

## DISCLOSURE STATEMENT

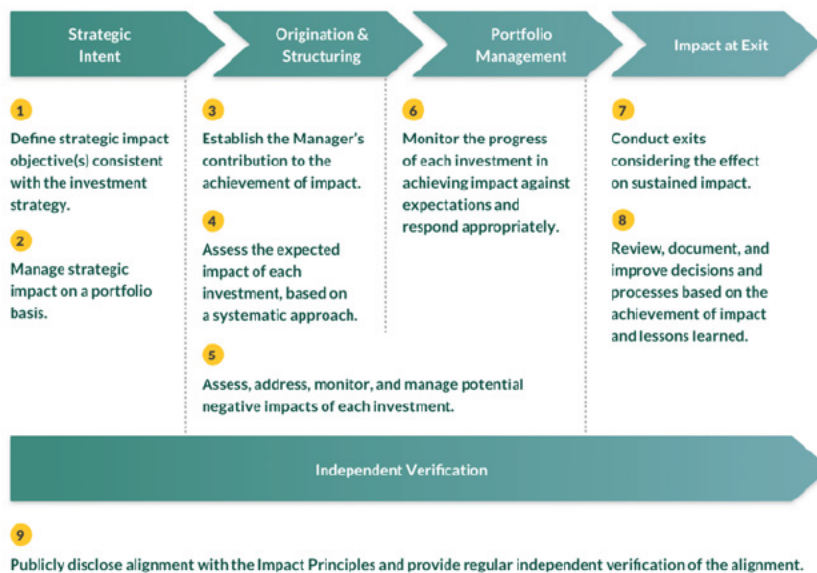
### Operating Principles for Impact Management

April 30, 2022

Calvert Impact Capital, Inc. is a founding Signatory to the Operating Principles for Impact Management (the Impact Principles), a framework adopted by over 150 leading global impact investors to-date. Signatories commit to integrating impact measurement and management (IMM) best practice throughout the entire investment lifecycle, from strategy to deal sourcing to exit or repayment, and ensure that lessons learned are continuously incorporated into portfolio management. Importantly, Signatories commit to disclosing these IMM practices annually and submit their practices for periodic independent verification, ensuring accurate and transparent disclosures and mitigating against impact washing. This document constitutes Calvert Impact Capital's third annual Disclosure Statement.<sup>1</sup>



### Operating Principles for Impact Management



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Calvert Impact Capital hereby affirms its status as a Signatory to the Impact Principles. This Disclosure Statement applies to Calvert Impact Capital's core business, including our impact management systems, policies and practices, and all loans and investments in domestic and international financial intermediaries, community development organizations, projects, funds, and other social enterprises. The total Covered Assets in alignment with the Impact Principles is US\$502.9 million, representing our entire portfolio as of December 31, 2021.

The Impact Principles were designed to **measure integrity** and **increase transparency**. As leaders in the impact investing industry, we welcome continued implementation of the Impact Principles and look forward to your feedback.

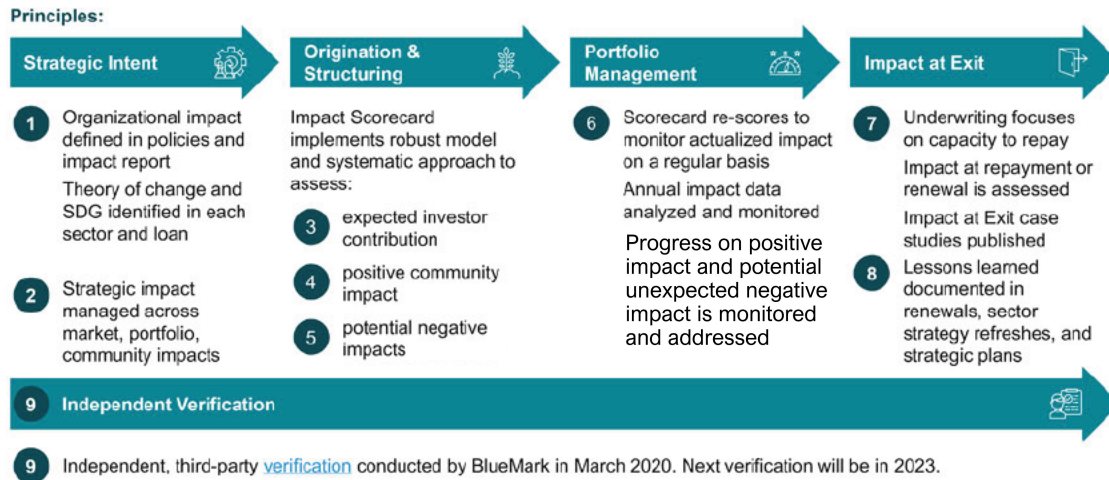


Jennifer Pryce  
President and CEO

<sup>1</sup> This Disclosure includes information about our IMM practices. Our impact performance results are always reported in our annual Impact Report at [calvertimpactcapital.org/impactreport](https://calvertimpactcapital.org/impactreport).

## EXECUTIVE SUMMARY

Throughout our 27-year history, we have made loans and investments with the express purpose of generating measurable, positive impact in global communities. Calvert Impact Capital’s third annual Disclosure Statement reaffirms our commitment to managing our portfolio with impact management best practice. Our IMM practices map to the nine Impact Principles as follows:



The ninth and final Principle requires Signatories to seek independent verification of their impact management practices. Our independent verification was conducted by BlueMark (formerly known as Tideline Verification Services) in March 2020 and their Verifier Statement can be found at the end of this Disclosure Statement. We will engage another independent verification in 2023, in alignment with our [2023-25 Strategic Plan](#). The third-party verification confirmed that:

- Calvert Impact Capital is built to create positive impact, as demonstrated by our strategy, our portfolio, and our policies and procedures;
- Our IMM practices are advanced in understanding our positive Community Impact, as well as our contribution to the market through our Investor Impact and Portfolio Impact (described below);
- We take an active learning approach that identifies best-in-class practices and incorporates these new standards into our work.

This Disclosure Statement includes the latest information on our IMM practices as of April 2022. Since BlueMark’s verification in March 2020, we have improved some of our IMM practices. Investors can find notes within each Principle where we may have improved practice since 2020, including:

- **Principles 3, 7, and 8:** inclusion of new [“Impact at Exit” case studies](#) that codify lessons learned when a loan matures, document the effect of loan maturity on sustained impact, and capture the investor contribution we have had on the portfolio partner.
- **Principles 5 and 6:** inclusion of Impact & Negative Impact Risk Policy and Procedures, implemented in 2021, which enable us to better assess, address, monitor, and manage potential negative impacts and negative impact risks of the loans and investments we make, as well as better monitor progress in achieving impact against expectations. Principle 5 also highlights our [Gender Lens Investing: Legal Perspectives publication](#).

This Disclosure Statement further supplements the impact performance results that are reported in our annual Impact Report, which can be found at: [calvertimpactcapital.org/impactreport](http://calvertimpactcapital.org/impactreport).

**PRINCIPLES 1 & 2: STRATEGIC INTENT**

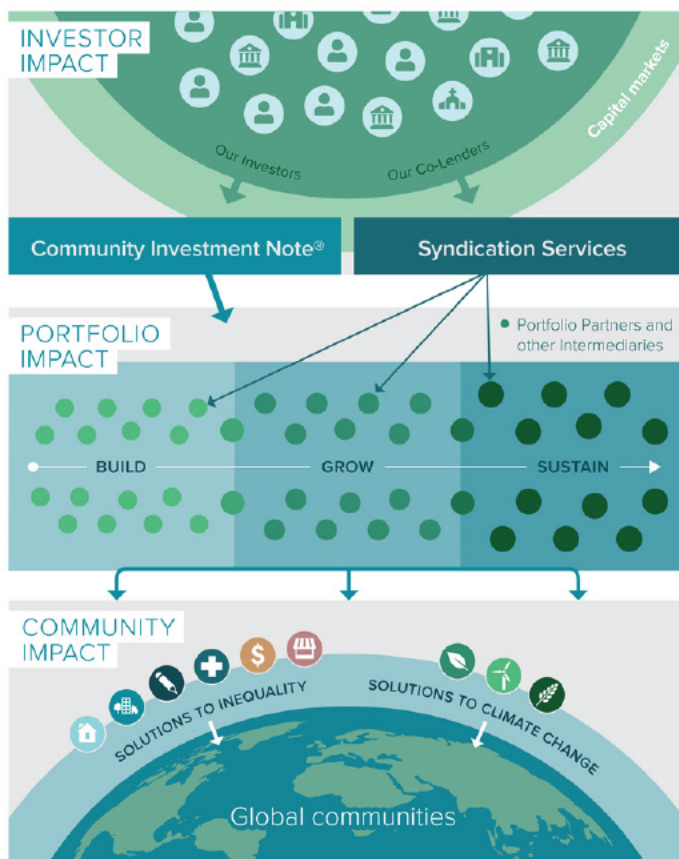
**Principle 1: Define strategic impact objective(s), consistent with the investment strategy.**

Principles Guidance: The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Calvert Impact Capital exists to use capital in innovative and collaborative ways to create an equitable and sustainable world. Our work is focused on connecting investors to organizations that strengthen communities and sustain our planet while providing a financial return. These strategic impact objectives are defined and codified within our founding Articles of Incorporation, as well as in key corporate documentation such as our Community Investment Note® [Prospectus](#), Lending Policies, and Impact & Negative Impact Risks Policy.

**Our Impact Management Framework:** We manage impact throughout the investment lifecycle in alignment with our three layers of impact: Investor Impact, Portfolio Impact, and Community Impact.

**IMPACT MEASUREMENT & MANAGEMENT FRAMEWORK**



**Investor Impact** is the impact we have on our individual and institutional investor community through our products and services. Our goal is to provide efficient on-ramps for investors to gain exposure to assets that fit their risk appetite and risk-adjusted return expectations. Through our flagship product, the Community Investment Note®, we enable US-based investors to access a portfolio of more than 100 mission-driven organizations that are financing thousands of small businesses, social enterprises, and communities in-need worldwide. Investor dollars finance efforts to address climate change and improve access to quality affordable housing, healthcare, education, income and wealth building opportunities, and other critical community services.

We also offer a suite of syndication services to institutional lenders looking for exposure in private credit, accelerating capital flows to the communities we serve. These services help our portfolio partners raise and manage capital more efficiently while providing unique access to deals for lenders. Throughout the pandemic and in collaboration with our partners, we have structured and syndicated several small business recovery funds to support community-based businesses across the US.






**Portfolio Impact** is the value our capital brings to our portfolio partners. Our portfolio strategy is to Build, Grow, and Sustain our portfolio partners' operations and impact across sectors so they can connect more effectively to the broader global capital markets. Our portfolio partners typically access capital from multiple sources, with other lenders often offering larger loan sizes. We adjust our portfolio impact (contribution) expectations and goals based upon the relative size of our loan. This is discussed further in [Principle 3](#).

**Community Impact** is the impact our portfolio partners have on individuals, businesses, and the planet. Our goal is to affect tangible positive impact on social and environmental challenges through our investments, and help all people live healthy, happy, and productive lives on a more sustainable planet. We have developed a [theory of change and impact objectives for each sector](#) in which we invest. These theories of change are based on credible sector and market research and industry impact evidence and are continuously refined based on insights from our portfolio partners.



We reassess our sector strategies at least every three years in conjunction with our strategic planning cycle and use the insights from these strategic reviews to set goals and expectations for the scale and intensity of impact we can achieve in each sector, relative to the size of our portfolio. These strategic reviews enable us to pursue deployment in sectors where our capital has the potential to create outsized impact. Our most recent Strategic Plan is available on our website at: [calvertimpactcapital.org/strategy](http://calvertimpactcapital.org/strategy).



Our work directly contributes to 16 out of the 17 global Sustainable Development Goals; the only SDG we do not explicitly focus on is SDG 16: Peace, Justice, and Strong Institutions. Visit [calvertimpactcapital.org/sdgs](http://calvertimpactcapital.org/sdgs) for more information, including a breakdown of impact metrics directly related to each SDG. Additionally, our annual [Impact Report](#) includes a matrix containing all the impact data reported from our portfolio and the SDG and IRIS+ code relevant for each impact metric.

Viewed together, these three dimensions of impact—investor, portfolio, and community—reflect efforts to build a more functioning and inclusive marketplace between the capital markets and global communities.

## Principle 2: Manage strategic impact on a portfolio basis.

**Principles Guidance:** The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

We manage both our intended and achieved impact and financial performance at the individual transaction level and at the portfolio level through monthly, quarterly, and annual portfolio and impact reporting. To assess our Portfolio Impact, we analyze trends in key strategic impact indicators such as growth in portfolio partners' assets under management (AUM), dollars leveraged in communities, and number and value of loans disbursed by our portfolio partners. We also assess the investor contribution of each loan we make in comparison to a portfolio benchmark.

Achieved impact is also assessed on a sector level across our nine impact sectors. We collect data on two to five primary impact indicators for each sector from each of our portfolio partners on an annual basis, which we analyze on a portfolio level to assess trends in impact performance. These primary indicators are chosen based on the impact evidence demonstrating which metrics are most indicative of impact in a particular sector strategy. The data collected for these primary impact indicators is aggregated to determine the overall strategic impact our portfolio partners are achieving.

We use secondary impact indicators to gather additional data on the five dimensions of impact, as defined by the Impact Management Project (IMP): **What, Who and Where, How Much, Contribution, and Impact Risk**. All impact indicators are aligned with industry standards, including IRIS+,<sup>2</sup> AERIS, the CDFI Fund, or other sector-specific industry standards. When we need to use indicators not captured by IRIS+, we contribute this information to the Global Impact Investing Network (GIIN) with the hope that the indicators can be incorporated into IRIS+ in the future.

We assess, manage, and update our portfolio strategy annually through our enterprise goal setting process and every three years as part of our strategic review process. We examine our strategic impact to ensure we are channeling capital to reach our portfolio partners in the most effective way possible.

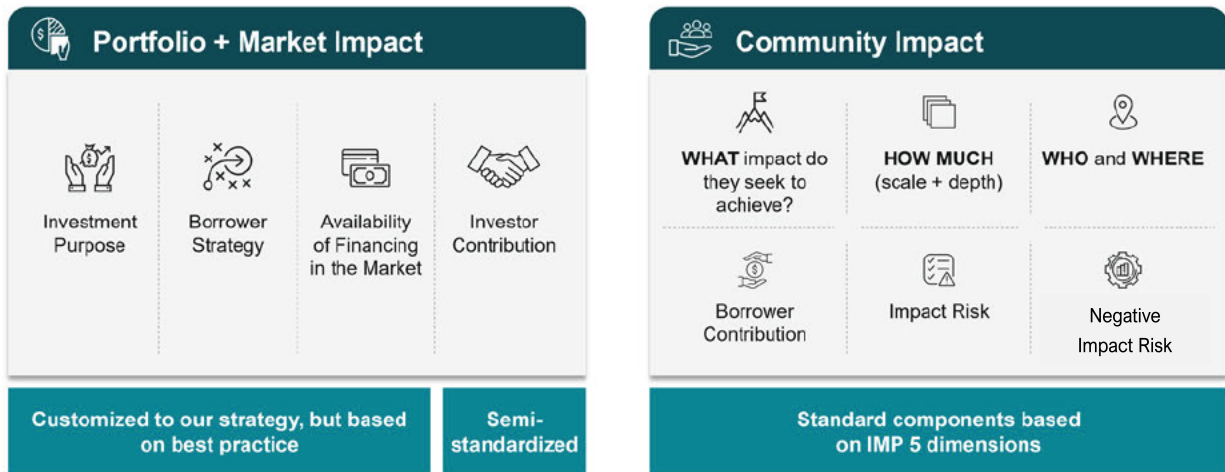
Contribution to our enterprise goals, both financial and impact, is considered in annual staff performance reviews and in the determination of year-end bonus allocations. Achieving meaningful impact is everyone's responsibility at Calvert Impact Capital, not just our dedicated impact management staff.

<sup>2</sup> IRIS+ is the generally accepted system for impact investors to measure, manage, and optimize their impact. IRIS+ provides streamlined, practical, how-to guidance that impact investors need, all in one easy-to-navigate system. It is a free, publicly available resource that is managed by the Global Impact Investing Network (GIIN).

**PRINCIPLES 3-5: ORIGINATION & STRUCTURING**

Calvert Impact Capital is a founding alumna of [Impact Frontiers](#),<sup>3</sup> a collaborative effort among industry-leading impact investing firms to create industry best practices for examining impact as part of due diligence.<sup>4</sup> Through this effort, we developed and implemented an internal Impact Scorecard, an impact rating tool we use to systematically assess every transaction at origination and project the expected impact that the loan or investment is anticipated to create. The scorecard contains 27 questions and is organized by the IMP’s 5 dimensions of impact; it includes assessments of: our investor contribution to impact (Principle 3), the expected impact of a loan (Principle 4), and the potential impact risks of the transaction and how to manage identified risks (Principle 5).

**Outline of the Impact Scorecard**



<sup>3</sup> See [impactfrontiers.org](http://impactfrontiers.org).

<sup>4</sup> See [pacificcommunityventures.org/2019/07/02/impact-due-diligence-emerging-best-practices](http://pacificcommunityventures.org/2019/07/02/impact-due-diligence-emerging-best-practices).

### Principle 3: Establish the Manager's contribution to the achievement of impact.

Principles Guidance: The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Our Impact Scorecard systematically assesses the expected financial and non-financial contribution of each loan or investment. The types of contribution assessed are based on best practices where they exist, for example, as outlined by the [Multilateral Development Banks' \(MDBs\) Harmonized Framework for Additionality in Private Sector Operations](#).<sup>5</sup> The six types of contribution assessed in our Scorecard include:

- flexible financing;
- availability of other financing at similar terms;
- resource mobilization (syndications);
- catalyzing additional capital;
- providing a signaling effect;
- providing a demonstration effect; and
- providing advisory and knowledge services.

Where there is not a clear best practice, for example in assessing the potential impact of a loan on the overall market, sector, or geography (e.g., assessing "systems change"), we have identified and are promoting what we believe to be an emerging best practice. We utilize a robust evidence base, including third-party research, literature reviews, and in-house research, to assess the potential market impact of a loan. After projected market impact and investor contribution are assessed and codified in the Impact Scorecard during the due diligence stage, we include a narrative and analytical analysis in our due diligence memos that are presented to our credit committees for review.

On a portfolio basis, we review the overall contribution our portfolio is having on the various markets in which we operate, and report that contribution on a quarterly basis to our Board of Directors, as well as in case studies in the Portfolio Impact section of our annual impact report to our investors.<sup>6</sup> We also [publish periodic "Impact at Exit" case studies](#) of the investor contribution effect we have on portfolio partners who have repaid our loans, as well as qualitative evidence of the contribution we have had on the markets in which we operate. More information on these case studies is detailed in [Principle 7](#).

<sup>5</sup> Available at: [ifc.org/wps/wcm/connect/to\\_pics\\_ext\\_content/ifc\\_external\\_corporate\\_site/development+impact/resources/201809-mdb-additionality-framework](https://www.ifc.org/wps/wcm/connect/to_pics_ext_content/ifc_external_corporate_site/development+impact/resources/201809-mdb-additionality-framework).

<sup>6</sup> More information is available at: [calvertimpactcapital.org/impactreport](https://calvertimpactcapital.org/impactreport).

**Principle 4: Assess the expected impact of each investment, based on a systematic approach.**

Principles Guidance: For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Our Impact Scorecard assesses the expected impact of each loan or investment we make (an “ex-ante” assessment), using a systematic approach. The relevant section of the Impact Scorecard for Principle 4 is Community Impact, which includes 17 metrics based on industry best practice,<sup>7</sup> including the IMP’s 5 dimensions of impact: **What, Who and Where, How Much, Portfolio Partner Contribution, and Impact Risk.**<sup>8</sup> These metrics assess:

Dimension	Impact Scorecard Metric
<b>What</b>	The portfolio partner's strategy and theory of change
<b>Who and Where</b>	The portfolio partner's target market demographics
<b>How Much</b>	The potential for scale in comparison to a benchmark <sup>9</sup> The relative size of the challenge being addressed given the market (sector or geography) context
<b>Portfolio Partner Contribution</b>	The portfolio partner's potential to make an impact on that challenge with their solution, and how significant the intended impact is Indirect impacts of the portfolio partner's strategy and activities, such as technical assistance provided
<b>Negative Impact Risk</b>	Four types of impact risk, or the likelihood of achieving the expected impact (evidence, execution, unexpected negative impact, and alignment), as well as the mitigating factors for each impact risk Internal environmental, social, and governance (negative impact risk) factors

Internal due diligence memos are produced for each loan or investment and are based directly on findings from the Impact Scorecard, due diligence of portfolio partner documentation, country and regional analysis, and on-site due diligence trips, as applicable. As part of due diligence, we consider the scale of the problems our portfolio partners tackle in the context of their work. We finance portfolio partners that operate at every level, including at the city, US state, country, and even multi-country scale, depending on the relative size of the challenge they are addressing. Investment Officers coordinate with our impact management staff to screen each potential loan or investment through the Impact Scorecard.

<sup>7</sup> Required impact metrics are also aligned with industry standards (e.g., AERIS, IRIS+, Joint Impact Indicators, CDFI Fund).

<sup>8</sup> Investor Contribution is outlined in the previous section of this Disclosure.

<sup>9</sup> Benchmarks for expected scale of outputs are determined by multi-year analyses of existing comparable portfolio data.



Material findings and potential impact risks are discussed with our credit committees, including approaches for mitigation; discussion of this process is included in Principle 5 below. Additionally, through our diligence process, we collaborate with our portfolio partners to increase the impact of our loan and their work. We leverage multiple tools including loan structuring, business and deployment strategy guidance, connections to other market players, [gender lens investing guidance](#), and [impact management guidance](#).

**Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.**

Principles Guidance: For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Negative Impact risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' negative impact risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Our internal Impact & Negative Impact Risks Policy and Procedures document our process for identifying, assessing, addressing, monitoring, and managing potential negative impacts, including negative impact risks. In the due diligence stage, the Impact Scorecard helps staff identify and assess unexpected negative impact risk, such as: alignment or mission drift; internal Negative Impact Risk policies; whether portfolio partners have internal Environmental & Social (E&S) or Negative Impact Risk Action Plans; diversity, equity, & inclusion (DEI) policies and practices; and the gender diversity of the senior management team and Board of Directors. Material impact and negative Impact risks are identified in the internal due diligence memos and discussed with our credit committees.

All of our negative impact risk practices are based on industry best practice; the specific industry standard utilized varies depending on sector and geography. For example, most loan documentation for non-US based portfolio partners includes requirements that the portfolio partner adhere to the IFC's Performance Standards,<sup>10</sup> which define portfolio partners' responsibilities for managing their environmental and social risks across eight categories, and includes exclusions based on the IFC Exclusion List. In the Community Development sector, many of our portfolio partners and portfolio partners are certified CDFIs by the US Treasury Department. This designation mandates that CDFIs have an impact mission, serve underserved target markets, and maintain accountability to their defined target market, which encourages impact alignment and mitigates negative impact risk.

While not a requirement, many of the underlying microfinance institutions and fintech companies in our portfolio endorse the Client Protection Principles (formerly under the SMART Campaign brand)<sup>11</sup> and our small business lenders endorse the Small Business Borrowers' Bill of Rights.<sup>12</sup> Many of our portfolio partners are also Certified B Corporations or have completed the B Impact Assessment and disclosed the results to us. Lastly, several of our portfolio partners are either signatories to the Operating Principles for Impact Management or the UN Principles for Responsible Investment and thus publicly disclose their practices. These third-party standards and certifications enable us to avoid and mitigate against alignment risk and unexpected negative impact risk, as they mandate either an extensive disclosure of lender practice or ensure a certain minimum standard above and beyond legal requirements.

<sup>10</sup> Available at: [ifc.org/performancestandards](http://ifc.org/performancestandards).

<sup>11</sup> The Client Protection Principles as standards to help financial service providers practice good ethics and smart business. Visit [centerforfinancialinclusion.org/about/what-we-do/consumer-protection](http://centerforfinancialinclusion.org/about/what-we-do/consumer-protection) for more information.

<sup>12</sup> The Small Business Borrowers' Bill of Rights outlines six fundamental financing rights that all small businesses deserve. Visit [portfolio.partnersbillofrights.org/bill-of-rights](http://portfolio.partnersbillofrights.org/bill-of-rights) for more information.

Outside of these third-party standards that help us assess and avoid certain negative impact risks, our internal documentation outlines the procedures to mitigate and manage those impact and negative impact risks that we cannot avoid or believe can be mitigated. Our Impact & Negative Impact Risks Policy outlines the process for assessing impact and negative impact risks based on both the likelihood of the risk materializing as well as the consequences for people and planet should the risk materialize. These risks are then categorized on a scale from low to high:



Our Impact & Negative Impact Risks Policy outlines the procedures for monitoring impact and negative impact risks, depending on the categorization. For example, impact and Negative Impact Risks categorized as High or Somewhat high are monitored quarterly in conjunction with our standard portfolio monitoring, a procedure outlined in our Lending and Risk Management Policies, which mandate quarterly monitoring for each loan to manage material financial and non-financial risks. Negative impact risks categorized as Medium or Somewhat low are monitored annually, in conjunction with the annual impact reporting process outlined in [Principle 6](#). If and when additional material impact or negative impact risks arise, we begin more frequent monitoring. We also conduct periodic reviews of each Impact Scorecard, including negative impact risks, to re-score a loan when renewed or repaid. We have also begun to rescore the top 10 exposures in our portfolio annually.

The Negative Impact Risk monitoring frequency can be summarized below:

Risk level	Monitoring frequency	Monitoring documented via
High or somewhat high	Quarterly	Quarterly reports, Impact & Negative Impact Risks Monitoring List
Medium or somewhat low	Annual	Annual impact reports; may also be included in quarterly reports, Negative Impact Risks Monitoring List
Low	N/A	Specific risk monitoring not required; may be captured in annual impact reports

Calvert Impact Capital's mission is rooted in addressing structural inequities. Our impact strategy is to channel capital to communities traditionally excluded from our financial system, including low-income and rural communities, women, and people of color. As a [gender lens investor](#), Calvert Impact Capital considers gender as a standard part of our investment processes when assessing both impact and negative impact risk and performance. We assess the gender diversity of portfolio partners' senior management teams, Boards of Directors, and staff on an annual basis.<sup>13</sup> We encourage portfolio partners, through a variety of methods including setting milestones, to implement or advance their own diversity, inclusion, and local hiring practices and to better understand the impact of gender on their strategy and operations. We monitor progress made against milestones at least annually, if not semi-annually or quarterly, using the process outlined in [Principle 6](#).

<sup>13</sup> Based on evidence we have published linking positive financial returns with increased gender diversity in governance. Report available at: [calvertimpactcapital.org/insights/gender-report](https://calvertimpactcapital.org/insights/gender-report).

For example, we provide hands-on advisory and guidance to portfolio partners to help them advance practices such as collecting gender disaggregated data to better understand the impact of their products or services. We do not set required minimums for a portfolio partner's gender breakdown of staff or clients served, as we have found that being inclusive rather than setting rigid screens ultimately yields greater opportunity for impact long-term.

In 2018, we published a report on our experience with gender lens investing, [Just Good Investing](#), which provides a quantitative analysis of our portfolio across eleven years, case studies, and guidance to other investors on how to develop a gender lens strategy. In 2021, we released [Gender Lens Investing: Legal Perspectives](#), which provides investors with resources on how to approach incorporating gender considerations into the documentation and terms of their debt financing. We hope that releasing these resources publicly will help demystify the practice of gender lens investing and encourage investors to adopt a gender lens, ultimately advancing SDG 5: Achieve gender equality and empower all women and girls.

Calvert Impact Capital is also deeply committed to advancing racial justice. This is a key reason for why, in 2020, we signed the [Racial Justice Investor Pledge](#). As signatories to the pledge, we committed to 5 Calls to Action and look forward to reporting out the progress we have made in meeting these important commitments: engaging with and amplifying Black, Indigenous, and People of Color's voices in investor spaces; continuing to embed a racial equity and justice lens into our company policies; continuing to integrate racial justice into our lending practice and decision-making; continuing to reinvest in communities through our lending; and using our investor voice to advance anti-racist public policy. Portfolio partners operating in core US impact sectors, such as community development, affordable housing, and small business, are focused on investing in communities of color. In the wake of COVID-19, we have partnered to build [small business recovery funds](#) that operate with an equity lens. We also collect demographic data on the communities we lend to, as well as our portfolio partners' leadership and boards, and are starting to use this data to determine if and how we are advancing racial equity.

## PRINCIPLE 6: PORTFOLIO MANAGEMENT

**Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.**

Principles Guidance: The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

As documented in our Impact & Negative Impact Risks Policy, we monitor the progress of each loan and investment in achieving impact against expectations in three main ways: 1) using the Impact Scorecard to re-score the loan and update as new information becomes available; 2) collecting and analyzing annual impact data; and 3) quarterly portfolio reporting and monitoring. The results of the Impact Scorecard determined at origination are used to measure and monitor realized impact at each stage of the investment management process. This data, in addition to impact data on the primary and secondary impact indicators (outlined in the discussion of Principles [2](#) and [4](#)), is used internally to monitor impact performance against expectations and targets.

Annual impact data reporting is required by legal documentation (loan agreements, limited partnership agreements, or a side letter, depending on the structure) and collected via standard fund reporting or annual custom reports. Terms vary across our portfolio of 100+ loans and investments, but impact data reporting is generally required by a reporting covenant within 180 days of the portfolio partner's fiscal year end. The data collected annually is reported through a consistent Annual Impact Metrics Report and its results are uploaded into our impact database. This allows us to review results at the transaction, sector, and portfolio level in a discrete year or over a longer time period, as well as share historical performance data with our portfolio partners. Impact data collection is the responsibility of our Investments team and Impact team.

We collect impact data against 300+ metrics across all 9 sectors in which we lend, and all metrics are aligned with industry best practice including IRIS+. Most of the metrics we collect are output metrics, meaning they capture the immediate effect of our portfolio partners' financing activities (e.g., number of loans disbursed, number of clients served, number of businesses financed). We strive to collect data on outcomes (e.g., number of jobs created, income growth, agricultural product price premiums, greenhouse gas reduction), but this practice varies depending on the portfolio partner's unique strategy and data collection capacity and resources. Most impact data is self-reported by our portfolio partners; oftentimes data is collected directly from clients via annual surveys, and sometimes data is collected by a third-party firm such as 60 Decibels.

For many of our portfolio partners, their impact is almost entirely dependent on their lending activities. We monitor the progress of their portfolios on at least a quarterly basis, as well as their achievement of key impact targets on an annual basis, as mandated by our Lending Policies and Impact & Negative Impact Risks Policy. Our monthly and quarterly portfolio management processes allow us to monitor when portfolio partner performance does not meet expectations and respond appropriately as needed, such as when a portfolio partner shifts their business strategy because of market demand, or if the borrower is experiencing a delay in deployment (as many investors have witnessed during the height of the COVID-19 pandemic). In these instances, we embrace our role as a provider of patient, flexible financing. We work with our portfolio partner to understand the underlying issues and support solutions to get them back on track.



## PRINCIPLES 7 & 8: IMPACT AT "EXIT" AND LESSONS LEARNED

### Principle 7: Conduct exits considering the effect on sustained impact.

Principles Guidance: When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

As a provider of private debt, our exits are through the repayment of our loans, which have documented maturity dates, so we consider our borrower's ability to generate sustained impact at origination, renewal, and/or repayment. At the origination or renewal stage, terms such as tenor, maturity date, interest rate, and amortization schedule are structured based on our assessment of the borrower's ability to repay, keeping the effect on sustained impact in mind.

We often renew and increase our financing at maturity if financial and impact performance warrant doing so, in line with our strategy to build capacity and increase a portfolio partner's ability to expand their products and services. When we are lending to a fund, we will often consider financing subsequent funds as managers expand their work and continue to pursue their impact strategy. Due diligence for renewals often begins well before the maturity date, and the decision on whether to pursue a renewal is often based on the impact the borrower has already achieved with the previous loan(s).

When portfolio partners decide to repay, it is often because our strategy—to help them build, grow, and sustain their operations and impact—has been successful, and they have gained access to traditional capital markets that are more efficient. We analyze the actualized impact at repayment, taking into account our estimate of how sustained the impact is expected to be after repayment, in a final repayment scoring using the Impact Scorecard. We often request an "exit interview" with the portfolio partner after they repay, to understand the value of our capital, assess what impact the portfolio partner was able to create with our capital, and solicit ideas for how we might work together again in the future. Lessons learned from these interviews are then documented and [published on our website as "Impact at Exit" case studies](#).

In extraordinary circumstances where a portfolio partner may be experiencing a challenge, we consider the sustainability of impact during loan modifications and workouts, ensuring the right balance between a responsible exit, sustainability of the portfolio partner's business model, and relevant fiduciary concerns, all of which are evaluated on a case-by-case basis.

**Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.**

Principles Guidance: The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

As outlined in previous sections, we collect and assess impact performance data for every portfolio partner at least annually to compare expected and actual impact. In addition to assessing the performance of the loan, this data is used in consideration of future strategic investment and individual loan decisions. In the case of a loan renewal or repayment, we review and improve our processes based on lessons learned and the achievement of impact, particularly when the impact falls short of projected targets. These decisions and lessons learned are documented in loan renewal due diligence memos considered by credit committees, in Impact Scorecards, and in [Impact at Exit case studies](#).

We are consistently incorporating lessons learned into our work to achieve our overarching mission to use capital in innovative and collaborative ways to create a more equitable and sustainable world. Formally, we leverage lessons from the actualized impact of our portfolio to create an [annual Impact Report](#) and we conduct a comprehensive review of our strategy every three years. During these reviews, we perform industry landscapes, conduct sector strategy and theory of change refreshes, and detail growth plans for each business unit, all of which are documented in our [Strategic Plan](#). These strategy refreshes allow us to improve our operational and portfolio strategies, including our impact and negative impact risk management processes.

## PRINCIPLE 9: INDEPENDENT VERIFICATION

Principles Guidance: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

This Disclosure Statement confirms the alignment of Calvert Impact Capital’s policies, procedures, and practices with the Impact Principles as of April 2022 and will be updated annually. The independent verification report on the alignment of Calvert Impact Capital’s practices with the Operating Principles for Impact Management is available at the end of this Disclosure Statement. As detailed throughout this Disclosure, since BlueMark’s verification in March 2020, we have improved some of our IMM practices. These improvements, summarized below, are not reflected in BlueMark’s March 2020 Verifier’s Statement:

- **Principles 3, 7, and 8:** inclusion of new “Impact at Exit” case studies that codify lessons learned when a loan matures, document the effect of loan maturity on sustained impact, and capture the investor contribution we have had on the borrower.
- **Principles 5 and 6:** inclusion of new Impact & Negative Impact Risks Policy and Procedures, which enable us to better assess, address, monitor, and manage potential negative impacts and negative impact risks of the loans and investments we make, as well as better monitor the progress of those loans in achieving impact against expectations. Principle 6 also highlights our new gender lens investing legal guide.

We plan to conduct another independent verification of our practices in 2023, in alignment with our 3-year strategic planning process, unless there are significant changes to our practices that warrant a more frequent review.

Information on the current independent verifier is as follows:

- **Name and Address:** BlueMark  
915-2 Battery St.  
San Francisco, CA 94111
- **Qualifications:** BlueMark is a leading independent provider of impact verification services in the impact investing market. BlueMark is a subsidiary of Tideline Advisors, LLC, a specialized consulting firm that works with asset managers and allocators to design and implement best-in-class impact management and measurement systems. For more information about the organization, qualifications, and services, please visit [bluemarktideline.com](http://bluemarktideline.com).
- **Most Recent Review:** March 17, 2020



## About Calvert Impact Capital

Calvert Impact Capital makes impact investable. Through our products and services, we raise capital from individual and institutional investors to finance intermediaries and funds that are investing in communities left out of traditional capital markets. During our 27-year history, we have mobilized \$3 billion of investor capital. Calvert Impact Capital also offers loan syndications, where we originate, structure, and administer loans for institutional and accredited lenders seeking environmental and social impact. To date, we have syndicated and/or administered more than \$550 million of capital for impact-oriented transactions.

To learn more about our impact and impact practice, visit [calvertimpactcapital.org/impact](https://calvertimpactcapital.org/impact).



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## VERIFIER STATEMENT

## Independent Impact Management Verification

Prepared for Calvert Impact Capital (CIC): March 17, 2020

**BACKGROUND**

As a signatory of the Operating Principles for Impact Management (the Principles), CIC is committed to disclosing the degree of alignment of its impact management (IM) system with the Principles.<sup>1</sup> CIC engaged Tideline to undertake the assessment.

**ASSESSMENT METHODOLOGY**

Tideline reviewed CIC's set of IM tools and processes for the purpose of assessing its degree of alignment with the Principles.<sup>2</sup> To do so, Tideline used a proprietary rubric informed by:

1. The text of each Principle and associated implementation guidance;
2. Tideline's proprietary process assessment criteria, which are mapped to each Principle; and
3. Tideline's retained knowledge of the state of IM practices

**SUMMARY ASSESSMENT**

Tideline conducted an assessment to verify the CIC IM system's degree of alignment with the Principles. As of Dec. 31, 2019, CIC's AUM covered by the Principles totals \$415.9 million. Key takeaways from the assessment are:

**Areas of strength:**

- **Impact objectives:** CIC clearly defines social and environmental impact objectives at the portfolio- and community-levels. CIC collects a robust evidence base to support sector-specific theories of change, which leverage the UN SDG framework and are tied to positive, measurable impact KPIs.
- **Investor contribution:** CIC articulates its expected financial and non-financial contribution per investment, using a systematic, well-documented approach. Contribution is considered in the investment decision-making process.
- **Impact due diligence:** CIC's Impact Scorecard forms the basis for its standardized approach for assessing expected impact for all prospective investments and does so in alignment with the IMP dimensions.
- **Incorporation of lessons learned:** CIC incorporates lessons learned into strategic decisions and investment processes, as seen through both external reports and internal strategy tools / documents.

**Areas for improvement:**

- **Negative Impact Risk performance / risk management:** While CIC assesses a standard set of negative impact risk factors for borrowers, it could consider developing a more comprehensive approach to managing and mitigating negative impact risks and underperformance. As CIC develops this approach, there could be an opportunity to draw on industry standards.

**ABOUT TIDELINE**

Tideline Advisors, LLC is a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification. Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA.

<sup>1</sup> Principle 9 states that signatories shall "publicly disclose alignment with the Principles and provide regular independent verification of the alignment. The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns."

<sup>2</sup> Tideline's full assessment for CIC states each of the Principles, describes the CIC IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline's assessment procedures does not include the verification of the resulting impacts achieved. Tideline's assessment is based on its analyses of publicly available information and information in reports and other material provided by CIC. Tideline has relied on the accuracy and completeness of any such information provided by CIC. The assessment results represent Tideline's professional judgment based on the procedures performed and information obtained.

VERIFIER STATEMENT

Independent Impact Management Verification

Prepared for Calvert Impact Capital (CIC): March 17, 2020



**DETAILED ASSESSMENT**

Tideline assessed CIC’s IM system on its degree of alignment with the Principles, using the following four ratings: Advanced (limited need for enhancement); High (a few opportunities for enhancement); Moderate (several opportunities for enhancement); and Low (substantial enhancement required).<sup>3</sup>

The chart below summarizes Tideline’s verification of CIC IM system:<sup>4</sup>

PRINCIPLE	ALIGNMENT
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	ADVANCED
3. Establish the Manager’s contribution to the achievement of impact	ADVANCED
4. Assess the expected impact of each investment, based on a systematic approach	ADVANCED
5. Assess, address, monitor, and manage potential negative impacts of each investment	MODERATE
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	HIGH
7. Conduct exits considering the effect on sustained impact	ADVANCED
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	ADVANCED

<sup>3</sup> The decision to publicly disclose the results of Tideline’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of CIC.

<sup>4</sup> Tideline’s full assessment for CIC states each of the Principles, describes the CIC IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline’s assessment procedures does not include the verification of the resulting impacts achieved. Tideline’s assessment is based on its analyses of publicly available information and information in reports and other material provided by CIC. Tideline has relied on the accuracy and completeness of any such information provided by CIC. The assessment results represent Tideline’s professional judgment based on the procedures performed and information obtained.