investment Banking Policy	NA
IB2	Customer Profile	NR
IB3	Transactions with High Social Benefit	30, 35–36
AM1	Asset Management Policy	5, 16–17, 20, 26, 29, 32, 33, 35
AM2	Assets under Management with High Social Benefit	30
AM3	Shareholder Advocacy	5, 10, 14, 28, 31, 34
INS1	Underwriting Policy	NA
INS2	Customer Profile	NR
INS3	Customer Complaints	13, 31
INS4	Insurance with High Social Benefit	NA

NR = not reported

NA = not applicable

ANNEX 3: CALVERT 2004 CORPORATE SUSTAINABILITY REPORT MAPPED AGAINST THE UNGC

U.N. GLOBAL COMPACT PRINCIPLES ²	CORRESPONDING CALVERT REPORT SECTIONS
HUMAN RIGHTS	
<p>Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.</p>	<p>6e Human Rights 6f Indigenous Peoples' Rights</p>
<p>Principle 2 Make sure that they are not complicit in human rights abuses.</p>	<p>6e Human Rights 6f Indigenous Peoples' Rights</p>
LABOUR	
<p>Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p>	<p>6b Workplace</p>
<p>Principle 4 The elimination of all forms of forced and compulsory labour.</p>	<p>6b Workplace</p>
<p>Principle 5 The effective abolition of child labour.</p>	<p>6e Human Rights</p>
<p>Principle 6 Eliminate discrimination in respect of employment and occupation.</p>	<p>6b Workplace</p>
ENVIRONMENT	
<p>Principle 7 Businesses should support a precautionary approach to environmental challenges.</p>	<p>6c Environment</p>
<p>Principle 8 Undertake initiatives to promote greater environmental responsibility.</p>	<p>6c Environment</p>
<p>Principle 9 Encourage the development and diffusion of environmentally friendly technologies.</p>	<p>6d Product Safety and Impact</p>
ANTICORRUPTION	
<p>Principle 10 Businesses should work against all forms of corruption, including extortion and bribery.</p>	<p>6e Human Rights</p>

2. <http://www.unglobalcompact.org>

ANNEX 4: GLOSSARY

Ceres

The Coalition for Environmentally Responsible Economies is a coalition of investment funds, environmental organizations, and public interest groups whose mission is to move businesses, capital, and markets to advance lasting prosperity by valuing the health of the planet and its people. Ceres founded the Global Reporting Initiative (GRI), which has since become a separate organization.

Corporate Governance

The system by which companies are run and the means by which the directors are held accountable for their actions.

Global Reporting Initiative (GRI)

A multistakeholder initiative established in 1997 aiming to improve the quality of sustainability reporting.

ISO 14001

The international standard of the International Standardization Organization for environmental management systems (EMS).

Mutual Fund

An investment mechanism, pooling money from individuals and institutions and investing in a selection of securities that seek to meet each particular fund's objectives.

Nongovernmental Organization (NGO)

A group that is neither a corporate entity nor part of government and that promotes community and/or social goals — for example, advancing human rights or protecting the environment.

Securities and Exchange Commission (SEC)

The US investment industry government regulator whose mission is to protect investors and maintain the integrity of the securities markets.

Shareholder Advocacy

Investor efforts to submit and vote corporate proxy resolutions as a means of influencing company behavior.

Shareholder Resolution

Resolutions filed by corporate shareholders that bring issues to a vote of the shareholders as part of the company's annual meeting process.

Stakeholder

Anyone who is directly or indirectly influenced by a company's activities.

Sustainable Development

Defined by the report issued by the World Commission on Environment and Development in 1987 (known as the Brundtland Report) as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Since then, corporate sustainable development has been defined as corporate sustainability and includes paying attention to a broader set of concerns than purely financial considerations. These include economics, society and the environment.

U.N. Global Compact

In 1999, United Nations Secretary-General Kofi Annan challenged business leaders to support the Global Compact's nine principles in the areas of human rights, labor and the environment. The Global Compact is a voluntary corporate citizenship initiative with two objectives: mainstreaming the Compact's ten principles in business activities around the world, and catalyzing actions in support of U.N. goals. Today, hundreds of companies from all regions of the world, international labor, and civil society organizations are engaged in the Global Compact.

UNEP Finance Institutions Initiative

This initiative was founded by the United Nations Environment Programme (UNEP) in 1992 to engage financial institutions in dialogue on sustainable development. Signatories to the UNEP Financial Institution's Statement on the Environment and Sustainable Development commit to integrating environmental considerations into all aspects of their operations.

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