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00:00
Hi, I'm Catherine Godschalk, I'm Vice President for Investments at Calvary Impact Capital. I'm Caitlin Rosser, I lead Impact Measurement and Management (IMM) at Calvert Impact Capital.

We're going to give you a brief overview of the work that we do here at Calvary Impact Capital. Then, Caitlin is going to give you a little bit more of an in-depth dive on Impact Measurement and Management (IMM) practices.

00:30
Calvary Impact Capital has a mission to make impact investible to create a more equitable and sustainable world. We've been around about 25 years, raising and deploying capital for the benefit of low-income populations and under-represented markets.

00:44
We sit in the middle of this slide as what we think of as a market facing intermediary. I'll talk a little bit more about the Community Investment Note, which is our core product that is accessible to retail all the way through institutional investors here in the US. Then, we raise that capital and deploy that to what we think of as community facing intermediaries. These are funds nonbank financial intermediaries that are moving capital customizing it in ways that really generate not only financial return but importantly social and/or environmental impact across the markets and the sectors where they work.

01:32
Our core product is the Community Investment Note. This is as I said a retail eligible investment product to investors here in the US to fixed-income product that is what we call a shelf offering. So, it's an open-ended product, investors pick the tenor that they want to invest for, we pay them a fixed return based on that tenner. Over our more than 25-year history, we have raised more than $2 billion from more than 18,000 individuals and institutions. We have about 550 million of capital outstanding representing investments for more than 6000 individuals and institutions today.

02:17
We take this capital, and we lend it to mission driven organizations across the US and around the world. This slide just illustrates a few of our borrowers.

02:29
We have since seen tremendous interest from investors for this product, and this slide just illustrates the growth that we have seen in the outstanding balance of the community investment note over the last six years. Today, the donut on the right really illustrates the diverse array of types of institutions and individuals that are investing in our note. About 28%

are individuals, and many of those, most of those are non-accredited -- so retail investors. We have foundations, faith-based investors nonbank-financial institutions, nonprofits, and we have businesses as well corporations looking to invest their capital for impact.

So then, facing the community what we do is deploy that capital in its essence our portfolio strategy, is really to build, grow, and sustain the infrastructure for capital remove for impact across geographies, across markets. A portion of our portfolio we really want to move to intermediaries that are testing new models, new structures, new approaches to use financing to create social or environmental positive impact. Then when we see proven strategies, we want to finance that growth, we want to enable scale. Then, finally you know for very mature intermediaries with really strong track record, we think creatively with them about how to use our capital to help sustain their work across the markets where they operate.

04:13
As we think about how we manage our portfolio, there really 4 dimensions. We will go today into much more detail on impact -- 100% of our portfolio is really focused on an impact across a number of different social and environmental sectors. So that is really our first and fundamental screen that we apply. The second, we don't have a fixed product if you will, we are rather creative in how we structure our financing in order to best meet the needs of the intermediaries with whom we work. We structure to meet their needs. We also and importantly structure to mitigate risk in our portfolio -- we use variety of types of credit enhancements. Today, about 50% of our portfolio enjoys one form or another of some type of credit enhancement that supports the risk of that we take on our balance sheet. Of course, we think about return, and in the context of the risk that we take, we look to operate in the market in a way that is non-distortive, we want to meet the market, we need obviously to cover our costs appropriately price-for-the-risk that we're taking, and sustain our growth. Then, finally a core risk mitigation strategy for us is diversification, and that is obviously across geographies, across impact sectors, across financing types, we are we are really at our core debt-financing intermediary, so we lend capital and we like to lend capital to other lenders, but the types of loans that those lenders are making or that those funds are originating across markets really vary a lot

06:15
So, we really invest if we think about the impact portfolio theory of change, we invest to increase access to capital to address income and wealth disparities, we invest to increase access to quality and affordable basic services -- this includes affordable housing, education, and healthcare. Then, finally we invest to advance environmental sustainability, renewable energy solutions that address the current future effects of climate change.

06:49
As I said our portfolio is global we raise capital from investors in the US about half of our portfolio is deployed for impact across the United States, and the balance is really is deployed across the globe in more than 100 countries.

07:05
Then, finally we really look with a with an expensive lens at both the social and the environmental impact sectors, and so this slide just illustrates the nine impact sectors that we call out in our portfolio today, and shows a breakdown across those of our -- actually there are 19 portfolio.

07:30
Now, I'd like to turn it over to Caitlin to talk a little bit more about what's really behind some of these high-level impact stats that we measure and report at least annually across our portfolio. This is just an illustration of a few examples, but Caitlin, I will advance the slides and you can indicate to me when you're ready as you progress into our Impact Measurement Management.

8:00
Sounds great. Thank you so much Catherine, and as last I mentioned we do measure and manage the impact of every single loan that we make, and those were just four metrics that have the hundreds of impact metrics that we might collect as Catherine mentioned. We have over 100 borrowers' funds, financial intermediaries in our portfolio at any one point in time. We really customize our Impact Measurement and Management to each of the borrowers' specific strategy and theory of change, but we also have an overarching organizational impact mission theory of change and strategy.

8:40
That's what's on this slide, thank you Catherine. Our organizational strategy, our portfolio, and sector strategies as well as our impact strategy and our impact management practices all flow from our mission. So it's one thing I really want to set at the outset is that while we will be talking about some best practices that we're using across the industry, the strategies themselves, the metrics themselves while we standardized and harmonized across the industry as much as we can, they are very specific to our mission, our portfolio strategy, and our theory of change, although we hope that they are useful and illustrative for those across the industry.

9:23
Next slide please. Thank you. This graphic is showing that broader Impact Measurement and Management strategy or framework. While we really do customized metrics to each specific borrower, we do have an overarching strategy. Our strategy can be devised into three different types of impact. That's what you see here -- investor impact, portfolio impact, and community impact. We don't see our impact just as the impact that our capital is ultimately having on the ground to social entrepreneurs and small businesses and farmers. We see our impact as much broader than that, but of course including that ultimately capital is benefiting. We've outlined our framework into these three different dimensions, because of that we do have an impact on our investors both individual and institutional by offering a root accessible product that Catherine was talking about before, the Community Investment Note, as well as through our syndication services and other products and services. We are offering a service of having an impact on, investors and really trying to change the way the capital markets are working, and

changing the way that the capital markets allocate capital, hopefully to allocating more capital for impact.

10:45
Our second layer impact that we look at is our portfolio impact. That's the impact that we actually have on our borrowers. The value of our capital provides to our borrowers and their ability to build, grow, and sustain their own impact in operations. That's the portfolio strategy that Catherine was talking about before. A real core component of the impact that we have the impact our capital has is how it affects or impacts our borrowers themselves. Then of course the third layer of impact is community impact -- those are the outputs and the outcomes the standard metrics that you see across the portfolio that help illustrate the impact that our capital is having on the ground, ultimately achieving this impact for global communities again for entrepreneurs, small businesses, smallholder farmers, and lots of other organizations and people, and planet through all of the different sectors that we that we lend through, which are represented by the icons at the bottom.

11:53
Next please. So when we talk about Impact Measurement Management, I always find it helpful to look at the three stages or the three ways of bucketing different practices that you can look. One is impact thesis, so you're starting from your mission and from your strategy creating your impact thesis, what are your goals, what are your theories of change, be the theory for how you're going to affect change or create impact through your capital. The second stage is impact assessment -- asking and devising methodologies for whether or not you've achieved those goals, so was your impact thesis valid was it correct, did you do have some roadblocks along the way and assessing whether or not you need to pivot from there. The third stage is impact monitoring. Because impact monitoring really does never end, it is always informed by evidence that's that little kind of two-way arrow between impact monitoring and impact evidence. You are really consistently monitoring and managing the impact that you are hoping to achieve throughout the investment lifecycle.

13:05
If you go to the next slide, we will talk a little bit about how Calvert Impact Capital uses these three types of core stages an impact management practice. In terms of our impact thesis, our goals, and our theory of change, we use the GIIN, the global impact investing network's iris plus resource, and it's I believe it is the “giin.org” or “iris.thegiin.org”, if folks are interested in looking at more. It is a wealth of resources on research, on what works in different contexts to help investors form their theories of change as well as develop metrics to help evidence their theory of change, which will get to when we get to impact monitoring, and also with the with impact thesis, we were part of the pilot for the GIIN investors council that piloted the Impact Management Project’s 5 dimensions of impact. The five dimensions of impact are essentially five ways of looking at impact. So when you say I create impact, and someone asks what do you mean, and you can pick one of the five dimensions to try to describe, explain, or evidence the impact that you're having. I'll get into that a little bit later as well. In terms of impact assessment, we actually start our impact assessment at the beginning -- at the due diligence

stage as well as during monitoring and exit or repayment or a renewal stage. The main tool that we used to do so is called our impact due diligence scorecard or our impact rating system. I'll talk much more about that in the next couple of slides. We developed this impact due diligence scorecard with the help of the Impact Frontiers collaboration, and that was an Impact Management Project that's the IMP-led collaboration that brought together 13 different investors to test and disseminate and really quantify lessons learned for creating impact due diligence tools of impact rating systems and helping investors to do the same. If you want to learn more about the Impact Frontiers, I believe the website is “impactfrontiers.org”, you can also go to our website “calvertimpactcapital.org/IMM” and there's a lot of the resources there but I'll talk much more in detail through the scorecard in the next couple of slides. It is obviously worth mentioning in terms of impact assessment, we do robust quantitative and qualitative assessment of all of the borrowers and the impact that they're having on the ground in global communities and on the planet. We do an annual data collection process that we're actually just starting our 2021 data collection process now. We also release a public impact report every year outlining some of the major results some of the major impacts our borrowers are having and have had this past year. In terms of how we actually monitor the impact that our borrowers are having 100% of our impact metrics aligned with iris plus and with the SDGs, they're also 100% aligned with a new initiative called the joint impact indicators, and that is a set of is less than 20 metrics that impact investors around the world have all come around and said these are the core set of impact metrics that if relevant to the sector which I'm investing, I agreed to collect. This is not only you know quite significant because investors all around the world have come together and said these are the core ones, but it's really most significant for our borrowers. We are lending alongside other lenders all the time if not all the time then certainly almost all the time it is it is truly all the time though. We don't want to overburden our borrowers with custom impact data requests if we can help it. The joint impact indicators really help align investors on which metrics to collect, which will help our borrowers more efficiently collect and report data, and give them more bandwidth and resources to actually do the work as opposed to reporting to us. It's a huge step in the right direction as the joint impact indicators.

17:25
All of our loan agreements require annual impact reporting, and our loans are monitored quarterly as well and I'll get into our core monitoring process a little bit later.

17:37
In terms of 1 industry best practice, and IMM is impact Measurement and Management throughout this presentation, one of the really emerging best practices is the operating principles for impact management. The impact principles for shorts are spearheaded at the IFC and launched in 2019. We now have over 100 signatories to the principles. It is essentially an impact investing best practice framework that outlines the practices that all impact investors should adopt if they are impact investors. There's really a set of eight principles that are outlined at the top that go all throughout the investment management lifecycle from impact thesis strategic intent to origination and structuring, portfolio management, monitoring and exit or repayment. The 9th principle requires that an organization publicly disclose their alignment

with the principles, but not only that they actually get regular independent verification of the alignment of their practices with the principles. Calvert Impact Capital does that through a third party verifier and some signatories do the same. Some signatories use their internal audits, some signatories use their external audit firms. It's really another great step in the right direction in terms of transparency and rigor in disclosure. This isn't just a marketing report that some investor puts out that looks beautiful and sounds great, but you can't really back it up. You actually can back up on impact disclosure when you're when you're disclosing your alignment to the operating principles for impact management.

19:25
If you go to the next slide, you can actually see a summary of how our practices aligned to each of the principles. If you go to “calvertimpactcapital.org/IMM”, you'll actually find the full impact disclosure, the full 1520 pages, of how all of our practices align to these principles. You'll also see our third-party verification conducted by a firm called Blue Mark that was done in March 2020. We will be getting verifications done every three years if not every two years and alignment with our strategic plan. You actually you actually I'm able to see all of our practices and read all about our practices and much more detail even than this presentation if you if you go to calvertimpactcapital.org/IMM, and read our full disclosure. It's all there.

20:20
If you go to the next slide, thank you, so I know I promised that's one of the main tools that we use for impact assessment is our impacted diligence scorecard or impact rating system. I promised that I would actually walk through the scorecard itself. So by way of introduction, really the purpose of our scorecard, is to project the expected impact of an investment at the due diligence stage. And by impact, remember our impact is the 5 dimensions, and for us it's also those three different layers-- investor impact, portfolio impact, and community impact. Our scorecard looks at both community impact and portfolio impact, so the impact that our capital has on our borrowers and the impact our capital has on the ground. We exclude the investor impact because that is an organizational impact, and not an outcome of our lending whereas portfolio impact and community impact are impacts or outcomes of our lending. That's really what our due diligence scorecard is trying to capture. It assesses and scores the value we place on the expected impact of that particular loan. All of our loans, 100% of our portfolio is run through our impact score cards. We have an impact score for each and every loan in our portfolio. That helps us further align with the operating principles for impact management numbers three through 6, so it's all about origination and structuring and of course monitoring. It actually also helps us align now with principles seven and eight, which talks about impacted exit and the impact repayments. Really, I mean the main purpose of the scorecard is represented at that bottom graphic, it helps us manage impact throughout the life of every loan that we make -- so from due diligence to reporting, feedback, and follow-up with our borrowers it helps inform our future strategy, and the projection of impact that we want to have in the future as well as communicate the unique value of our capital and report out that impact to our investors.

20:25

By way of an outline of our scorecard, again it's broken into two sections -- one is the portfolio impact, that's represented by portfolio and market impact here as well as community impact. Community impact includes four of the five dimensions of impact that I mentioned before. The Impact Management Project, the IMP has these 5 dimensions. It is What, How much, Who, contribution, and risk -- so actually there's five. All five are represented there, but part of the fifth one is actually also represented in portfolio impact, and if you go on the impact management projects website and learn about the five dimensions, you'll kind of start to really grasp it. The portfolio impact piece, I think is really critical for us because it helps us assess what we call additionality --we might also call investor contribution -- that's represented by that last column there with the handshake. That is really helping us assess the impact that they are hoping our capital will have on our borrowers. What is the value that we're providing to our borrowers both financially as well as non-financially? These are the scorecard and the dimensions in this scorecard were all devised based on industry best practice. The investor contribution metrics are based on a framework called the harmonized framework on additionality. All of the dimensions and community impact were based on metrics from iris plus, and outlined by the five dimensions of impact. Then if we talk about the first 3 columns in portfolio impact, which I've been neglecting that's because there's not really a best practice that exists right now for assessing the impact that alone might have not just on the borrower but on the overall market itself as well as the borrower's position within the market. We've devised a few metrics a few questions to help us assess what is the purpose and the borrower strategy, the availability of financing in the market, as well as how valuable our capital is given the market context. We've customized it to our strategy and based on best practice where it exists. But really we're building best practice where it doesn't. We're hoping that some of these metrics will actually be incorporated into iris plus in the future.

25:05
If we move to the next slide, I'll actually walk through each of the different questions and each of the different metrics which are which are right here. The first section on the top left was what I was just mentioning, there is a several questions about what is the borrower's place in the market -- by market we might mean sector, we might mean geography, we might mean another context. Because our portfolio is global, we've built this scorecard to work for any loan that might come across our desk, and so sometimes the language is a little bit broad and then we have to kind of drill down when we actually start to apply the scorecard to the loan that we're reviewing. The next two pieces on the left is financial additionality or financial contribution as well as non-financial contribution. So again, this is the value that both our capital, and our services, our resources, our staff are providing to our borrowers. Will the borrower be able to obtain similar financing at similar terms, are we providing some sort of flexibility to our borrowers that they wouldn't be able to get elsewhere, is this part of a syndication or are we actively helping our borrowers to bring in additional capital, or are we catalyzing additional capital, is our loan or is another loan contingent on us making a loan that happens a lot of the time? That all encompass the financial contribution, so the financial value that we're providing to a borrower. But there is some squishier, some non-financial value adds that we have as well not just through our loans but again through our staff, our resources, and just the relationship we provide. Are we signaling to the market that this is an investable

opportunity? Are we hoping that by investing maybe in a year, maybe two years, maybe five years, that other lenders will come in because they can see Calvert came in and Calvert stayed in, and Calvert got a financial return, this is clearly an investable opportunity, we're demonstrating that this model can be invested in? That's the first two types of value that our loan sometimes provides, our staff sometimes provide, the signaling and the demonstration value. Then, the third type that we look at on the non-financial contribution side is advisory services. These are the formal advisory services, we don't have a formal technical assistance or a formal advisory service shop, but we are always working with our borrowers to help them better understand -- maybe it's the capital raising side of things, maybe it's how to most efficiently structure of vehicle to get capital in more efficiently and more effectively, maybe it's an Impact Measurement Management, maybe a borrower is newer to Impact Measurement Management and want some assistance with the metrics that they should collect so on and so forth. That's another huge value that we definitely provide to a good amount of our borrowers. Then, if you look at community impact which is that second section of our scorecard. It is the 5 dimensions of impact is outlined by the IMP -- what impact are we having, what are the metrics we are collecting, what is the scale or the depth of this particular impact? I'll go into this, how it's represented a little bit later in the next couple of slides. We also ask who are target beneficiary or the target stakeholder, and where they are located? We ask how is the impact occurring? How deep might impact be? -- do they not just collect output metrics which are number of people that sort of thing, but do they collect outcome metrics like number of jobs created. If it's an energy investment, the number of GHG is reduced. If it's even if it's a small business, not just number of jobs created, but wage growth. In sustainable agriculture, that might be agricultural price premiums, so not just our refinancing farmers but are we helping farmers get better premiums for their crops. A whole slew of about metrics can be collected depending on the specific sector that we're looking at. The next two sections are impact risk and ESG policies. So even as an impact investor, we still collect ESG data, we still look at the ESG practices of our borrowers, and so on. On impact risk, we look at four different types of impact risk. The Impact Management Project has defined nine different types of impact risk. These four other ones that we think are most salient for our business, and the ones that have the most readily available data. For ESG policies, we have four questions on this one for now -- does the borrower have an internal ESG policy, do they have formal investment screens whether an ESG screen or an impact screen, do they have a diversity and inclusion policy or practice, and then what is the gender breakdown of both their board of directors and senior leadership. We combine all of these things together, and we ask our borrowers a lot of questions, get the information we need.

30:33
If you go to the next slide, we're able to take all of the different outputs of all of these questions, bucket them together by the dimensions, and then plot them on what's called a spider graph or a radar graph or chart. You can see that market impact is one dimension, and that's represented by the topmost one additionality or contribution, we use them interchangeably for this purpose is, combined together both financial and non-financial and plotted on upper right part of the spider chart and so on and so forth.

30:10
While this is helpful and interesting to see where alone might score from a zero to five, if you go to the next slide, you'll actually see where the real utility is. That's how they an individual loan might score compared to a benchmark. This just shows illustrative data on how the borrower that we're looking at, we call them test borrower, might perform in alignment with their sector benchmarks to say this is affordable housing borrower, so we would plot affordable housing here or their strategy benchmark. Catherine mentioned our build, grow, and sustain portfolio strategy before, so if we're looking at a build borrower, how do they perform in conjunction with the rest of the build portfolio or portion of the portfolio. In terms of their financial benchmark, if they're meeting a certain return, how does that compare with other loans that we've made in the past that are making a similar layer or amount of return. This is where the real utility of our scorecard comes in -- it's a long process from start to finish, but once you get there you have a tool to help you make decisions based on impact that is backed by a robust methodology as opposed to just kind of a gut-check. We've actually used this now, we're coming on three years where we have almost three year worth of data across the entire portfolio. We're using this to garner some really interesting insights not just during decision making, which is really what the tool was primarily built for, but also in portfolio management as well -- how do we want the portfolio to look and did the portfolio score/overall score go down in a certain quarter, and why did it go down, and is it OK that it went down, and if it went up again why. It's really helping us manage the portfolio in a more data-informed way as well at least in terms of impact data.

33:20
If we go to the next slide, I will touch briefly again on that we covered impact thesis, impact assessment, this is now impact monitoring. So the last point that I'll touch on is, by post investment we mean post-closing, so once a loan has closed, it's gone through the due diligence stage, it's been papered, we've signed the loan agreement, we monitor the portfolio in four different ways. Really, it's not just the portfolio, it's our overall impact as well. I'll actually start from the right-hand side here. Monthly looks at some of our loans in our portfolio, most of the loans fit into that next bucket, which is quarterly. We review all of our loans quarterly, individually so loan level reviews as well as overall portfolio monitoring. We also do this for portfolio data, financial data, and impact data, so that last two lines there at the bottom are really important because this is really integrated portfolio monitoring. Now, we've really gone beyond impact just like the four dimensions that Catherine was showing in that little wheel before. Impact is just one of the dimensions that we look at, it is a critical one, it is a main one, but it is still just one and our portfolio monitoring really looks at all four of those dimensions. On an annual basis, we are moving on to the next bucket, we collect data from our borrowers annually, we're right at the beginning of that stage we usually collect borrowers or collect data from our borrowers every summer. We put out our impact report in the fall to oversee you'll see all of the fruits of our summer laborers in the fall when our 2021 impact report comes out. Every three years, we don't just look loan by loan but we'll do a really deep dive into sectors, into different parts of the market, and we'll take a really hard look at the value our capital is having in those particular markets, and we will evaluate whether or not that's the kind of impact that we were expecting to see, and whether we want to continue investing in those

segments of the market or trying to strategically shift our portfolio in another way. Catherine will probably correct me and say that we really do go where the money is needed, and that is absolutely true -- we don't necessarily direct, I mean we do direct our own investments, but we let the market talk to us. We let the markets say this is where capital is needed, this is where the traditional capital markets are not allocating capital, and so this is really where Calvert Impact Capital is the most valuable. The real opportunity where we do that deep dive is in these three-year strategic reviews. That's essentially it -- that is Impact Measurement and Management from top to bottom, from due diligence all the way to monitoring. We really hope that this presentation has been helpful in informing not just to Calvert Impact Capital is and how we measure and manage impact of our portfolio, but some of the best practices that you all can look into and research a little further on our website as well as some of the other websites I mentioned and see if you can bring them into your own firms as well.

Thank you.

Thank you.