Calvert Impact

Disclosure Statement

Operating Principles for Impact Management

May 22, 2024

Introduction

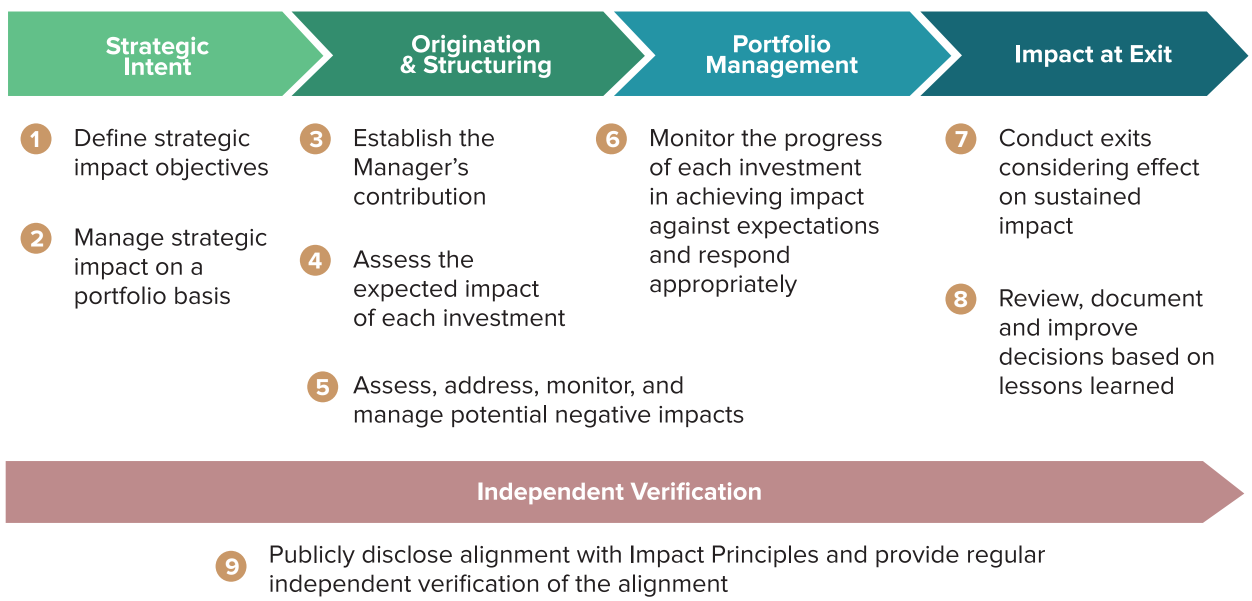
Calvert Impact, Inc. is a founding Signatory to the Operating Principles for Impact Management (the Impact Principles), a framework adopted by over 180 leading global impact investors to-date. Signatories commit to integrating impact measurement and management (IMM) best practice throughout the entire 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.

Calvert Impact hereby affirms its status as a Signatory to the Impact Principles. Our 2024 Disclosure Statement[1] applies to the Community Investment Note® portfolio and the Cut Carbon Note® portfolio[2], including our impact management systems, policies and practices, and all financing of 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$550.5 million**.

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.

Signatory to:

Operating Principles for Impact Management



1 This Disclosure includes information about our IMM practices. Our impact performance results are always reported in our annual Impact Report at calvertimpact.org/impactreport.

2 The Community Investment Note® is issued by Calvert Impact Capital, Inc., a 501(c)(3) wholly controlled subsidiary of Calvert Impact, Inc. The Cut Carbon Note® is issued by Calvert Impact Climate, Inc., a 501(c)(3) wholly controlled subsidiary of Calvert Impact, Inc. This Disclosure Statement may refer to "Calvert Impact," meaning the whole Calvert Impact family of companies including Calvert Impact, Inc., Calvert Impact Capital, Inc., Calvert Impact Climate, Inc., and Calvert Impact, Inc.'s direct and indirect subsidiaries. This Disclosure Statement may also refer to the Community Investment Note® portfolio, meaning the portfolio of investments made using the proceeds of the Community Investment Note® issued by Calvert Impact Capital, Inc., and the Cut Carbon Note® portfolio, meaning the portfolio of investments made using the proceeds of the Cut Carbon Note® issued by Calvert Impact Climate, Inc.

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Executive Summary

Throughout our nearly 30-year history, have used our products and portfolios to demonstrate that it is possible for everyday investors to drive solutions to social and environmental challenges. Our annual Disclosure Statement reaffirms our commitment to managing these portfolios with impact management best practices. Our IMM practices map to the nine Impact Principles as follows:

Principles:

Strategic Intent

1. Organizational impact defined in policies, prospectuses, impact reports

   Theory of change and SDG identified in each sector and portfolio

2. Strategic impact managed across market, portfolio, community impacts

Origination & Structuring

Robust impact due diligence through systematic approaches in each portfolio to assess:

3. expected investor contribution
4. positive community impact
5. potential negative impacts, ESG risks

Portfolio Management

6. Scorecard re-scores to monitor actualized impact on a regular basis

   Annual impact data analyzed and monitored

   Progress on positive impact, potential unexpected negative impact, and ESG risk is monitored and addressed

Impact at Exit

7. Underwriting focuses on capacity to repay

   Impact at repayment or renewal is assessed

   Impact at Exit case studies published

8. Lessons learned documented in renewals, sector stragety refreshes, and strategic plans

Independent Verification

9. Independent, third-party verification conducted by BlueMark in April 2023. Next Verification will be in 2026.

The ninth and final Principle requires Signatories to seek independent verification of their impact management practices. Our independent verification was conducted by BlueMark in April 2023 and their Verifier Statements can be found at the end of each Disclosure Statement. We plan to conduct another independent verification in 2026, in alignment with our three-year strategic planning cycle. This third-party verification confirmed that:

- The Community Investment Note® portfolio and Cut Carbon Note® portfolio are 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); and
- 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 May 2024 and further supplements the impact performance results that are reported in our annual Impact Report, which can be found at: calvertimpact.org/impactreport.

Community Investment Note® Portfolio Disclosure Statement

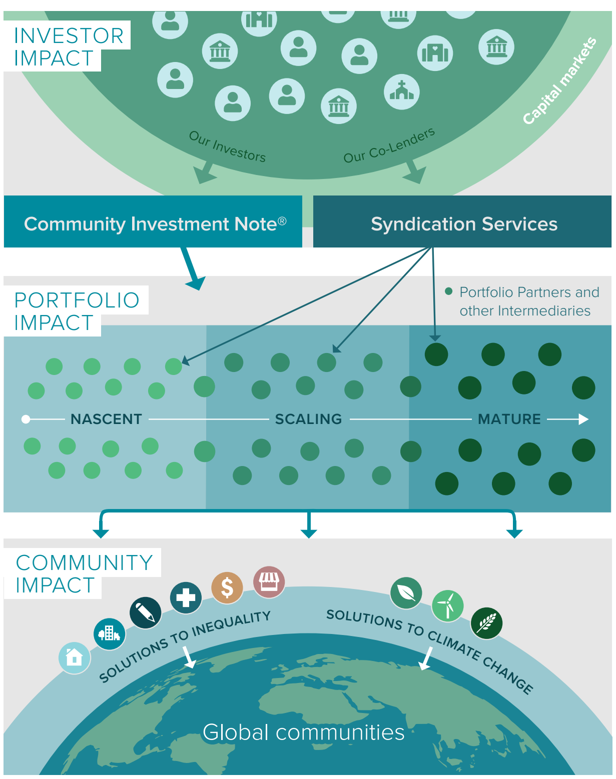
Principle 1: Define strategic impact objective(s), consistent with the investment strategy.

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 exists to make impact investable through products and services that change the 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 Calvert Impact Capital's founding Articles of Incorporation, as well as in key corporate documentation such as the Community Investment Note® Prospectus, Lending and Investment Policies, and Impact & ESG Policy.

IMPACT MEASUREMENT & MANAGEMENT FRAMEWORK



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.

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 and structuring 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.

Portfolio Impact is the value our capital brings to our portfolio partners, who are the domestic and international financial intermediaries, community development organizations, projects, funds, and other social enterprises we finance through both loans and investments. Our Community Investment Note® portfolio provides loans and, to a lesser extent, invests in funds and other intermediaries. We refer to these portfolio financing activities as "loans" throughout this disclosure statement. Our portfolio strategy is to finance lenders, fund managers, and other intermediaries in ways that advance their development to help demonstrate, scale, and sustain the market solutions they provide. The debt we provide our portfolio partners may help establish track record for a first time fund manager, replicate to scale a proven strategy, or support the ongoing impact of the most mature intermediaries. We understand the critical role our community-facing partners play in delivering on-the-ground solutions their communities need. We focus on providing financing that meets their needs, in ways that strengthen and scale their on-the-ground impact.

Our portfolio partners typically access capital from multiple sources, with other lenders and investors often offering larger loan or investment sizes. We adjust our portfolio impact (contribution) expectations and goals based upon stage of maturity and scale of our portfolio partner and 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, including a robust evidence base on gender lens investing strategies, 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.

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. Additionally, our annual Impact Report includes a matrix containing all the impact data reported from our portfolio and the SDG and IRIS+ code (the generally accepted system for impact investors to measure, manage, and optimize their impact) 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.

SUSTAINABLE DEVELOPMENT GOALS

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. We also monitor the impact performance achieved at a portfolio level by rescoring the largest 10 exposures in our portfolio on an annual basis using our Impact Scorecard (outlined in Principles 3, 4, and 5). 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 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, an industry best practice and shared logic for managing impacts on people and the planet: **What, Who and Where, How Much, Contribution,** and **Impact Risk**. All impact indicators are aligned with industry standards, including IRIS+, AERIS (a leading financial and impact performance evaluation service provider for CDFIs and other private impact loan funds), 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.

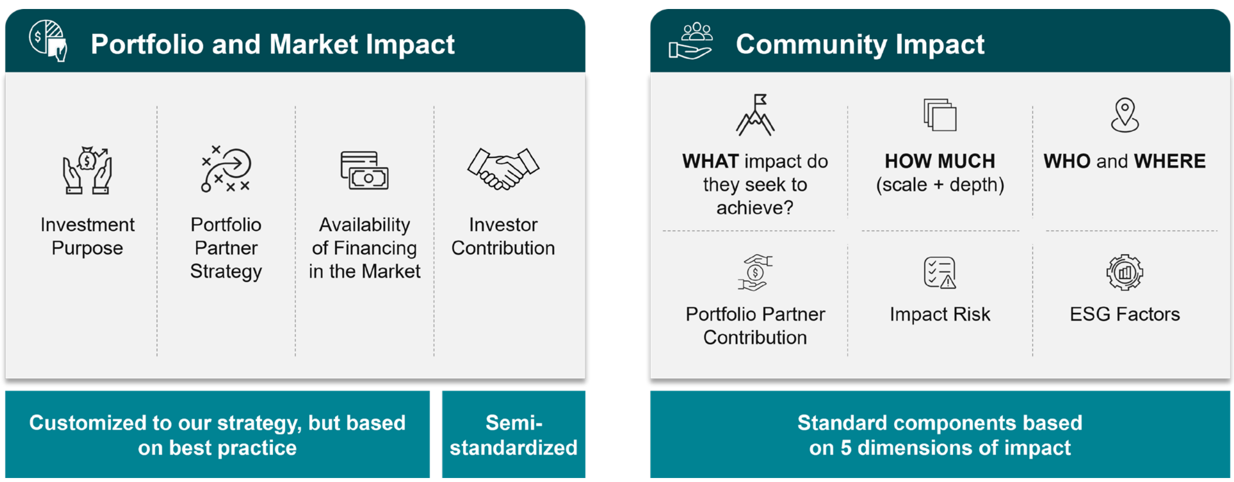
We assess, manage, and update our portfolio strategy annually through our enterprise goal setting process and every three years as part of our strategic review process. We examine our strategic impact to ensure we are channeling capital to reach our portfolio partners in the most effective way possible.

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 by our Board of Directors and Board Compensation Committee. We set annual Impact Score targets as part of our broader organizational goals, which enable us to deepen the intentionality and strategic impact of our investment pipeline. Our Impact & Equity Advisory Committee also oversees the IMM and justice, equity, diversity, and inclusion (JEDI) efforts across all of Calvert Impact's work. Achieving meaningful impact is everyone's responsibility at Calvert Impact, not just our dedicated impact management staff.

Principles 3-5: Origination & Structuring

Our Impact Scorecard is the 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 Impact Scorecard contains 27 questions and is organized by the 5 dimensions of impact; it includes assessments of: our investor contribution to impact (Principle 3), the expected impact of a loan or investment (Principle 4), and the potential impact risks of the transaction and how to manage identified risks (Principle 5). We first developed this Impact Scorecard in 2018, alongside other founding alumni of Impact Frontiers, a collaborative effort among industry-leading impact investing firms to create industry best practices for examining impact as part of due diligence.

Outline of the Impact Scorecard



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 Harmonized Framework for Additionality, a guidance document for applying an additionality or contribution assessment, and in the Impact Frontiers Investor Contribution 2.0 effort, an industry consensus-building effort to develop resources that can support investors in measuring, managing, and reporting their positive and negative contributions to impact and systematic risk. The six types of contribution assessed in our Impact 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 a 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 expected 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 has 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. 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. Insights on our contribution are also captured in exit interviews with portfolio partners. More information on these case studies is detailed in Principle 7.

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[3], including the 5 dimensions of impact: **What, Who and Where, How Much, Portfolio Partner Contribution,** and **Impact Risk**[4].

3 Required impact metrics are also aligned with industry standards (e.g., AERIS, IRIS+, Joint Impact Indicators, CDFI Fund).
4 Investor Contribution is outlined in the previous section of this Disclosure.

These metrics assess:

Dimension	Impact Scorecard Metric
What	The portfolio partner's strategy and theory of change
Who and Where	The portfolio partner's target market demographics The gender diversity of the portfolio partner's senior management and Board of Directors
How Much	The potential for scale in comparison to a benchmark[5] The relative size of the challenge being addressed given the market (sector or geography) context
Portfolio Partner Contribution	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
Impact and ESG Risk	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 (ESG and JEDI) factors

5 Benchmarks for expected scale of outputs are determined by multi-year analyses of existing comparable portfolio data.

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; market, 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 and the scale and capacity of the portfolio partner. Investment Officers coordinate with our impact management staff to screen each potential loan or investment through the Impact Scorecard.

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 Environmental, Social and Governance (ESG) 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' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Our internal Impact & ESG Policy and Procedures document our process for identifying, assessing, addressing, monitoring, and managing potential negative impacts, including impact risk and ESG risks. As outlined in Principle 4, we define impact risk as risks to the end impact being achieved and ESG risks as the risk that environmental, social, and governance factors internal to the portfolio partners' operations would cause material harm. In the due diligence stage, the Impact Scorecard helps staff identify and assess unexpected negative impact risk as well as various ESG risks, such as: alignment or mission drift; internal ESG policies; whether portfolio partners have internal Environmental & Social (E&S) or ESG 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 ESG risks are identified in the internal due diligence memos and discussed with our credit committees.

All of our ESG practices are based on industry best practice; the specific industry standard utilized varies depending on sector and geography, and metrics are aligned with the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), where relevant. For example, loan documentation for non-US based portfolio partners often includes requirements that the portfolio partner adhere to the IFC's Performance Standards, which define portfolio partners' responsibilities for managing their environmental and social risks across eight categories, and often includes exclusions based on the IFC Exclusion List, which outlines industries, projects, and activities that should be excluded from investment opportunities. In the US, many of our portfolio partners are certified community development financial institutions (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 ESG risk.

While not a requirement, many of the underlying microfinance institutions and fintech companies in our portfolio endorse the Client Protection Standards (formerly under the SMART Campaign brand), which are a set of standards to help financial service providers practice good ethics and smart business and emphasizes client protection in lending practices. In addition, several of our small business lenders endorse the Small Business Borrowers' Bill of Rights, which outlines six fundamental financing rights that all small businesses deserve, and several 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 Impact Principles 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 mission alignment risk, unexpected negative impact risk, and certain ESG risks, as they mandate either an extensive disclosure of practice or ensure a certain minimum standard above and beyond legal requirements.

Outside of these third-party standards that help us assess and avoid certain impact and ESG risks, our internal documentation outlines the procedures to mitigate and manage those impact and ESG risks that we cannot avoid or believe can be mitigated. Our Impact & ESG Policy outlines the process for assessing impact and ESG 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 & ESG Policy outlines the procedures for monitoring impact and ESG risks, depending on the categorization. For example, impact and ESG 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. Impact or ESG 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 ESG risks arise, we begin more frequent monitoring. We conduct periodic reviews of each Impact Scorecard, including ESG and impact risks, to re-score a loan when renewed or repaid, or when we exit an equity investment. We also re-score the top 10 exposures in our portfolio annually, to determine if there is any significant change in impact and ESG risk.

The impact and ESG risk monitoring frequency can be summarized below:

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

Calvert Impact'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. Our JEDI Values Statement codifies our internal commitment to diversity, equity, and inclusion, reinforces our external commitments made through our work, portfolio, and impact strategy, and documents our continued commitment to working towards racial and gender equity and justice. As a gender lens investor, we consider gender as a standard part of our investment processes when assessing both impact and ESG risk and performance. We assess the gender and racial diversity of portfolio partners' senior management teams, Boards of Directors, and staff on an annual basis.

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.

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. Our analysis revealed a strong relationship between gender diversity in leadership positions (senior management) and financial performance. In 2021, we released Gender Lens Investing: Legal Perspectives, which provides investors with resources on how to incorporate 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.

Related to our gender lens investing journey, in 2023, we were part of a pilot of investment firms testing UNICEF USA's Child Lens Investing Framework. Child lens investing is a burgeoning approach where investors intentionally consider child-related factors to advance positive child outcomes while also minimizing child harm. Our work to advance gender lens investing is intersectional with child lens investing, as our gender lens approach seeks to maximize positive impact for women and girls, through investing in women-owned businesses through gender diverse funds, in funds with strong policies that support working parents, and in products that benefit women and girls. Naturally, we saw this new child lens investing approach as complementary to the gender lens work we have done for over a decade. In 2023, we started a more intentional effort to understand the impact our funds have on the children of the clients they serve and, in 2024, we are integrating elements of a Child Risk Due Diligence Questionnaire into our due diligence process, to better assess the potential for and prevent harm to children.

Calvert Impact is also deeply committed to advancing communities of color and combating structural racism. Our portfolio partners operating in core US impact sectors, such as community development, affordable housing, and small business, are focused on investing in historically underinvested communities, including communities of color.

Outside of the Community Investment Note® portfolio, our Small Business Programs are iterating on the success of the model we built during the COVID-19 pandemic to reach and deploy capital to small business owners, especially entrepreneurs of color and women-owned business across the US. Calvert Impact also co-manages the Mission Driven Bank Fund, an equity fund established to support Minority Depository Institutions and CDFIs through direct investment, market development, and other technical support services. The Mission Driven Bank Fund seeks to improve bank sustainability, promote an equitable economy, and address chronic racial gaps in access to financial services. Lastly, Climate United, a coalition we lead alongside Community Preservation Corporation and Self-Help, was awarded $6.97 billion as part of the Greenhouse Gas Reduction Fund (GGRF) – a $27 billion investment to mobilize financing and private capital to address the climate crisis, ensure the US's economic competitiveness, and promote energy independence while delivering lower energy costs and economic revitalization to communities most impacted by climate change.

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 & ESG 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 or investment 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 portfolio partner reporting or annual customized 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 and Impact teams.

We collect impact data against 300+ metrics across all 9 sectors in which we invest, and all metrics are aligned with industry best practice including IRIS+ and the Joint Impact Indicators, a set of core indicators managed by the GIIN and the Harmonized Indicators for Private Sector Operations (HIPSO). 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) and feedback from stakeholder communities, 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 our portfolio partners' end 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 & ESG 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 portfolio partner is experiencing a delay in deployment (as many investors 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.

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 debt capital (both directly and through debt strategy funds), most of our exits are through the repayment of loans, which have documented maturity dates, so we consider our portfolio partner'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 portfolio partner has already achieved with the previous loan(s).

When portfolio partners decide not to renew, it is often because our strategy 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 in relevant repayment Impact Scorecards, allowing us to build out an internal repository of exit-related considerations and feedback, and insights are 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, as well as re-score the largest 10 exposures in our portfolio using the Impact Scorecard. In addition to assessing the performance of the loan or investment, this data is used in consideration of future strategic investment and individual loan decisions. In the case of a loan renewal or repayment or additional investment, 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 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 enable capital to respond to the need for urgent transformative change. 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 and product, 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 ESG 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 the Community Investment Note® portfolio's policies, procedures, and practices with the Impact Principles as of May 2024 and will be updated annually. In 2023, we engaged BlueMark, a Tideline company, to independently verify the alignment of the Community Investment Note® portfolio's impact management practices with the Impact Principles. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement. The independent verification report on the alignment of our practices with the Impact Principles is available at the end of this Disclosure Statement.

We plan to conduct another independent verification of our practices in 2026, in alignment with our 3-year strategic planning process, unless there are significant changes to our practices that warrant a more frequent review.

- 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.
- Most Recent Review: April 25, 2023

BLUE MARK

Verifier Statement

Independent Verification Report

Prepared for Calvert Impact: April 26, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)[1], Calvert Impact engaged BlueMark to undertake an independent verification of the alignment of the Community Investment Note® portfolio's impact management (IM) system with the Impact Principles. Calvert Impact's assets under management covered by the Impact Principles (Covered Assets) totals $514.9 million[2], for the year ending 12/2022.

Summary assessment conclusions

BlueMark has independently verified the Community Investment Note® portfolio's extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: The Community Investment Note® portfolio has a clearly defined impact strategy that seeks to strengthen emerging and mature intermediaries to prove and scale impactful community solutions and encourage sustainable market development, aligned with the firm's framework for capturing impact at the Investor, Portfolio, and Community levels.

Principle 2: The Community Investment Note® portfolio has a consistent impact assessment methodology, based on the 'Build, Grow, Sustain' framework of their proprietary Impact Scorecard, which allows the firm to manage and compare impact across the portfolio. Impact performance is linked to staff incentive systems.

Principle 3: Impact Scorecards evaluate the Community Investment Note® portfolio's contribution strategies, which are systematically reviewed at all repayment events and evaluated in published 'Impact at Exit' case studies.

Principle 4: The Community Investment Note® portfolio has a standardized and consistently applied process to assess the expected impact of an investment. The Impact Scorecard is used to evaluate a potential investment along key dimensions aligned with the Impact Management Project's five dimensions of impact.

Principle 5: The Community Investment Note® portfolio has a robust ESG assessment framework captured in each Impact Scorecard. ESG monitoring takes place quarterly, semi-annually, or annually depending on risk categorization.

Principle 6: The Community Investment Note® portfolio has developed consistently documented impact monitoring processes. Monitoring of previously agreed-upon impact KPIs against baselines is done on an annual basis.

Principle 7: The Community Investment Note® portfolio considers the sustainability of impact beyond exit by recalculating the Impact Scorecard at each event of renewal or repayment, and by conducting exit interviews with each borrower to capture learnings on exit considerations.

Principle 8: The Community Investment Note® portfolio conducts investment-level impact reviews by recalculating the Impact Scorecard at each repayment. Additionally, the Community Investment Note® portfolio has clear evidence of changes made to strategic investment decisions based on lessons learned.

[1] Principle 9 states that signatories "shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact 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."

[2] Assets under management figure as reflected in Calvert Impact's draft Disclosure Statement as of 04/30/2023. BlueMark's assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for Calvert Impact: April 26, 2023

Detailed assessment conclusions

The chart below summarizes findings from BlueMark's verification of The Community Investment Note® portfolio's extent of alignment to the Impact Principles, using the following four ratings:[3]

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).[4]

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

[3] The scope of BlueMark's assessment procedures does not include the verification of the resulting impacts achieved. BlueMark's assessment is based on its analyses of publicly available information and information in reports and other material provided by Calvert Impact. BlueMark has relied on the accuracy and completeness of any such information provided by Calvert Impact. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Calvert Impact.
[4] The decision to publicly disclose the results of BlueMark's detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of Calvert Impact.

Verifier Statement

Independent Verification Report

Prepared for Calvert Impact: April 26, 2023

Assessment methodology and scope

Calvert Impact provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark's work was limited to processes in place related to the Covered Assets as of April 2023. BlueMark's assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.[5]

BlueMark's full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark's proprietary rubric, and examining processes and policies against the following criteria:
    - *Compliance* of the IM system with a threshold level of practice;
    - *Quality* of the IM system's design in terms of its consistency and robustness; and
    - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Calvert Impact staff responsible for defining and implementing the IM system;
3. Testing of selected Calvert Impact transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Calvert Impact, outlining areas of strong alignment and recommended improvement, as well as BlueMark's proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Calvert Impact in accordance with the agreement between our firms, to assist Calvert Impact in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Calvert Impact to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Calvert Impact's alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Calvert Impact for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

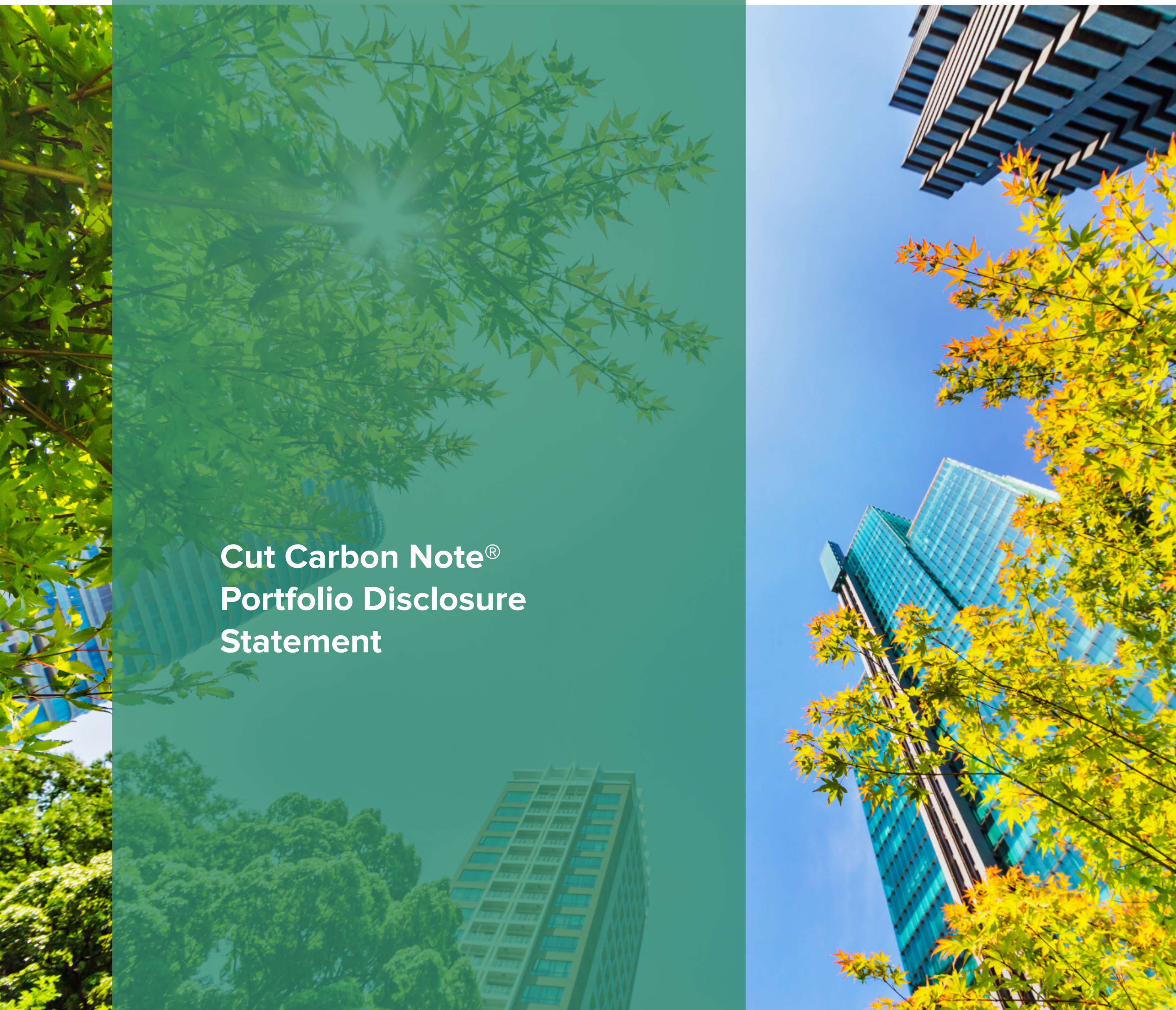
BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to "strengthen trust in impact investing" and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, 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, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

[5] The scope of BlueMark's assessment procedures does not include the verification of the resulting impacts achieved. BlueMark's assessment is based on its analyses of publicly available information and information in reports and other material provided by Calvert Impact. BlueMark has relied on the accuracy and completeness of any such information provided by Calvert Impact. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Calvert Impact.

Cut Carbon Note®
Portfolio Disclosure Statement



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.

The Cut Carbon Note® is a retail investment product that aims to transform the way US buildings are developed and built. By removing obstacles to constructing greener buildings, we're making it attractive to put sustainability at the forefront of building decisions. In the US, building operations account for 40% of carbon emissions and 76% of electrical consumption.[6] Further, the SDGs outline a global agenda with a goal to reduce global carbon emissions by 45% by 2030 from 2010 levels, and reach net-zero emissions by 2050; while global carbon emissions declined by 5.8% in 2020 due to the halt in the global economy as a result of the COVID-19 pandemic, emissions still remained at their highest concentration in the atmosphere ever and, in 2022, energy-related carbon emissions reached another record-high of 36.8 billion metric tons[7], the highest level to-date. By improving the sustainability and resilience of buildings across the US and reducing carbon emissions and water usage, the Cut Carbon Note® portfolio directly contributes to achieving SDGs 7, 8, 9, 11, and 13.

The objective of the Cut Carbon Note® is to reduce carbon emissions from buildings across the US by utilizing a financing program enabled by US state legislation, the Commercial Property Assessed Clean Energy (C-PACE) program, in which building owners and developers borrow low-cost, long-term funding for energy efficiency, renewable energy, or other projects and make repayments via an assessment on their property tax bill. This impact objective and use of proceeds is outlined in the Cut Carbon Note® prospectus.

We have partnered with PACE Equity, a leader in C-PACE funding that helps lower carbon emissions while improving customer returns. PACE Equity is the asset underwriter and originator for the Cut Carbon Note® portfolio, providing building owners and developers with free engineering review and design assistance to identify opportunities for efficiency improvements.

The Cut Carbon Note® portfolio IMM framework relies on the IMM practices and framework built, tested, and validated in the Community Investment Note® portfolio. In fact, we have utilized similar IMM procedures for the last four years in the process used to conduct impact diligence and monitoring of the Community Investment Note® portfolio loan to PACE Equity. Working with PACE Equity since 2020 and measuring and managing the impact of C-PACE financing has enabled us to build a robust evidence base upon which we manage the Cut Carbon Note® portfolio.

6 An Assessment of Energy Technologies and Research Opportunities, US Department of Energy. Available at https://www.energy.gov/sites/prod/files/2017/03/f34/qtr-2015-chapter5.pdf.

7 UN Sustainable Development Goals, Available at https://sdgs.un.org/goals/goal9

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.

As mentioned in Principle 1, the impetus for the launch of the Cut Carbon Note® is due to the strategic impact achieved through C-PACE-enabled loans in the Community Investment Note® portfolio. This strategic impact will continue to be monitored and managed through both portfolios, both annually and in Calvert Impact's strategic planning process. Impact monitoring for the Cut Carbon Note® portfolio will be achieved through a utility monitoring service that monitors the actual energy and water use of each building once the energy efficiency upgrades have been implemented. The impact performance of the portfolio will be reported to investors semi-annually, including portfolio-level impact data and alignment with the Green Bond Principles (voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market). The impact metrics chosen to report are noted in Principle 6 and in Annex A of the Cut Carbon Note® prospectus supplement. Impact metrics are aligned with IRIS+, the Green Bond Principles impact reporting guidance, and the 5 dimensions of impact (What, Who, How Much, Contribution, Impact Risk). The first Cut Carbon Note® Impact Report will be published in June 2024 and will be available on our website.

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.

There are several layers of investor contribution integrated in the Cut Carbon Note® portfolio impact framework. Providing C-PACE financing to building owners and developers enables them to receive a lower cost of capital for the financing package, in addition to lower utility bills once the building is in operation. Our contribution also focuses on technical assistance provided by PACE Equity and enhanced impact monitoring, as well as additional pricing incentives for buildings that meet the stringent CIRRUS™ Low Carbon standard created by PACE Equity and the New Buildings Institute. The CIRRUS™ Low Carbon Standard exceeds the efficiency standards required for LEED certification, a global building certification that addresses carbon use, energy use, water use, waste management, transportation, materials, health, and indoor environmental quality of buildings. PACE Equity also offers building owners and developers who qualify for the CIRRUS™ Low Carbon standard an enhanced marketing package to promote their project and attract valuable tenants, as well as a feature on the New Buildings Institute's Getting to Zero website.

The value-added contribution of CIRRUS™ Low Carbon translates to outsized environmental impact; building owners and developers must meet a higher building code standard (ASHRAE 90.1 – 2019), which is 8% more efficient than the 2016 building code. Building owners are also required to implement additional efficiency measures, such as more efficient lighting and making the building "solar ready," meaning the building is designed and constructed in a way that optimizes the installation of rooftop solar.

Lastly, we expect to influence building owner and developer behavior change over time, as we reduce the cost of capital for making more energy efficient upgrades and more building owners and developers adopt the CIRRUS™ Low Carbon standard, above and beyond the measures required by C-PACE or LEED. Currently, PACE Equity requests that building owners and developers complete a survey after the loan closing to provide feedback on the financing process. We will continue to build out this process to evaluate behavior change in developers over time and measure the effect of our contribution.

CIRRUS™ Low Carbon Requirements

Mandatory Measures (ALL REQUIRED)	Additional Efficiency Options (PICK 2)
ASHRAE 90.1-2016 Baseline	High Performance Envelope
Building Envelope Improvement	High Performance Fenestration
HVAC Improvement	Reduced Thermal Bridging
Efficient Water Heating Equipment and Plumbing Fixtures (Water Sense®)	Air Barrier Continuity
Efficient Interior Lighting and Controls	High Performance HVAC
Efficient Exterior Lighting and Controls	High Performance Hot Water Heating
Efficient Appliances (EnergyStar®)	Enhanced Interior Lighting Control
Solar Readiness	Advanced Metering and Energy Monitoring
	Electric Vehicle Charging Readiness
	Low Embodied Carbon Concrete

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.

There are several tools utilized to systematically assess the expected impact of each project. An independent engineering analysis models the expected carbon savings from the efficiency upgrades for each project, and PACE Equity prepares a Project Impact Report to quantify the expected positive impact of each project based on a standard set of efficiency metrics, outlined in Annex A of each issuance's prospectus supplement. These metrics are built from the ASHRAE 90.1 building code (a benchmark for commercial building energy codes in the US) and aligned with IRIS+ where possible. This standard set of metrics allows for an enhanced measurement of the building's expected environmental footprint and enables comparison of the expected impact performance across the portfolio. These metrics factor in the specific geographic context of the building, including the current energy sources utilized by the jurisdiction and state, to determine the level of expected carbon reduction.

PACE Equity also utilizes a standardized Eligibility Analysis tool to assess impact potential and fit with the outlined criteria, including satisfaction of the C-PACE program requirements of each jurisdiction. Lastly, we apply an additional screening tool to assess the risk that a project's building operations will result in significant negative social or environmental impacts and use the tool to screen out projects from the portfolio that might result in significant social or environmental harm.

Ongoing utility monitoring tracks the actual performance of the building based on these metrics once the upgrades have been installed. More information on this process is found in Principle 6.

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 Environmental, Social and Governance (ESG) 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' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

During project diligence, a specialist engineering consultant conducts an Environmental Site Assessment on each project site, which highlights any potential environmental risk that could have an impact on the use of the site and concludes with the engineer's opinion on the environmental suitability of the proposed site. Project-specific disbursement agreements require a third-party inspection report to ensure the project development is ongoing and on time and includes any assessments of workplace safety risks for the contractors implementing the upgrades. These inspection reports serve as a method to monitor unexpected ESG risk events while the project is under development. As discussed in Principle 6, ongoing utility monitoring serves as the method for monitoring ESG risks once the building is in operation and through the life of the loan.

We also collect demographic information on the building owners and developers to assess any impact on gender and racial equity. Approximately one-third of real estate developers in the US are women, and around one-third identify as people of color; by collecting information on the building developers and owners, we can learn more about who the Cut Carbon Note® portfolio is financing and how we can better support women and developers of color.

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.

We will conduct impact monitoring via a utility monitoring service and will report this impact data to investors every six months on a project-level, once building improvements have been completed. A utility monitoring service uses digital meters to measure electricity, gas, and water usage, providing up-to-date actual impact data that we can compare to the expected impact projections. The investor reporting will include alignment with the Green Bond Principles, any changes in developer behavior motivated by the Cut Carbon Note®, and the below impact metrics.

Key Impact Metrics

Dimension of Impact	Impact Metrics
What	Upgrades implemented
Who and Where	Developer demographics Project address and location (rural, urban, peri-urban)
How Much	Electricity savings (kWh) Water savings (gal) Fuel savings (therms) Weighted average useful-life Site energy use intensity Savings-to-investment ratio Carbon count Carbon footprint (metric tons/year)

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 the Cut Carbon Note® portfolio is a debt portfolio, transactions are structured with repayment – or “exit” – in mind from the beginning of the due diligence stage. Partnering with an experienced C-PACE originator (PACE Equity) and the robust due diligence process described in Principle 4, including the criteria the C-PACE legislation requires in each jurisdiction that serve as guardrails and risk mitigants, enables us to structure the C-PACE financing to mitigate execution risk and ensure the achievement of impact from the outset. The pricing incentive offered to building owners and the engineering assistance provided also ensure mission alignment across all the parties involved.

In addition, C-PACE financing includes a mechanism that enables the repayment of the loan over a long-term period (typically 20-30 years) via an assessment on the property’s tax bill, spreading the amortization payments out, as in a conventional mortgage. Ongoing utility monitoring will ensure the actual impact achieved will be tracked and compared to projections throughout the life of the loan until the final repayment.

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.

The projected impact for each project captured in the Project Impact Reports is used to compare against the actual impact achieved calculated through the utility monitoring throughout the life of the loan. Other positive and negative impacts will be captured through the utility monitoring, inspection reports, and surveys of the property owners. Findings on both positive and negative social and environmental impact will be used to improve decision-making on future issuances of the Cut Carbon Note® and will enable us to continue to refine our IMM system going forward.

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 the Cut Carbon Note® portfolio's policies, procedures, and practices with the Impact Principles as of May 2024 and will be updated annually. In 2023, we engaged BlueMark, a Tideline company, to independently verify the alignment of the Cut Carbon Note® portfolio's impact management practices with the Impact Principles. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement. The independent verification report on the alignment of our practices with the Impact Principles is available at the end of this Disclosure Statement.

We plan to conduct another independent verification of our practices in 2026, in alignment with our 3-year strategic planning process, unless there are significant changes to our practices that warrant a more frequent review.

- 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.
- Most Recent Review: April 25, 2023

BLUE/MARK

Verifier Statement

Independent Verification Report

Prepared for Calvert Impact: May 18, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)[1], Calvert Impact engaged BlueMark to undertake an independent verification of the alignment of the Cut Carbon Note™ (IM) system with the Impact Principles. Calvert Impact's assets under management covered by the Impact Principles (Covered Assets) totals $514.9 million[2], for the year ending 12/2022.

Summary assessment conclusions

BlueMark has independently verified the Cut Carbon Note™'s extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: The Cut Carbon Note™ portfolio has a clearly defined impact objective of reducing carbon dioxide emissions from commercial buildings. The carbon notes contribute to this goal by providing affordable financing for energy efficiency upgrades, and this objective is substantiated by a robust evidence base to support the portfolio's interventions.

Principle 2: Standardized Eligibility Assessments and Project Impact Reports prepared for each asset enable comparison of expected impact across the portfolio. To maximize alignment, the firm should set explicit impact performance targets linked to staff incentive systems for the Cut Carbon Note™ portfolio.

Principle 3: The Cut Carbon Note™ portfolio has a clear approach to articulating its contribution to the impact of investments, primarily through a lower cost of capital to instate efficiency upgrades, as well as providing design assistance during implementation. Periodic verification reviews allow the Cut Carbon Note™ portfolio to monitor its contribution strategies.

Principle 4: Each asset in the Cut Carbon Note™ portfolio is assessed for expected impact using the Eligibility Analysis and Project Assessment documents. Project Impact Reports quantify expected impact via energy savings and carbon reduction and Environmental Site Assessments prepared by PACE Equity assess the fit of each asset with the portfolio's impact strategy.

Principle 5: The Cut Carbon Note™ portfolio identifies and mitigates ESG risks via Environmental Site Assessments for each asset, highlighting environmental risks and suitability for upgrades. Ongoing inspection reports allow for monitoring of ESG risk events. Further, this ESG framework is aligned with Green Bond Principles and the NBI Low Carbon Standard.

Principle 6: The Cut Carbon Note™ portfolio will leverage utility monitoring tools to obtain impact data on a quarterly basis. Actual impact will be monitored against baselines and expectations set out in ex-ante Project Impact Reports.

Principle 7: Ongoing third-party inspection reports, along with the final CIRRUS report that will be prepared for completed projects, represent a strategic approach to considering ways to maximize impact at the time of exit.

Principle 8: In the Cut Carbon Note™ offering materials, Calvert Impact commits to reviewing and reporting collected impact data at least semi-annually. Additionally, PACE Equity sends a survey to each property owner after the closing of the loan to request feedback on the financing experience.

[1] Principle 9 states that signatories "shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact 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."

[2] Assets under management figure as reflected in Calvert Impact's draft Disclosure Statement as of 04/30/2023. BlueMark's assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for Calvert Impact: May 18, 2023

Detailed assessment conclusions

The chart below summarizes findings from BlueMark's verification of the Cut Carbon Note™ portfolio's extent of alignment to the Impact Principles, using the following four ratings: [3]

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).[4]

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	HIGH
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	ADVANCED
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	ADVANCED
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	MODERATE

[3] The scope of BlueMark's assessment procedures does not include the verification of the resulting impacts achieved. BlueMark's assessment is based on its analyses of publicly available information and information in reports and other material provided by Calvert Impact. BlueMark has relied on the accuracy and completeness of any such information provided by Calvert Impact. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Calvert Impact.
[4] The decision to publicly disclose the results of BlueMark's detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of Calvert Impact.

Verifier Statement

Independent Verification Report

Prepared for Calvert Impact: May 18, 2023

Assessment methodology and scope

Calvert Impact provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark's work was limited to processes in place related to the Covered Assets as of April 2023. BlueMark's assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.[5]

BlueMark's full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark's proprietary rubric, and examining processes and policies against the following criteria:
    - *Compliance* of the IM system with a threshold level of practice;
    - *Quality* of the IM system's design in terms of its consistency and robustness; and
    - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Calvert Impact staff responsible for defining and implementing the IM system;
3. Testing of selected Calvert Impact transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Calvert Impact, outlining areas of strong alignment and recommended improvement, as well as BlueMark's proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Calvert Impact in accordance with the agreement between our firms, to assist Calvert Impact in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Calvert Impact to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Calvert Impact's alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Calvert Impact for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to "strengthen trust in impact investing" and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, 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, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

[5] The scope of BlueMark's assessment procedures does not include the verification of the resulting impacts achieved. BlueMark's assessment is based on its analyses of publicly available information and information in reports and other material provided by Calvert Impact. BlueMark has relied on the accuracy and completeness of any such information provided by Calvert Impact. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Calvert Impact.

About Calvert Impact

Calvert Impact is a global nonprofit investment firm that helps investors and financial professionals invest in solutions that people and the planet need. During our 29-year history, we have mobilized nearly $5 billion of investor capital to grow local community and green finance organizations through its flagship Community Investment Note® and and other products and services. Calvert Impact recently launched the Cut Carbon Note®, a product that aims to reduce carbon emissions and transform the way we build. Calvert Impact uses its unique position to bring the capital markets and communities closer together.

To learn more about our impact and impact practice, visit calvertimpact.org/impactreport.

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