Environmental Impact Bonds

July 12, 2017
Calvert Foundation has been an active impact investor for over 20 years

Calvert Foundation uses private capital in innovative and collaborative ways to create an equitable and sustainable world.

- Calvert Foundation has raised and deployed nearly $1.5 billion in assets since 1995 and currently manages $350 million with exposure in 90+ countries
- All 18,000+ investors have been repaid 100% principal and interest
- The portfolio is invested across impact sectors for the purpose of creating economic opportunity and access to basic services for low income communities as well as to combat the effects of climate change
- Cumulative portfolio losses have been less than 0.5% in our 22 year history
- We provide tangible, reportable social impact metrics to our investors so they can see the impact of their private dollars
Our Community Investment Note is widely accessible to retail and institutional investors.

Notes are sold through three distribution channels:

- Direct (via paper application)
- Brokerage accounts
- Online, via invest.calvertfoundation.org

We have electronic distribution through over 200 brokerage firms (e.g., Fidelity, Schwab, etrade, UBS, Merrill Lynch, etc.)
The proceeds are invested in debt across nine main impact sectors as our portfolio grows.

Calvert Foundation’s Portfolio Balance
$, in millions, Q2 2013 – Q4 2016

21% growth
We have three main product types but have experimented with alternative debt structures

<table>
<thead>
<tr>
<th>Loans to financial intermediaries</th>
<th>Loans to structured debt funds</th>
<th>Loans to projects or companies</th>
<th>Pay for Success or alternative structures</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="logo1.png" alt="Capital Impact Partners Logo" /></td>
<td><img src="logo2.png" alt="Medical Credit Fund Africa Logo" /></td>
<td><img src="logo3.png" alt="Urban Land Conservancy Logo" /></td>
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Pay for Success (or “Social / Environmental Impact Bonds”) were created to finance outcomes that generate value down the road that can be financed by investors who care about generating the dual purpose value.
We applied this concept to DC Water’s Green Infrastructure Project to incentivize innovation.

Investors wanted DC Water to take the risk of testing a promising but unproven solution to see if green infrastructure could be as or more effective than grey infrastructure, given the many benefits of green versus grey.
The financial instrument was structured to include payments depending on outcomes. If the green infrastructure fails, DC Water recoups some of its investment. If it succeeds beyond expectations, investors get a bonus payment and DC Water has a new, proven solution to address stormwater runoff.
The basic tenets of Pay For Success structures can be applied across industries and sectors

- **Scaling proven programs**
  - PFS transactions are meant to scale proven interventions. The ideal service provider in a PFS structure has the experience and data to show the proven effectiveness of their programs.

- **Investors, not gov’t, taking scaling risk**
  - The investor role is to take the scaling risk to prove to the government or ‘saver’ that the intervention can be delivered and operate at scale. Investors are compensated for their risk through both financial (interest paid) and social returns.

- **Allocating scarce resources**
  - The long-term goal of PFS is to shift government or ‘saver’ funding to programs that are proven to work at scale. This would yield much more effective use of government or ‘saver’ dollars.