Calvert INVESTMENTS

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14 January 2011

Adam Gray
Corporate Law and Governance
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Re: Department for Business, Innovation and Skills Long-term Focus Consultation

Dear Mr. Gray:

I am writing in response to the Department for Business, Innovation and Skills call for evidence on the existence of short-termism and market failures in UK equity markets, issued on 25 October 2010. I am responding on behalf of Calvert Asset Management Company, Inc., a diversified financial services company with more than $14.7 billion in assets under management, as of 13 January 2011, that offers one of the largest families of sustainable and responsible mutual funds in the United States.

Calvert fully supports the arguments made in the submission Publish What You Pay (PWYP) made to this inquiry on 14 January. The well-documented depletion of conventional oil reserves and the declining grades of mineral resources such as gold are forcing oil, gas and mining companies to intensify their efforts to get the most out of their existing assets and to develop resources in more places where these industries have not operated on a large scale before. The result is increased operational and investment risk and the growing consensus that the era of relatively easy to access and develop natural resources is coming to an end.

The increasing technical risks of modern natural resource development are coupled with growing political, regulatory and reputational risks. Whether it is the threat of production disruptions in the Niger River Delta, nationalization or abrupt changes in tax policy risks in Venezuela, or tenuous license to operate in Guatemala, country-specific political risks are becoming more acute as companies push further into the frontiers of petroleum and mineral exploration.

An investor's ability to fully assess the breadth and severity of political risks to extractive industries companies is dependent on a full understanding of the financial relationship between the company and the governments where it operates. Without reliable, consistent information regarding taxes, royalties, signature bonus and similar benefits streams, investors may struggle to account fully for the often abrupt changes in host government policies and international operating conditions. Exactly how investors, such as Calvert, quantify and incorporate these risks into their investment analysis methodologies is outlined in the attached paper released by Calvert in April 2010 titled "Materiality of disclosure required by the Energy Security through Transparency Act."

Fortunately for investors engaged in markets regulated by the U.S. Securities and Exchange Commission (SEC), President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act and its Section 1504 regarding disclosure of payments by resource extraction issuers into law on 21 July 2010. Section 1504, now referred to as Section 13(q) of the Securities Exchange Act of 1934, addresses investors' need for consistent and reliable

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natural resource tax and other payment data by requiring extractive industries companies registered with the SEC to report disaggregated, project-level host government payment information in a consistent manner and at reliable intervals through annual reporting forms 10-K, 20-F or 40-F. In addition to helping investors make stronger decisions regarding political and social risk, this disclosure will improve the governance structures in natural resource producing governments, which would help investors make better long-term assumptions about the evolution and implementation of regulatory policies within a given country.

While Section 13(q) will cover a very significant portion of the public companies engaged in resource extraction internationally and, thereby, signal a new industry-standard for disclosure, the implementation of similar requirements in markets such as the UK would broaden the reach of this important reform and provide investors with information that is as broad and consistent as possible.

On behalf of Calvert, I would like to reiterate my appreciation for the opportunity to provide input in this very timely inquiry. Please do not hesitate to contact us should you have questions or would like to discuss these comments.

Sincerely,

Bennett Freeman
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