

IMPACT

THE NEWSLETTER OF CALVERT SOCIAL INVESTMENT FUND

Corporate Human Rights Policies Overseas

While we may not see the connection between an inexpensive cotton blouse and a young Central American girl's scarred hands, the two are often linked by increasing international competition and a relentless race to reduce production costs. As investors, employees, and consumers, we

are all part of this global economic equation. The choices we make as we shop and invest have far-reaching consequences on corporate behavior overseas as well as the lives of thousands of workers at home and abroad.

The rise of manufacturing in developing countries has resulted in cheaper goods for consumers and new jobs and higher living standards for many of the workers in developing countries. However, there is a dark side to this story. In recent months there have been numerous press reports

of sweatshop conditions and human rights abuses in factories, including child laborers as young as six years old, fifteen hour work days, exploitative wages, brutal repression of labor organizers, and the harassment of female employees. For consumers and investors, the result is often a "new uneasiness with what it means to operate in a global economy," according to Pharis Harvey, Executive Director of the International Labor Rights Fund.

Foreign investment by private companies is now one of the most potent fuels for economic growth in the developing world. One disturbing result of this trend, some argue, is a "race to the bottom" as governments vie to offer the most attractive terms to corporations expanding overseas. As Harvey notes, "Every government in the Third World feels itself under immense pressure to serve foreign investors first and their own people second, hoping that over the long term, some good will come of this."

In the last 25 years, numerous U.S. companies have exported manufacturing jobs to developing nations in order to profit from cheaper production costs and weak regulatory environments. This loss of American jobs is a lamentable consequence of the quest for global competitiveness. According to Doug Cahn, Director of Human Rights Programs at Reebok International, there is not a "shoe company in the world that can manufacture shoes only in the U.S. and still be competitive." The real question, Cahn added, is "how can we responsibly use – not exploit – the emerging industrial labor force in the developing world and still maintain a profitable business?"

The Corporate Response
Responses to this challenge vary widely among companies involved in overseas sourcing. A handful of companies, including Reebok and Liz Claiborne Inc., have taken a leadership role in promoting comprehensive codes of conduct

that govern the labor practices of their domestic workforce and overseas suppliers. However, the existence of a code is "only the first step," according to Cahn of Reebok. Industry, human rights advocates, and labor groups are frequently at odds over the contents, implementation, and monitoring of these codes, as well as public disclosure of code violations.

The U.S., of course, is not immune to the problem of sweatshops and human rights abuses in the workplace. The U.S. Department of Labor (DOL), particularly under former Secretary Robert Reich, has taken an active role in exposing abuses and pushing corporations to act responsibly toward workers. Maria Echaveste, former head of the Wage and Hour Division at DOL, admitted that "government in and of itself is not going to solve the problem." What is needed, Echaveste said, is a "change in behavior" through public education and a partnership with industry to monitor the worst offenders.

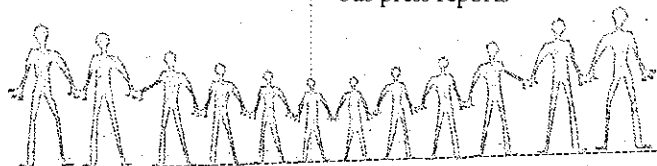
In April, a breakthrough agreement was reached by the "Apparel Industry Partnership," a taskforce of industry, labor, and human rights groups, that will help consumers discern which companies are making good-faith efforts to correct sweatshop practices. The Partnership is an important initiative that enables all parties to work toward a common solution. Calvert will closely watch the outcome and implementation of this important agreement.

Investing in Innovators: CSIF's Approach
The mobilization of American capital overseas is a growing trend with broad implications for investors. CSIF regularly deals with the many gray areas involved in evaluating global sourcing policies. We seek to invest in companies taking a leadership role in human and labor rights practices. At the same time, we recognize that

continued on back



Pharis Harvey of the International Labor Rights Fund, Doug Cahn of Reebok International, and Maria Echaveste, formerly with U.S. Department of Labor, met with CSIF's Advisory Council in April 1997 to discuss corporate human rights and labor practices overseas.



Dear Shareholder,

This *Impact Update*, which is being sent to both Calvert Social Investment Fund (CSIF) and Calvert World Values investors, focuses on a topic much in the news: sweatshops, child labor, and corporate sourcing policies. With financial advisors now recommending that investors boost the percentage of international holdings in their portfolios, attention to these issues is likely to grow. The discussion below refers primarily to the holdings and investment approach of CSIF. However, we recognize the issues raised here are of concern to both World Values and CSIF shareholders. We hope this *Impact Update* will help our shareholders better understand how the Fund addresses some of the many challenges involved in investing responsibly overseas.

Cindy Scharf
Cindy Scharf

Seth Goldman
Seth Goldman

Human Rights Policies *continued from front*

What can investors and consumers do?

Request a copy of the company's labor and human rights guidelines or code of conduct. If the company does not have guidelines, encourage its management to commit to developing such standards.

Make inquiries about how the company's guidelines are implemented. Ask if the company agrees to external monitoring of its code, both at its own factories and those of its sub-contractors.

Check the Department of Labor's Web site (<http://www.dol.gov/dol/esa/public/nosweat/trends.htm>) for a list of U.S. manufacturers and retailers whose sourcing practices are approved by the Labor Department.

there are no perfect companies and that even the most proactive and progressive businesses have a long way to go on this difficult issue. Our role is to push corporate leaders to even higher standards of conduct.

When we invest, we look for a deep and on-going commitment by management to improve practices at their overseas operations. Our human rights and labor analysts regularly network with a variety of trade and advocacy groups to keep fully informed. We ask — and then confirm through independent sources — whether or not a company has programs and staff in place to uphold its code of conduct and monitor any abuses. If the answer is no, we simply will not invest.

We urge management to develop effective monitoring systems, invest in the communities where they operate, and develop relationships with indigenous and non-governmental organizations.

We have met with management at **Reebok** and **Liz Claiborne** to encourage them to continue developing innovative approaches to overseas monitoring. We recently pressed the management of **Walt Disney Co.** to



CSIF's Advisory Council presented the Freedom and Justice Award to Bari Ellen Roberts and Sil Chambers, lead plaintiffs in the recent landmark employment discrimination case against Texaco. The company eventually paid \$176 million to settle the case. Pictured from left to right are: CSIF Trustee Joy Jones, Advisory Council Chair Tim Smith, Bari Ellen Roberts, Advisory Council Member Diane White, and Sil Chambers.

address allegations of labor abuses in Haiti. We also voted in favor of a Disney shareholder resolution that called for a review and an improvement in labor and human rights practices among the company's overseas contractors.

How U.S. companies treat the people who make their products, both at home and abroad, is a challenging and controversial issue that demands a response from concerned investors. At Calvert, we believe there is a promising window of opportunity for investors to push corporations to adopt strong human rights practices overseas.

We have chosen to participate and influence the direction of corporate programs rather than sit on the sidelines of this debate. As investors, we expect competitive returns. But we also believe that intense global competition is no excuse for exploiting workers, be they in Los Angeles or Jakarta. As Maria Echaveste noted, the South African divestment movement showed that "you just need a small, stable percentage of investors to beat the drum on social issues. As investors and consumers, we have a certain power by asking questions," she said. *

2 As of March 31, 1997, Liz Claiborne and Reebok International were holdings in CSIF Equity portfolio, representing 2.53% and .04% respectively.



Soundings

A recent anonymous survey of nearly 900 Calvert social shareholders conducted in December 1996 by Kaagan Research Associates confirms that our shareholders are indeed a special breed of investors. Among their distinctive characteristics:

- * high level of education (91% are college grads and 66% have completed post-graduate studies);
- * progressive political orientation (55% identified themselves as Democrats, 17% as Greens, 15% as Independents and 7% Socialist);
- * social/community activism (51% contribute time or money to political causes; 45% to envi-

ronmental; 38% to religious/spiritual efforts);

- * reliance on alternative media outlets, including National Public Radio (85% are frequent or occasional listeners).

Female survey respondents outnumber men 57% to 43%, while the reverse is true for the mutual fund industry as a whole. The mean household income of all shareholders is nearly \$70,000.

We hope to use your feedback to better meet your needs. Calvert is making a charitable contribution to those organizations (listed at left) designated by survey respondents. *

Top Donation Recipients

National Public Radio	23%
Amnesty International	19%
Children's Defense Fund	15%
Calvert Community Investments	13%
Natural Resources Defense Council	13%
Handgun Control, Inc.	7%
United Negro College Fund	6%
International Labor Rights Fund	5%
National Center for Tobacco-Free Kids	5%

SEC Ruling on Cracker Barrel

As this *Impact Update* makes clear, our investments have an effect on how employees are treated in the workplace.

For more than a year, Calvert has been urging the Securities and Exchange Commission (SEC) to reverse its decision in the "Cracker Barrel" case. The SEC ruling allows companies to withhold any resolution on employment discrimination and labor practices from being presented to shareholders for a vote.

Once the SEC allows public comment on its proposed reform of this process, we will notify shareholders and encourage them to voice their concerns to the Commission.

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