Environmental Impact Bonds

July 12, 2017

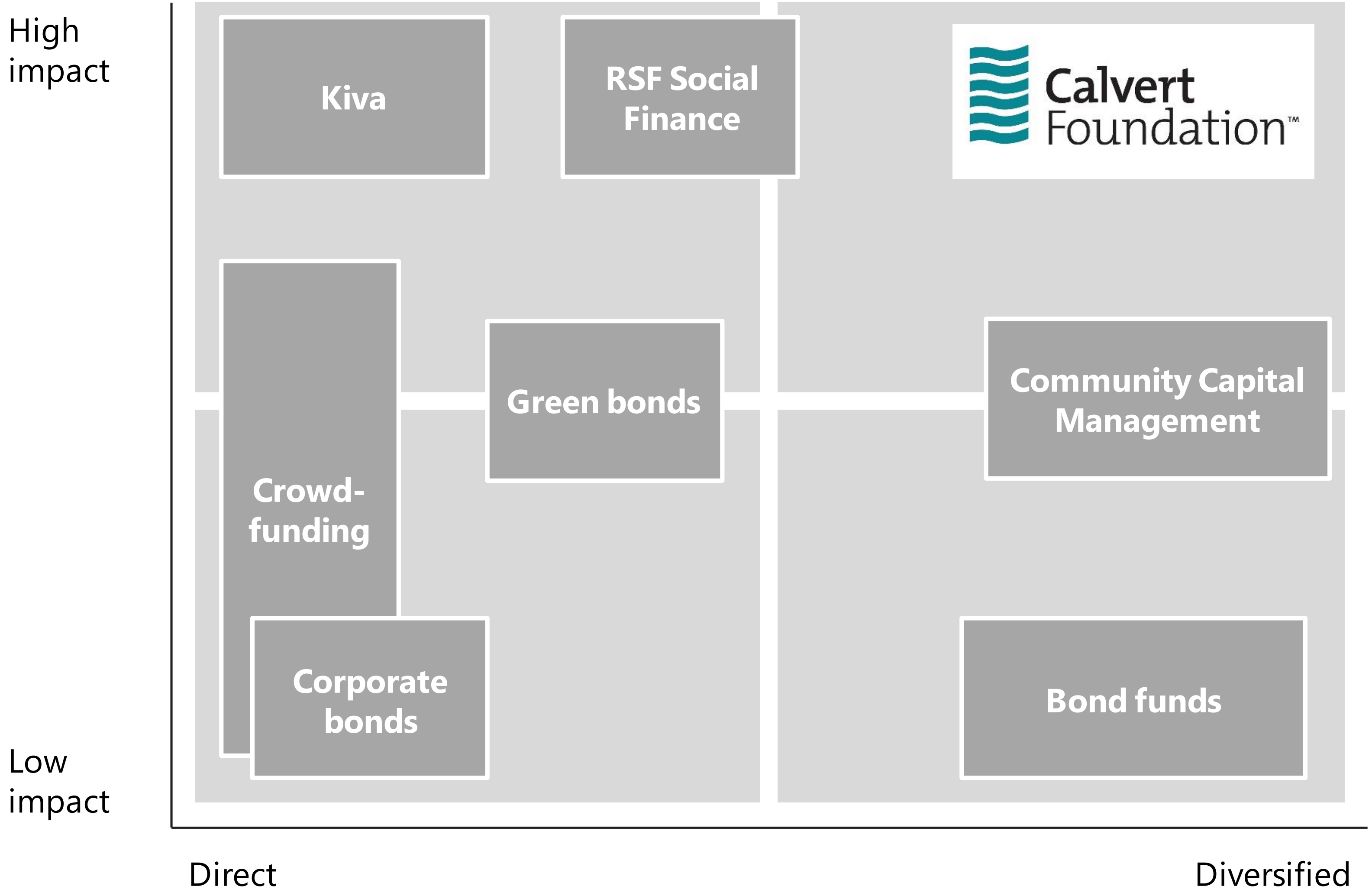
Calvert Foundation™

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

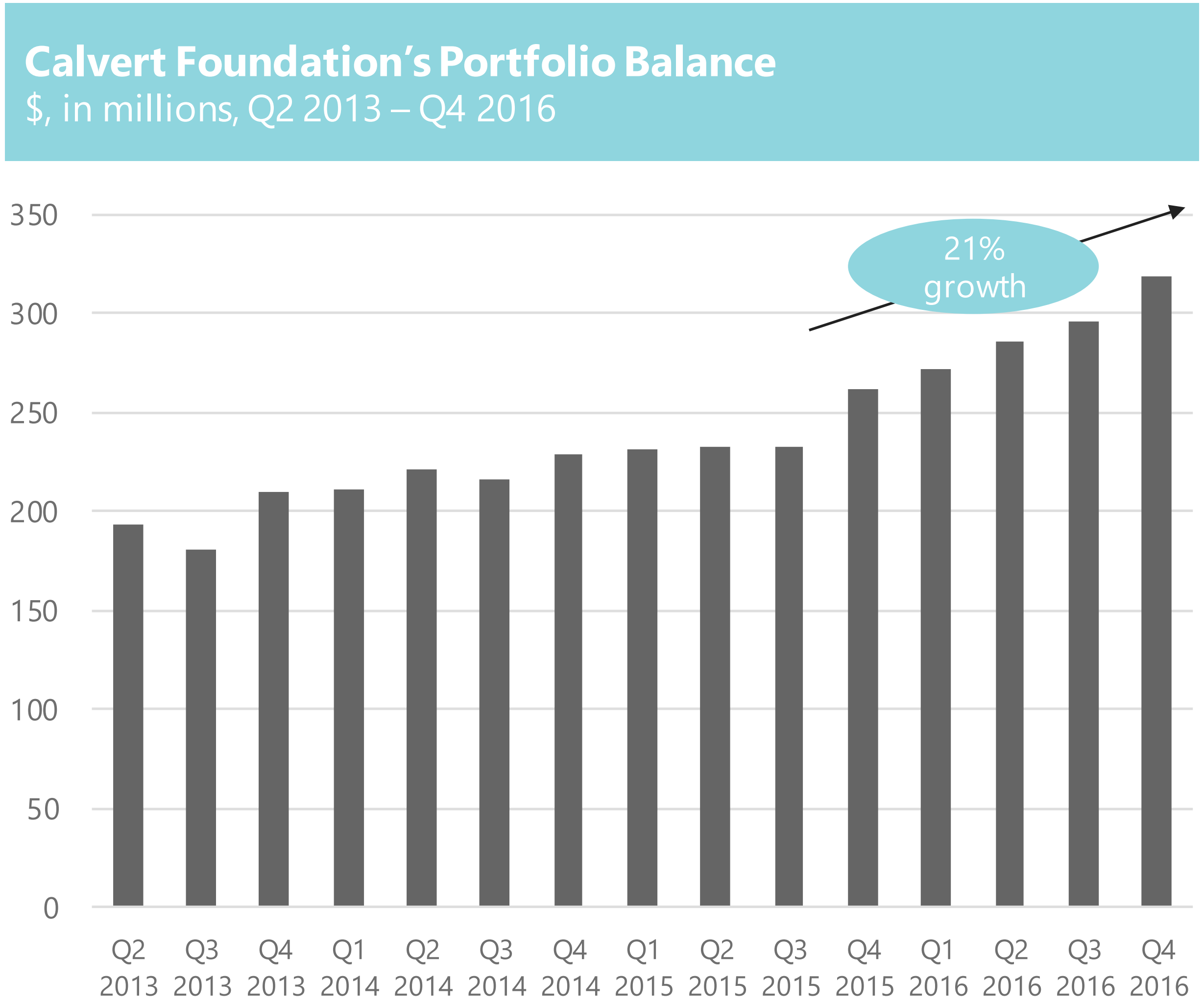


Notes are sold through three distribution channels:

- 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



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

Loans to financial intermediaries

CAPITAL IMPACT PARTNERS

Loans to structured debt funds

MEDICAL CREDIT FUND AFRICA

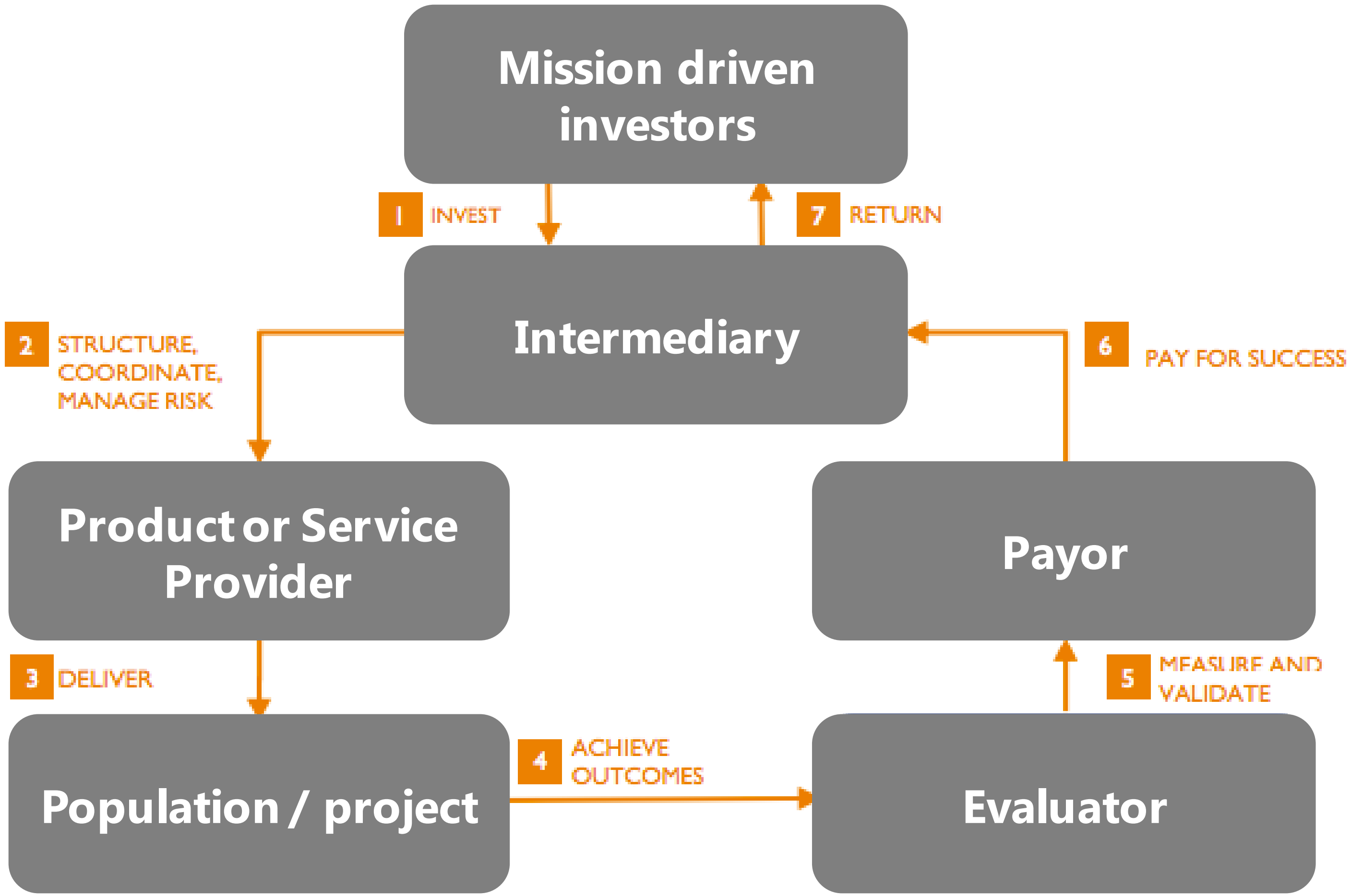
Loans to projects or companies

URBAN LAND CONSERVANCY

Pay for Success or alternative structures

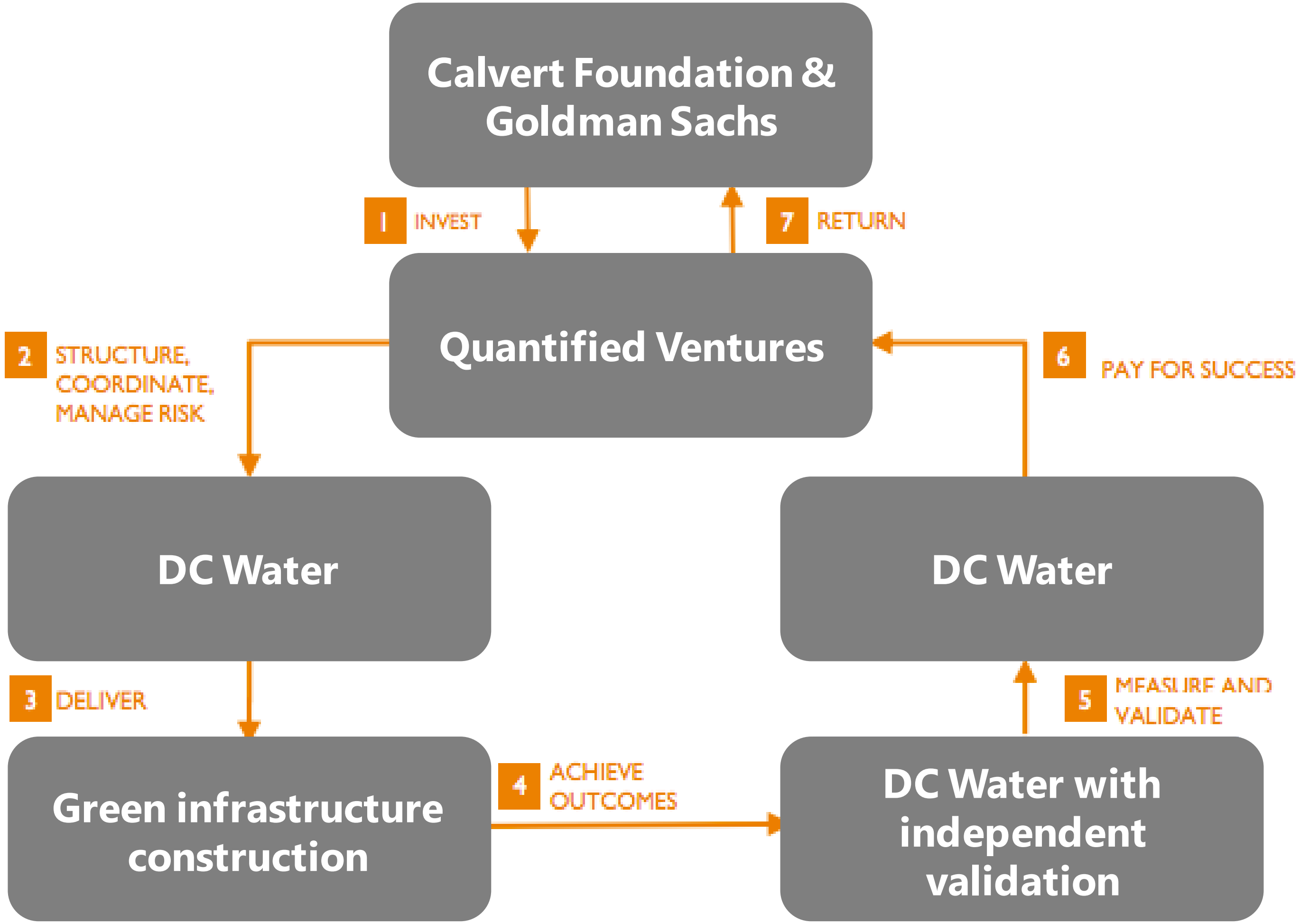
dc water is life

Pay for Success (or "Social / Environmental Impact Bonds") were created to finance outcomes



The basic idea is that there are a set of social or environmental 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

	Year 1	Year 2	Year 3	Year 4	Year 5	
Financial flows	$25M principal issued				$25M principal repaid	**If Green infrastructure Outperforms:** Additional $3.3M payment **Performs as expected:** No additional payment **Underperforms:** $3.3M claw back from investors
	Interest payments @ 3.43%					
Core project work (DC Water)	Flow meters inserted to develop baseline	Green infrastructure implemented (i.e., sites identified, interventions constructed)		Flow meters reinserted to measure impact	Evaluation validated to trigger payments	**If Green infrastructure Outperforms:** Accelerate scale/deployment **Performs as expected:** Continue original plan with confidence **Underperforms:** Scale back and deploy grey infrastructure instead

Based on diagram produced by Quantified Ventures

The financial structure was set up so that 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 tenants 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.