Towards 100% Impact

2023 Impact Investing Report
Data as of December 31, 2023

Fondation McConnell Foundation

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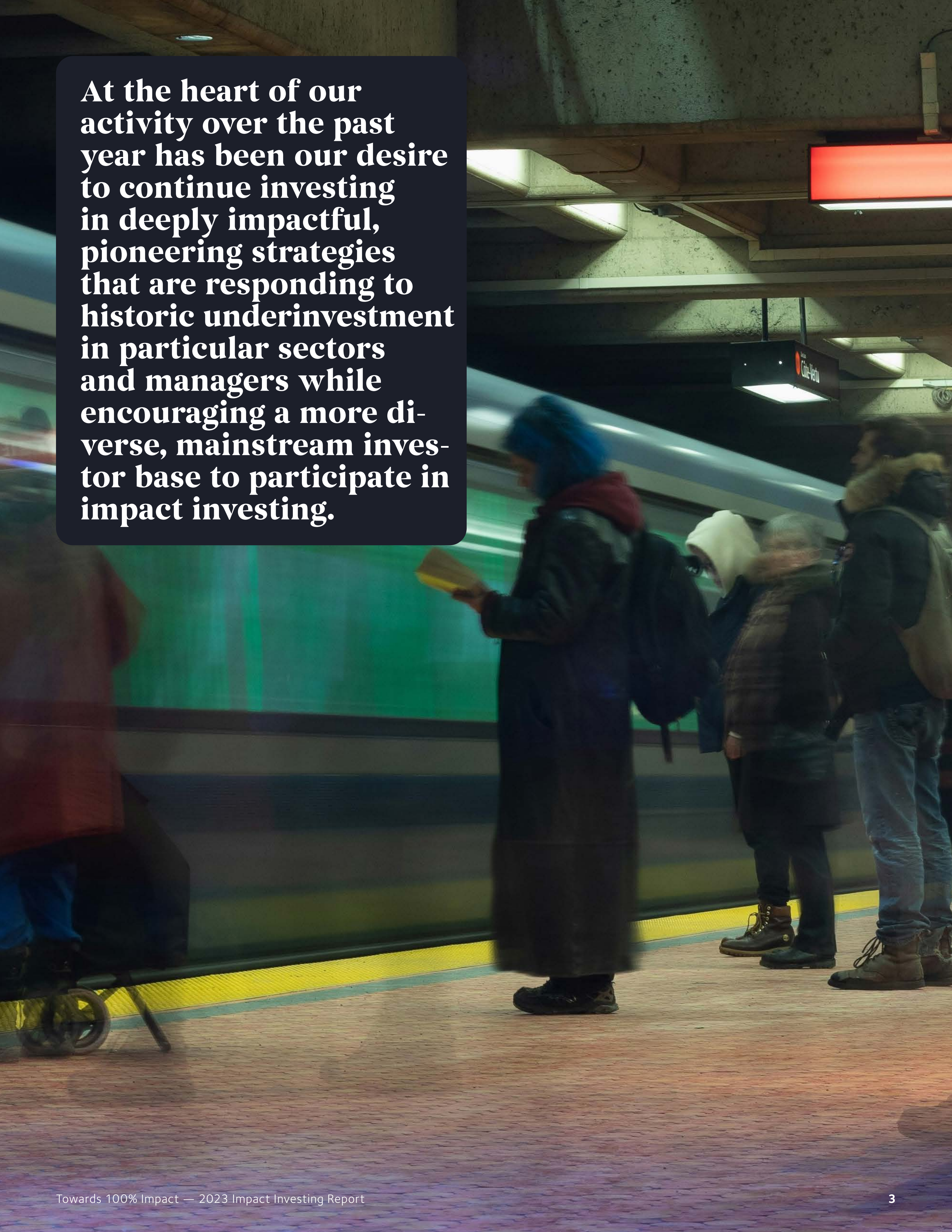


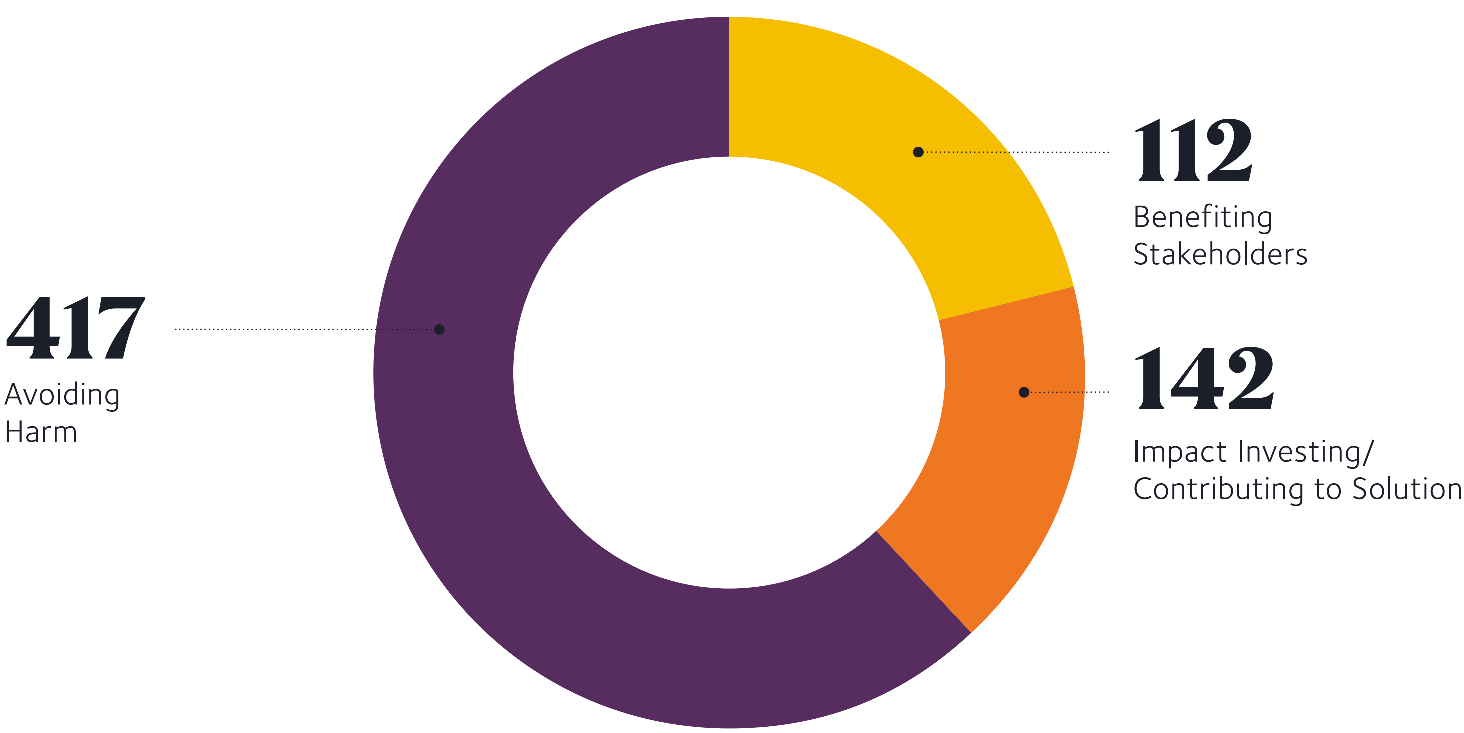
At the heart of our activity over the past year has been our desire to continue investing in deeply impactful, pioneering strategies that are responding to historic underinvestment in particular sectors and managers while encouraging a more diverse, mainstream investor base to participate in impact investing.

Executive Summary - Steady Progress, Continuous Learning, and Persistent Partnership: Year 1 of our 100% Impact Journey

Last year marked the first full year of our new investment strategy and commitment to build a 100% impact investment portfolio by 2028. It was characterized by slow but steady progress as we embarked on a five-year journey, which has so far been marked by continuous learning and growth for all stakeholders — internal and external alike.

We made strides towards our 100% impact goal in 2023 via two new investments: our first gender-lens investment into a female-led, Canadian fund manager called Cross-Border Impact Ventures and a commitment to Bridges' Sustainable Growth Fund. We are increasingly aware that this 100% impact journey will require constant education and awareness-building as we navigate various perceptions of, and at times misconceptions about, what is achievable when impact is placed at the heart of investment decision-making.

Foundation Total Assets
(Based on market value in million CAD as of Dec 31, 2023)



When we made the 100% commitment at the end of 2022, we knew we had an uphill climb ahead. The next year was about laying the groundwork for our future success: implementing our new due diligence tools and processes, enhancing our approach to impact management, continuing our divestment journey, and starting the implementation of our Net Zero Action Plan

Our Progress in 2023

When we made the 100% commitment at the end of 2022, we knew we had an uphill climb ahead. The next year was about laying the groundwork for our future success: implementing our new due diligence tools and processes, enhancing our approach to impact management via completion of the **Impact Frontiers Cohort Program**, continuing our **divestment journey,** and starting the implementation of our Net Zero Action Plan via an in-depth assessment of our financed emissions against our 2020 baseline. While our portfolio stood at 21% impact investments as of December 2023, we remain confident that we can meet our 100% target by 2028 as we look to make larger allocations and address necessary changes in significant asset classes within our portfolio.

At the heart of our activity over the past year has been our desire to continue investing in deeply impactful, pioneering strategies that are responding to historic underinvestment in particular sectors and managers while encouraging a more diverse, mainstream investor base to participate in impact investing.

In recent years, significant progress has been made at the market level to respond to the systemic underinvestment in women and girls and female-led fund managers. However, when we looked at our own portfolio, there was a noticeable gap that we began to address in 2023. We made our first gender-lens investment into the underinvested area of women and children's health tech, and we are advancing our approach to racial equity investment, intent on committing more capital to historically underrepresented asset managers over the coming years.

Net Zero Carbon Commitment: Assessing Our Financed Emissions

We have also continued to experience the balancing act that comes alongside dual commitments to achieving a 100% impact portfolio and net-zero carbon emissions. Achieving net-zero carbon emissions is a core part of our investment strategy and 100% impact commitment. These two objectives can be mutually reinforcing, but there can also be tensions: for example, when considering the extent of the housing affordability crisis in Canada, how can we invest to increase the supply of both green *and* affordable homes? In 2023, we partnered with five Montreal-based foundations to launch a green, affordable real estate initiative called Amplifier, which is demonstrating the power of collaborative action to contribute to positive social and environmental outcomes at a local level.

From a reporting standpoint, we have introduced a Net Zero Update section to this annual impact report where we dive into our financed emissions with a focus on attribution analysis: what specific factors are driving our portfolio emissions reductions and what implications does this have for portfolio management, engagement, and future capital allocation?

Building the Ecosystem in Partnership

As ever, our objective to help build the Canadian impact investing ecosystem is only achievable when partnership and collaboration are at the centre of our approach.

Within Canada, the formal launch of the social finance fund wholesalers will help fuel the development of the Canadian impact investing market. We look forward to working with each of the three wholesalers over the coming years to further our collective impact objectives of contributing to building a thriving Canadian impact investing ecosystem.

The emphasis of our work is increasingly about how we can contribute to eliminating barriers to impact investing across capital markets, not just within our philanthropic peer community. What are the key obstacles to mainstream institutions doing more of this, and how can McConnell, as a foundation, help unlock more capital for impact?

To this end, in 2023 we participated in several market-wide ecosystem building efforts, including ideating and subsequently launching the Towards Accelerator in partnership with SVX and partnering with the Trottier Family Foundation to start crafting a plan for how we pool more Canadian institutional investor capital for impact investment as a follow-on to the successful ESG Championships in 2022.

Internationally, we have been inspired by the leadership, progress, and diversity of mainstream institutional investors now committing more capital to impact investing. We are hopeful that Canadian institutions are just around the corner; we have been encouraged by our participation in the Canadian Impact Investment Working Group led by Fondaction and the findings in their **recently launched report**, which calls for the tripling of impact investing in Canada by 2030.

What's Next

So, what's next? In 2024, we are making bigger, bolder investments, allocating more capital as we steadily work towards our total impact portfolio goal, always in collaboration with others. We are also excited to have increased our Program Related Investment (PRI) allocation from 5% to 7% of our endowment, ensuring we have an additional $13 million to commit to deeply impactful and innovative emerging managers and initiatives.

Our goal is to widen the tent of investors realizing not just the potential but also the necessity for capital to contribute to positive social and environmental impact as well as generating competitive financial returns. We continue to learn an enormous amount from others, but promisingly, we also have an increasing amount that we can share about our own experience and performance across both financial and impact indicators. Thankfully, we are seeing progress and success on both fronts within our own portfolio, and as always, we extend an open invitation to join us as we continue our journey towards 100% impact.

Wren Laing, Investment Director
Edmund Piro, Chief Investment Officer
And the entire investment team: Alexandra Chamberlin, Gilles Hervé Koffi, Andrew Filipek.

Net Zero Action Plan

Background

As part of our investment strategy, in early 2023, we announced our commitment to reach net-zero greenhouse gas emissions (GHG) emissions for our investment portfolio by 2050 or sooner. We then developed a **Climate Action Plan**, which we shared publicly in June 2023. Within this action plan, we committed to divest our portfolio of all companies that derive at least 10% of their revenues from fossil fuels (oil, gas, and coal) by the end of 2023. We are also committed to publishing an annual emissions update. With the help of ZFolio and Clariti, we computed our Financed Emissions as of December 31, 2023. Emissions accounting methodologies have improved significantly since we computed our baseline in 2020, so we have also recalculated our 2020 baseline to more accurately assess our trajectory.

Outputs & Outcomes

Between 2020 and 2023, on an absolute basis, our Financed Emissions (scopes 1 and 2) decreased from 49,427 tCO2e to 27,883 tCO2e, or a decrease of 44%. From an emissions intensity perspective, our investment portfolio went from 72.1 tCO2e per million dollars of asset under management (AUM) in 2020 to 42.4 tCO2e per million CAD of AUM in 2023, or a decrease of 41%.

This first-level output means that we are ahead of our intermediate 2025 milestone.

Financed Emissions – McConnell Foundation Impact Portfolio

Financed Emissions Scope 1 & Scope 2[1]	Absolute Financed Emissions in tCO2e		Financed Emissions Intensity in tCO2 per Million CAD of AUM		Per Annum Reduction		Emission Reduction Target vs 2020 Baseline	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
2020	-	49,427	-	72.1[2]	-		-	-
2023	**39,757[3]**	**27,883**	**58.0[4]**	**42.4**	**-7%**	**-16%**	-	41%
2025	31,633	-	36.7[5]	-	-7%	-	36%	-
2030	19,771	-	29.5	-	-5%	-	60%	-
2050 or sooner	0	-	0	-	TBD	-	100%	-

1. Between 2020 and 2023, we retained the same coverage of the portfolio (3% of assets were not calculated—see Learnings below), and we were able to increase our data quality score from 2.83 to 3.03.

2. Attentive readers may have noticed that this figure is lower than the one we shared in 2023. This updated 2020 Financed Emissions intensity figure is computed using up-to-date methodology.

3. Target set as a 7% annual reduction on our re-calculated 2020 baseline (49,427 tCO2e).

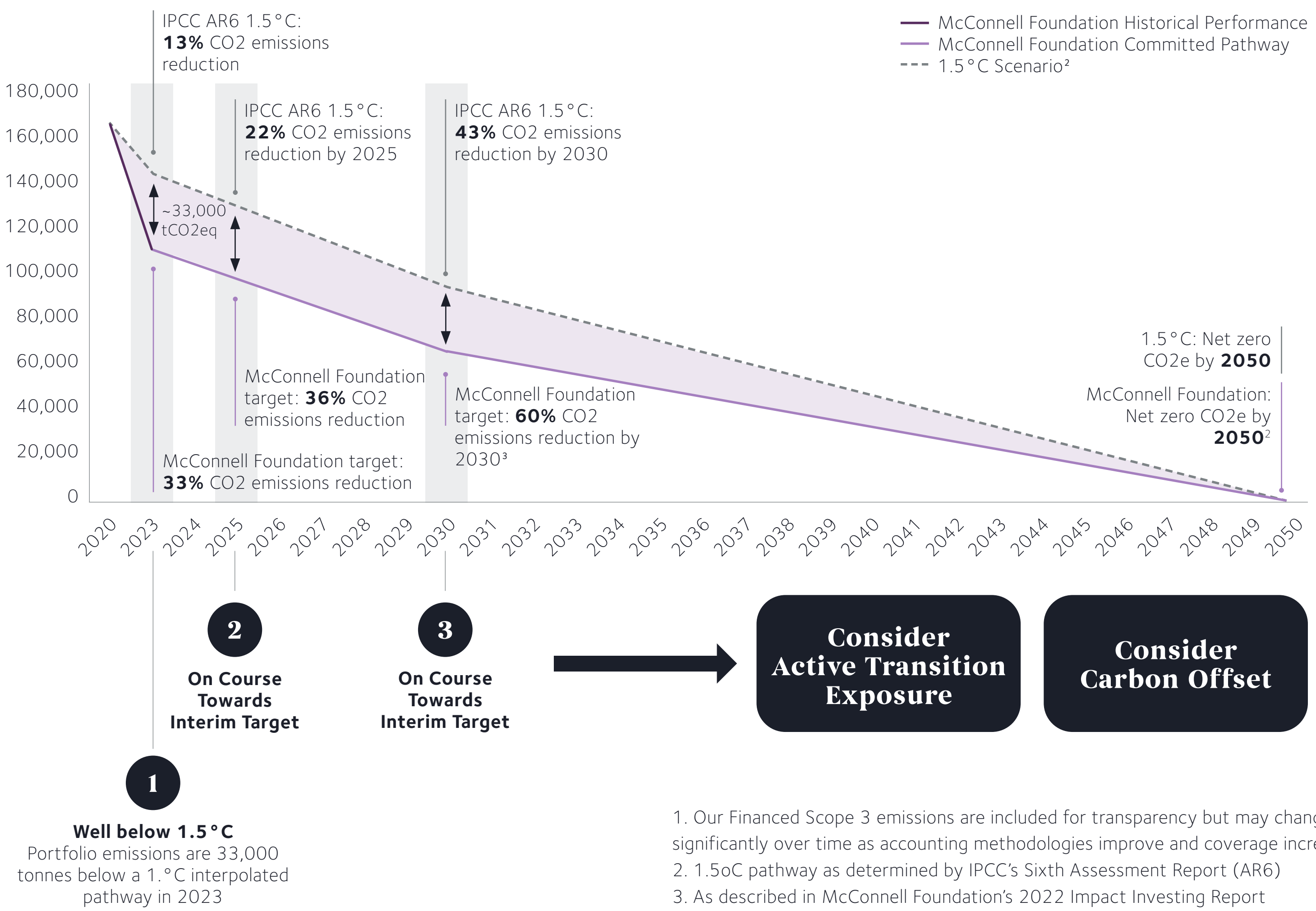
4. Target set as a 7% annual reduction on our re-calculated 2020 intensity baseline (72.1 tCO2e/M$ AUM).

5. 2024 updated target based on 2023 performance.

The graph below plots our overall portfolio progress towards net-zero financed emissions from 2020 to 2023 and interpolates what our net zero pathway may look like. We acknowledge it is unlikely we will follow a linear pathway to net zero and that even baseline numbers may change as accounting methodologies get more precise.

Interpolation of 1.5°C Pathway

McConnell Foundation – Overall portfolio emissions (Scope 1, 2 and 3[1]) in tCO2e over time



1. Our Financed Scope 3 emissions are included for transparency but may change significantly over time as accounting methodologies improve and coverage increases
2. 1.5oC pathway as determined by IPCC's Sixth Assessment Report (AR6)
3. As described in McConnell Foundation's 2022 Impact Investing Report

Key Drivers of Reductions in Emissions: Attribution Analysis

Once we knew that we were ahead of our absolute and intensity targets, we sought to understand why and how it happened. In this attribution analysis, we looked at what specific factors are driving our portfolio emissions reductions and what implications this has for portfolio management, engagement, and future capital allocation.

Overall, the most significant factor, contributing to 90% of the decrease of our financed emissions, is changes in manager selection between 2020 and 2023, as part of our fossil fuel divestment commitment. Though this can be seen as a market signal, changes in manager selection rarely result in reductions in real-world emissions. The allocation decision of our fund managers over the three-year period resulted in a slight increase in real-world emissions: +635 tCO2e vis-à-vis 2020. This means that we can further engage with our fund managers.

We estimate that 1,444 tCO2e, or roughly 7%, of our financed emissions reduction can be attributed to a real-world emissions reduction by c. 35 publicly listed companies reducing their emissions per unit of revenue. Though we had a limited role in it, moving forward, we will seek to increase this proportion.

Attribution Analysis – McConnell Foundation's Financed Emissions Change 2020–2023

McConnell Foundation Changes in Financed Emissions	Absolute Emissions (tCO2e)	Emissions Intensity (tCO2e/$M AUM)
Totals (2020)	**49,427**	**72.1**
Fund Size	-1,173	
McConnell Manager Allocation	-19,559	-28.5
Fund Manager Weighting	635	0.9
Company Reductions / $ Revenue	-1,444	-2.11
Other Changes*	-4	-0.01
Totals (2023)	**27,883**	**42.4**

*Change in Company Financial Efficiency or change in estimation method

What's Next?
Aligned with our commitments under the **Climate Action Plan**, we will consider setting sector-level targets for emissions reduction in our portfolio by 2025 and look at achieving net zero before 2050. In addition, we will seek to align our targets and reporting on the Science-Based Target Initiative (SBTi) now that the SBTi guidance is more established. This will include setting targets and reporting not only on our financed emissions but also on our net zero–aligned financial flows and their degree of alignment[1]. We look forward to receiving more industry guidance to improve the robustness of reporting Scope 3 of our Financed Emissions.

We will keep working on our **remaining 1% of assets linked to fossil fuels** locked in private funds.

We are also working on a net-zero plan for our operations, where emissions mostly consist of our office space and employee travel.

We are currently assessing what risks and opportunities regarding a Just Transition exist, sector by sector, and asset class per asset class, to inform a strategy that weaves Just Transition principles into our Climate Action Plan and overarching 100% impact investment strategy. We welcome thought-partners on this initiative.

1. Table: Defining 1.5°C alignment using a maturity scale

	Not aligned	1.5°C Transition		Net Zero aligned
		1.5°C aligned ambition	**1.5°C aligned performance**	**Achieved 1.5°C end state**
Entity (unknown use of proceeds)	Financial flows linked to entities in the real economy that have no clear 1.5°C ambition.	Financial flows linked to entities that are covered by a clear 1.5°C aligned ambition (e.g., companies with credible 1.5°C aligned targets, or 1.5°C implied temperature rise score using credible methodologies).	Financial flows linked to entities that are demonstrating alignment to 1.5°pathways (e.g., companies demonstrating credible decarbonization in line with 1.5°C pathways).	Financial flows linked to entities operating at a performance level consistent with a net-zero end-state (e.g., companies who have achieved a state of net zero).
Activity (known use of proceeds)	Financial flows linked to activities that are not consistent with 1.5°C goals (e.g., fossil fuel exploration activities).	Financial flows linked to activities in the real economy that are covered by publicly available, credible transition plans or phaseout plans in line with 1.5°C pathways.	Financial flows linked to activities that are demonstrating transition or phaseout in line with 1.5°C pathways.	Financial flows linked to activities which are regarded as net zero–aligned under credible frameworks (e.g., climate taxonomies).

Impact Goals

Impact Investing Thesis

We seek to build a thriving impact investing ecosystem in Canada, accelerating the shift to an impact-first economy where all investments contribute to the creation of a resilient, inclusive and sustainable society that can successfully address its complex challenges.

Currently, the Foundation seeks to invest through impact investing intermediaries to achieve the following mission-level impact goals:

1 Scale impact

Scale impact (across a range of domains and sectors) that aligns with our mission or focus areas. Examples of investments that are enabling this goal are private equity funds investing in for-profit social enterprises so they can grow and deliver more products and services, or funds that are increasing the number of affordable housing units available in the market.

2 Strengthen the capacity of the community sector

Strengthen the capacity of the community sector by enabling new forms of financing for charities, non-profits and social enterprises so that they can scale their activities and amplify the positive impact they have in their communities.

3 Build and influence the market

Build and influence the market through financial innovation and by shifting corporate and institutional behaviour. This is achieved by investing to test a new financial mechanism in the private markets, or in the public markets, by investing in managers with strong shareholder engagement that may lead to impactful change of corporate—and industry—behaviour.

Our investment strategy is aligned with both the overarching mission-level impact goals above, and our three focus areas, each with their own distinct impact goals, which contribute towards our overarching thesis.

Focus Area Impact Goals

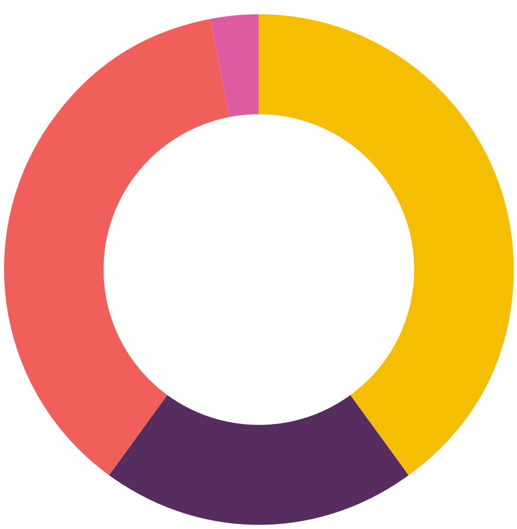
Investing in our Focus Areas

In addition to our broader, portfolio-level impact thesis and goals, in 2022 we added impact goals aimed at advancing our three focus areas of communities, reconciliation and climate. These focus area-level impact goals are most relevant to our Program Related Investments (PRIs), whereas our Mission Related Investment (MRI) portfolio is more broadly tied to the mission-level impact investing goals above. By combining our investment capital with our philanthropic funding, we hope to activate exponential impact on issues of generational importance that are impacting communities across the country.

2023 Focus Area Portfolio Breakdown

Our objective is to align all our investments with our mission over the coming five years. Not every investment will directly align with our three focus areas, as the current breadth of opportunity set is too limited. We hope to increase the number of focus area–aligned investments strategically over time.

Impact Investments by Focus Area (Committed)



39.82% Climate
19.98% Mission
37.17% Communities
3.03% Reconciliation

Communities

We will scale investments into funds that support community resilience as well as communities facing systemic barriers to social and economic justice, with a focus on innovative, equitable and inclusive community financing and affordable housing.

Reconciliation

We will support the emergence and growth of Indigenous-designed and led financial innovations that advance a reconciliation economy. We want to use the experience we have gained through our philanthropic reconciliation activities to seed innovative investment approaches and to bring together new partnerships and pools of capital to support Indigenous-led impact initiatives.

Climate

We will galvanize public and private investor action to accelerate the equitable transition to a net-zero carbon economy. We want to support best-in-class impact fund managers to scale their funds and to encourage mainstream investors to move towards deeper impact, starting with our own endowment which will achieve net-zero carbon emissions by 2050 at the latest.

Impact Performance

Impact Ratings

To help us better understand the performance of both current and prospective investments against our impact goals, we introduced an impact ratings tool in last year's report, which has been helping us more systematically assess relative impact and financial performance against expectations. The impact ratings start with our impact goals and provide detailed ratings criteria, assessment, and weightings so that each investment generates an expected impact score.

There are three components to our ratings system:

1. Impact outcomes, which are assessed using the five dimensions of impact (What, Who, How Much, Contribution, Risk).
2. Impact risks using the Impact Management Project's nine types of impact risk which differentiate between risk of positive impact not happening and negative impact occurring.
3. Impact management practices.

Our ratings system will continue to be refined over the years to come, and we welcome feedback as our approach matures.

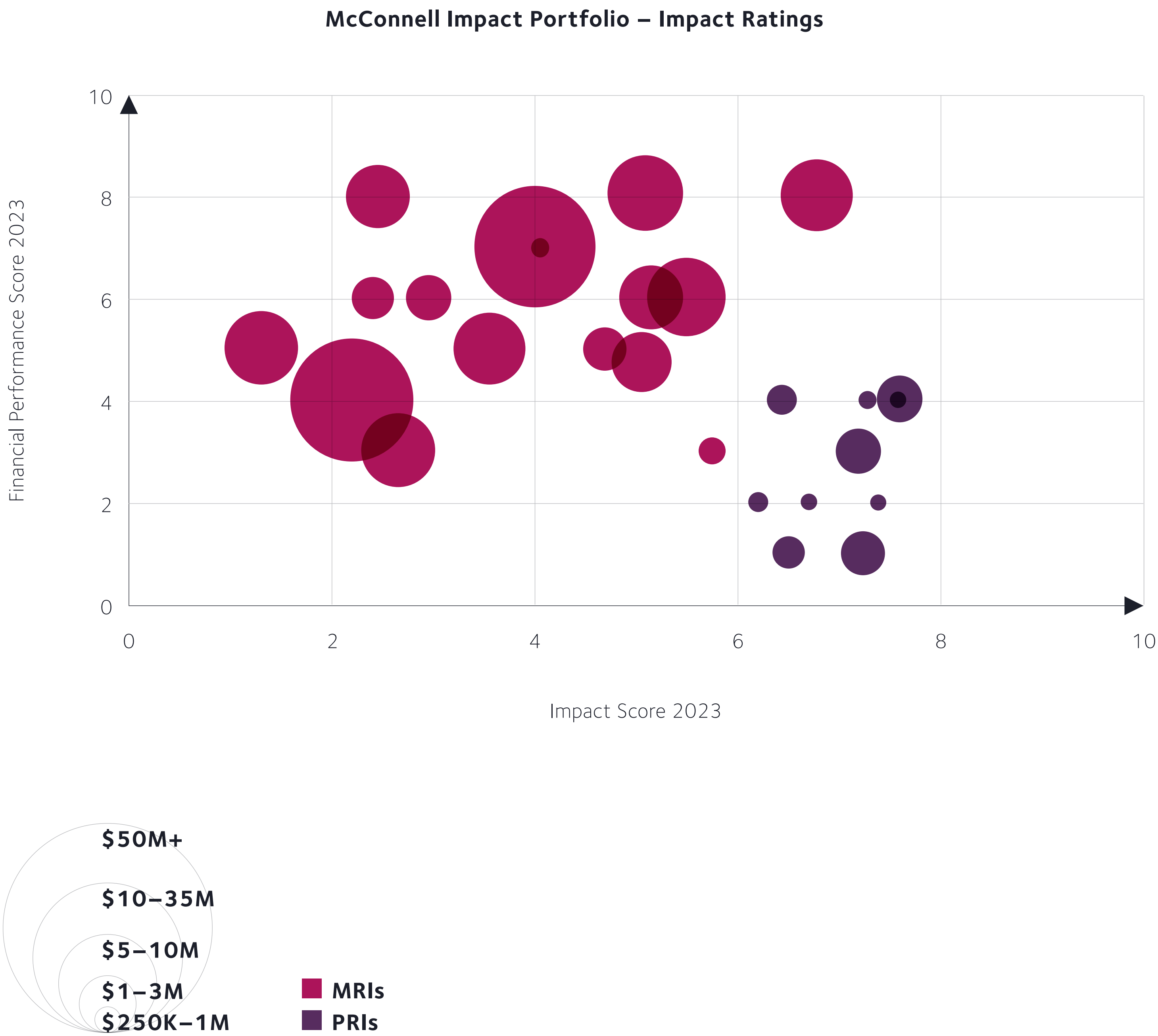
Impact Frontier's 9 Types of Impact Risk

1. Evidence risk: The probability that insufficient high-quality data exists to know what impact is occurring
2. External risk: The probability that external factors disrupt our ability to deliver the impact
3. Stakeholder participation risk: The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account
4. Drop-off risk: The probability that positive impact does not endure and/or that negative impact is no longer mitigated
5. Efficiency risk: The probability that the impact could have been achieved with fewer resources or at a lower cost
6. Execution risk: The probability that the activities are not delivered as planned and not result in the desired outcomes
7. Alignment risk: The probability that impact is not locked into the enterprise model
8. Endurance risk: The probability that the required activities are not delivered for a long enough period
9. Unexpected impact risk: The probability that significant unexpected positive and/or negative impact is experienced by people and the planet

Source: Impact Management Project
https://impactfrontiers.org/norms/five-dimensions-of-impact/impact-risk/

Plotting our portfolio according to projected impact and financial performance
To visualize our portfolio's expected performance, we have plotted our investments on a scatterplot. Each investment is placed according to their financial risk and return performance as well as their impact score. The size of the bubbles indicates the size of McConnell's investment, with purple representing PRIs and pink representing MRIs. We aim to compare expected impact and financial performance with realized performance as investments mature.

McConnell Portfolio: Integrated Performance 2023



Aggregated KPIs and McConnell-level Targets

Last year, we refreshed our approach to KPI reporting and instead of simply aggregating and summarizing data provided by our managers at the portfolio level, we introduced impact targets, which aim to show how the KPIs we report on align with McConnell's three focus areas of reconciliation, communities, and climate change, alongside our mission-level impact investing thesis. We have further refined these portfolio-level targets this year, the climate focus area KPIs in particular, which now draw on our more detailed carbon emissions assessment completed at the McConnell portfolio level for 2023.

We continue to see the importance of setting and tracking targets in order to have a North Star in mind, recognizing that without this, it is difficult to assess whether our impact performance has been satisfactory or not. As an indirect investor investing primarily in fund managers, our ability to set targets is largely dependent on our managers doing the same. We have seen improvements over the past year, with more managers setting fund-level impact targets. The output below is a second iteration of McConnell's impact targets; we expect to continue to add to and refine them further over the coming years, and we will continue to work with fund managers on setting their own concrete targets so that we, in turn, can more comprehensively do the same.

McConnell Foundation: Aggregated and Target KPIs

	Current	McConnell Target Contribution (by 2030)
Reconciliation		
1. Number of companies led by Indigenous entrepreneurs (2 investees)	14	25
2. Investments benefiting Indigenous communities (McConnell portfolio level in M $CAD)	10.6	45
Communities		
Affordable homes, inclusive communities		
1. Number of units	9207	9867
2. Proportion of affordable units at 80% of AMI or below	53%	100%
Support for social enterprises		
1. Number of social enterprises invested in	257	350
2. % of investees that are social enterprises	45%	60%
Climate*		
Absolute annual GHG emissions in t CO2eq (Scopes 1 & 2)	7198	19771
GHG emissions intensity in tCO2e /M$ invested (Scopes 1 & 2)	55	29.5
% GHG emissions intensity change 2020 vs 2023	3%	-60%
1. Cumulative amount invested in renewable energy	30	150
2. Annual emissions avoided (tCO2e)[1]	231,486	300,000
3. Cumulative energy saving (Kwh)	367,802	Target to be set in 2025
Mission: Accelerating the Shift & Building the Market		
1. Proportion MRI portfolio invested into Canadian Fund Managers	65%	35%
2. Proportion of PRI portfolio invested into Canadian Fund Managers	100%	100%
3. Amount of capital invested for impact** in CAD $	$204M	$1BN
4. Co-investment match on our investment (PRIs)	1:7	1:10
5. Number of ecosystem building initiatives we have facilitated or participated in***	4	12

*2030 target for climate KPIs concern the entire portfolio, which would be impact by then.

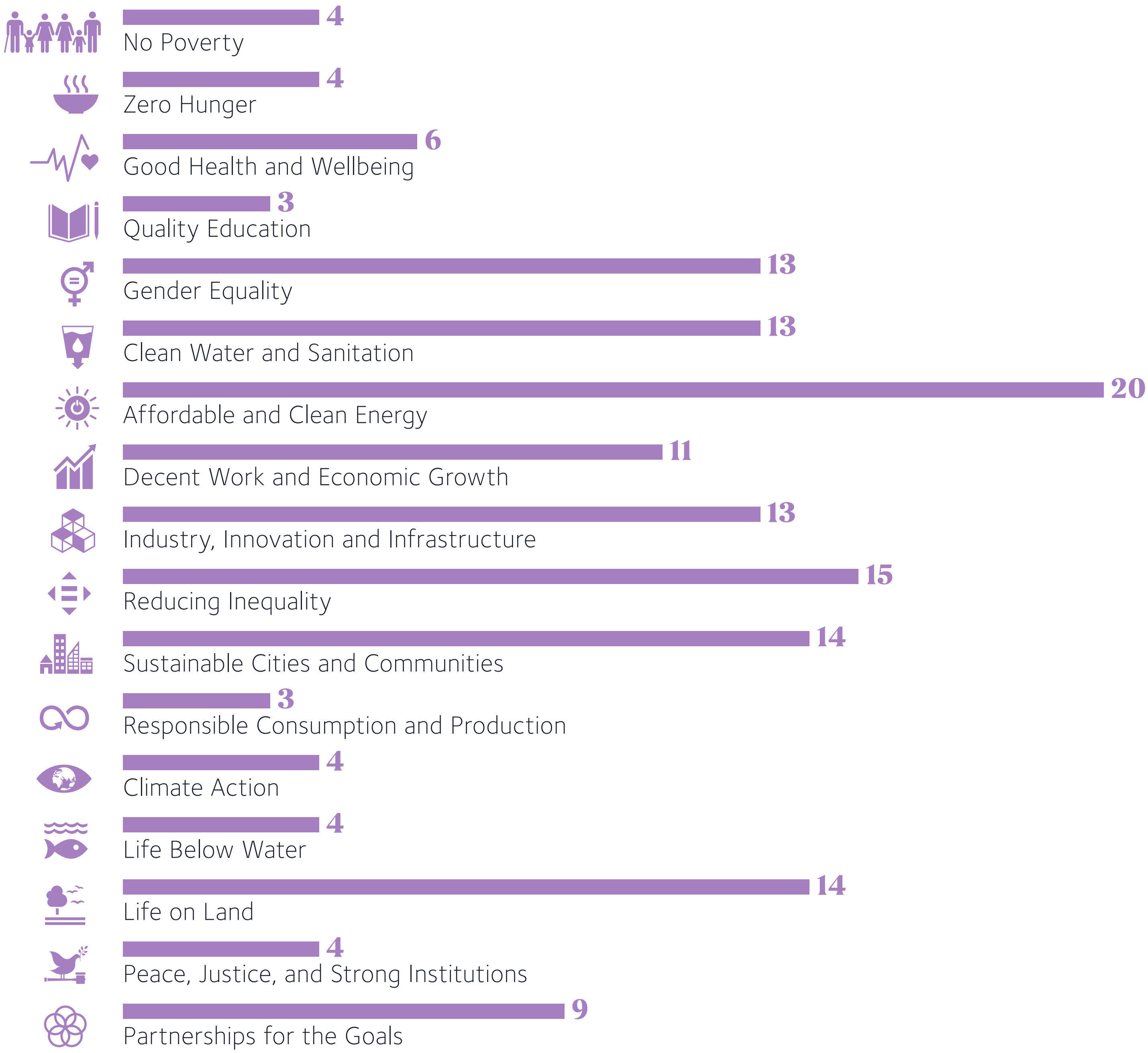
**Total invested for impact to date, includes exited investments.

*** Post-Impact Investment strategy launch. This figure does not take into account historic impact investing initiatives.

1. In the 2022 Impact Report we reported in millions of tCO2e, we have revised our metrics to report in tCO2e.

Contribution to the United Nations Sustainable Development Goals (SDGs)

Total number of investees contributing to SDGs



Impact Stories

Decarbonizing the built environment via private equity and real estate: Bridges Fund Management's strategies resonate with institutional investors

Bridges Fund Management is a UK-based private markets fund manager that invests exclusively in the transition to a more sustainable and inclusive economy across a number of complementary investment strategies.

> "All investments have an impact," says Olivia Prentice, head of impact, Bridges Fund Management. "We really focus on looking at the outcomes of each investment, identifying which are most material to the planet or the people experiencing them, and then work to improve those outcomes. When we get to a level of performance that is suitable for people or planet, we can say that performance is sustainable."

One of Bridges' key investment themes is the decarbonization of the built environment. The ecological imperative is clear: since buildings and construction currently account for about 40% of our global carbon footprint, it will be impossible to achieve net zero without significantly reducing emissions from this sector. Bridges looks to tackle this challenge primarily through its real estate and private equity impact strategies.

Starting in 2009, Bridges' specialist real estate team began investing in sustainable new-build developments and retrofits, aiming to minimize carbon from production to operations, while also supporting better social outcomes, such as local employment, much-needed housing, and assisted living for seniors.

The expertise Bridges has acquired in this area has also enabled its private equity team to invest in innovative European growth companies that are supporting the transition to net zero.

For example, in 2022, Bridges invested in EVORA Global, a UK-based ESG advisory business that works with real estate investors around the globe to help them better manage, mitigate, and report on their carbon footprint. EVORA's combination of technology (including its proprietary system SIERA), regulatory expertise, and human insight helps investors make sense of their ESG data and use that understanding to reduce their emissions.

Since EVORA is already advising over 150 real estate investors with combined assets under management of more than $1 trillion, Bridges sees this investment as a compelling opportunity to reduce emissions beyond its own direct real estate investments and to drive positive change across the real estate sector.

For Bridges, this investment highlights the importance of being able to tackle complex challenges like decarbonization via multiple private markets strategies and underlines why it is keen to partner with progressive, like-minded investors who are also able to take a multi-strategy approach.

This strategy enabled Bridges to raise capital from insurers and new institutional investors plans, some participating in impact funds for the first time in UK history.

Alongside Bridges Fund Management in the UK context, we at the McConnell Foundation believe that the Canadian savers of today would welcome the ability to use at least a portion of their pension capital to be invested in sustainable and impact strategies that deliver both attractive financial returns and social and environmental benefits, with the ultimate goal of contributing to an inclusive and sustainable Canada when they retire.

Delivering on maternal health: Cross-Border Impact Ventures is improving the lives of women and children while generating competitive investment returns

Cross-Border Impact Ventures (CBIV) is transforming venture capital investing with their focus on scalable health-care technology solutions that generate not only competitive returns for investors, but also substantial social impact. A Toronto-based, independent, women-led fund, CBIV is the biggest women- and child-focused health fund in the world at the venture stage, with their first fund primarily supporting maternal care and sexual and reproductive products.

> "We realized that in a lot of cases, the technologies we're using for gynecological and maternal care were either developed on men or developed in the 1800s, and they are pretty low quality," says Annie Thériault, managing partner of CBIV. "What we're doing with this fund is looking for newer, better tools that involve less pain, have better health outcomes, and allow for detection of disease more cheaply and earlier in the progression."

CBIV is making a difference across global markets by investing in founders scaling products not just for North America and Europe, but also for low- and middle-income countries where health disparities are wider.

CBIV was started in 2019 by a team with backgrounds in traditional investing and a passion for making change. They started fundraising in early 2020 and closed in 2023, ultimately raising over $90 million USD for the strategy.

As a first-time fund, the early days of COVID saw CBIV unable to have in-person meetings and working hard to get the attention of investors in a saturated market with constantly shifting priorities. They were also dealing with the reality that women-led firms are still underrepresented in the industry, with women representing just 19% of VC investment partners, with a fraction of firms being independent or women-owned.

Despite these challenges, CBIV powered through by fostering strong virtual communications with their investors and focusing on their tight thesis of scalable health tech. With the closing of their first fund, CBIV is delivering on the promises they made to investors when they started. CBIV has made seven investments in the fund to-date, supporting innovations such as: a medical device to improve the lives of women with pelvic floor disorders, a non-invasive medical device to deliver healthy babies and prevent unnecessary caesarean sections, and an artificial intelligence–based fetal ultrasound software to analyze and diagnose fetal birth defects and pregnancy complications.

"When we win, we win in multiple ways," says Annie. "For example, when we look at one of our most recent exits, with the ultrasound technology Sonio, winning there means mothers have access to much more accurate ultrasound scans. So, we're able to improve the lives of women and children while delivering financial returns for investors."

With several other investments in the fund, and three more expected, CBIV is already changing the lives of women and children around the world. They've received several awards for their work — including "Best ESG Fund: Impact" at the ESG AAA US Awards 2023, Emerging Impact Manager from Impact Assets for four years in a row, and Best HealthTech Investment Company 2024 at the Wealth & Finance Ethical Finance Awards.

CBIV expects to launch its second fund in 2025. McConnell is proud to support this ambitious team as they make significant headway into the underinvested area of women and children's health tech. We are excited to learn from CBIV as we continue on our own gender-conscious investment journey.

Impact Learnings

Net-Zero Carbon Action Plan

In addition to being one year into our 100% impact commitment, 2023 also marked the first year of our Net Zero Carbon Action Plan. We have five key lessons from our experience so far, with many more to come:

1. **Success in decarbonizing a portfolio may not lead to decarbonizing the real economy, and we firmly believe that to achieve actual decarbonization success, it must be based on real economy emissions reduction:** as pleased as we are regarding the actual decarbonization of our portfolio, realizing that only 7% of it could be attributed to the real-world is a fact we were disappointed by and wish to improve upon over the next few years.

2. **A growing community of net-zero asset owners:** over the past year, we were fortunate to engage with peers such as The Russell Family Foundation and the University Pension Plan on our common struggles along our net-zero journey. We were pleased to see the increased interest in financed emissions and commitments to net zero through our networks: **Confluence Philanthropy**, **Philanthropic Foundations Canada**, **Principles for Responsible Investing**, and **Phenix Capital**. We have contributed through panels and one-on-one discussions to further expand the community committed to net zero.

3. **Aiming to be directionally on track rather than focused on precision:** as carbon accounting is not yet an exact science, we have learned to make informed assumptions to compute our financed emissions. We understand the limitations of our results. We do not expect these to be precise but rather to give us a certain level of confidence in our trajectory, and we will strive to keep improving our accuracy and reporting on it.

4. **Transparency and the appropriate level of disclosure are key elements to show, assess, and report on trajectory**. We have learned, and now recommend to asset owners and asset managers, to report on at least the following key metrics to enable proper assessment of a financed emissions trajectory:

   - Absolute emissions (Scope 1 + Scope 2) in tCO2e
   - Portfolio coverage for scopes 1 & 2 in %
   - Data quality score for scopes 1 & 2 between 0 (worst) and 5 (best)
   - Emissions intensity (scopes 1 & 2) in tCO2e per million $ of assets under management
   - Weighted average carbon intensity (WACI) for scopes 1 and 2 in tCO2e per million $ in sales
   - Scope 3 absolute emissions in tCO2e

5. **Demonstrating alignment between net zero and impact investments is a continuous process:** given that most of our impact investments to date are in private markets, where emissions are usually overestimated (by using public sector proxies), we are working on demonstrating that investing for impact, including in climate solutions, is compatible with our net zero trajectory. We believe it is still possible to build a portfolio that is both net zero–aligned and 100% impact, and we commit to continue sharing our data over the coming years.

Widening the Tent: Understanding the Barriers to Canadian Institutional Investors Committing More Capital to Impact

Our impact investing thesis is to help build a thriving impact investing ecosystem in Canada, accelerating the shift to an impact-first economy where all investments contribute to the creation of a resilient, inclusive, and sustainable society that can successfully address its complex challenges. To do this, impact investing needs to increasingly attract larger institutional investors, including Canada's largest banks and pension plans.

As a participant in the Canadian Impact Investing Working Group, convened by Fondaction and led by Quinn and Partners, we were excited to be part of a leading group of investors seeking to better understand, and address, the barriers to large Canadian institutions committing more capital to impact investing.

> **"Given the systemic issues threatening the financial viability of economic systems, we have to leverage every tool at our disposal. It is in our collective best interests to double down on impact investing and work collaboratively to overcome the barriers that are preventing its growth."**
>
> **—Canadian Impact Investing Working Group research report**

Over the coming year, we are committed to building on the **report's findings and key recommendations**, including that:

1. Leading asset owners are engaging in impact investing, and the mandate to do so is driven by boards, senior leadership, and organizational culture.
2. Asset owners are being pushed by their beneficiaries to re-evaluate investment strategies and redeploy their capital for positive change.
3. Impact investing fits within asset owner fiduciary duty and is seen as a solution for those increasingly looking to address systemic issues.
4. Greater industry alignment on impact investing principles would encourage more asset owners to participate.
5. Canadian impact investing Assets Under Management (AUM) can be unlocked by addressing perceptions of "labelling risk" and demonstrating how impact is a long-term value creator.

The level of engagement in the working group and its findings are encouraging. Our next step is to work with the wider sector to operationalize the recommendations, widening the tent of Canadian investors committing capital to achieving a dual purpose of social and environmental change alongside competitive financial returns.

Recommended Solutions

The working group outlined a comprehensive list of 18 near-term and long-term solutions to advance the impact investing market in Canada forming the basis of a **roadmap** that is structured around five key pillars:

1. Mainstream
Clarify the principles to broaden engagement

2. Develop Product
Increase supply, size and diversification of impact investing opportunities

3. Accelerate Capacity Building
Increase supply, size and diversification of impact investing opportunities

4. Collaborate
Move faster together through cooperation

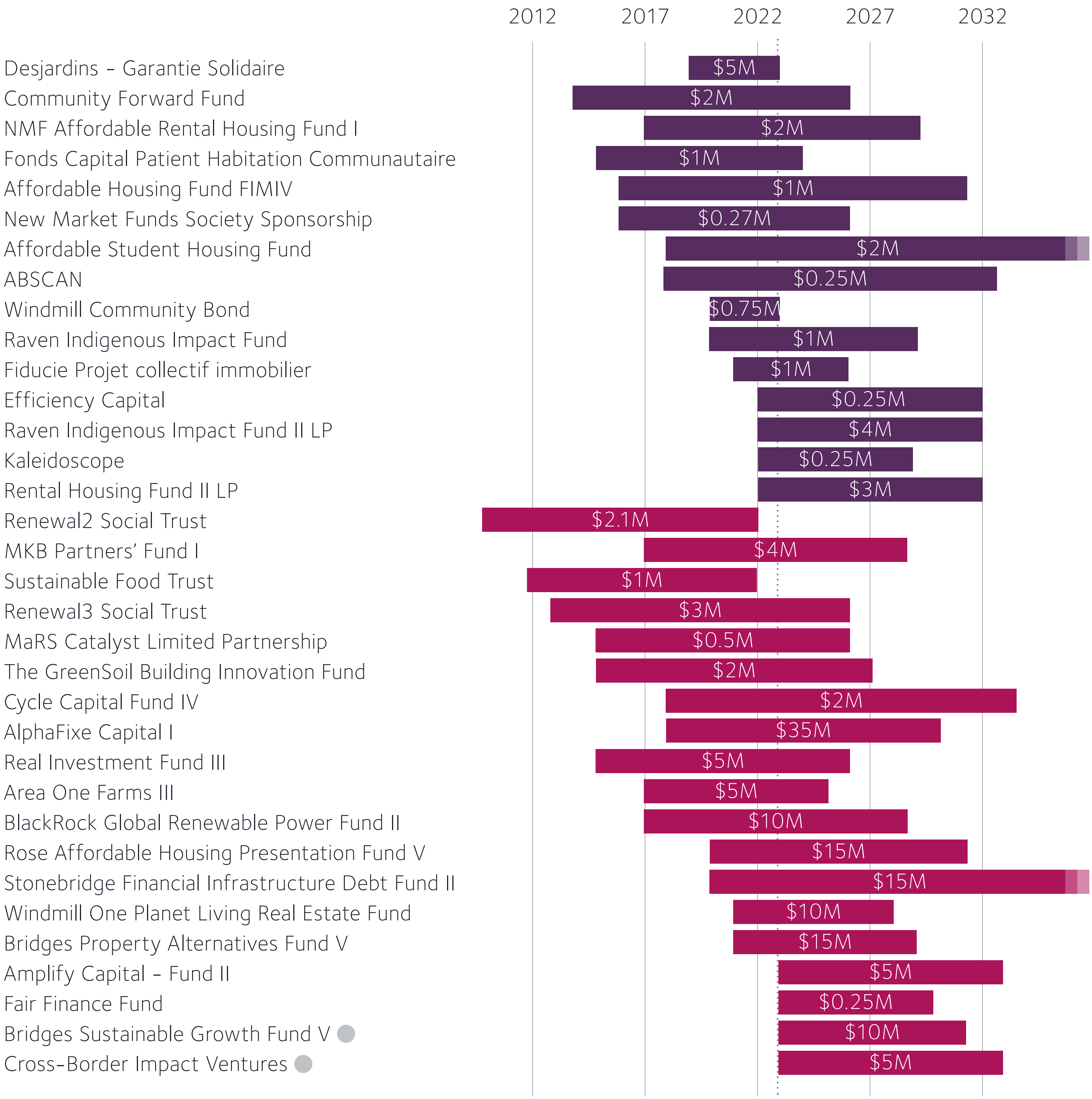
5. Advocate
Demand policy and regulations that will incentivize capital deployment

A Call to Action

Canadian investors are already deploying billions of dollars through impact investing strategies. Momentum is building, and impact investing is expected to continue to grow. Mobilizing asset owner capital will be critical to accelerating the growth of the market and ensuring that more capital is being deployed to intentionally and measurably improve social and environmental outcomes. Given the systemic issues threatening the financial viability of economic systems, we have to leverage every tool at our disposal. It is in our collective best interests to double down on impact investing and work collaboratively to overcome the barriers that are preventing its growth. We encourage asset owners, asset managers, policymakers, governmental decision-makers as well as educational institutions, industry associations and the financial sector as a whole to take ownership of these recommendations and collaborate to implement them, as we believe it will help unlock the potential, scale the impact investing market and generate positive outcomes for people and the planet.

Portfolio Overview and Impact Investment Profiles

Active Portfolio



New or additional investments in 2023

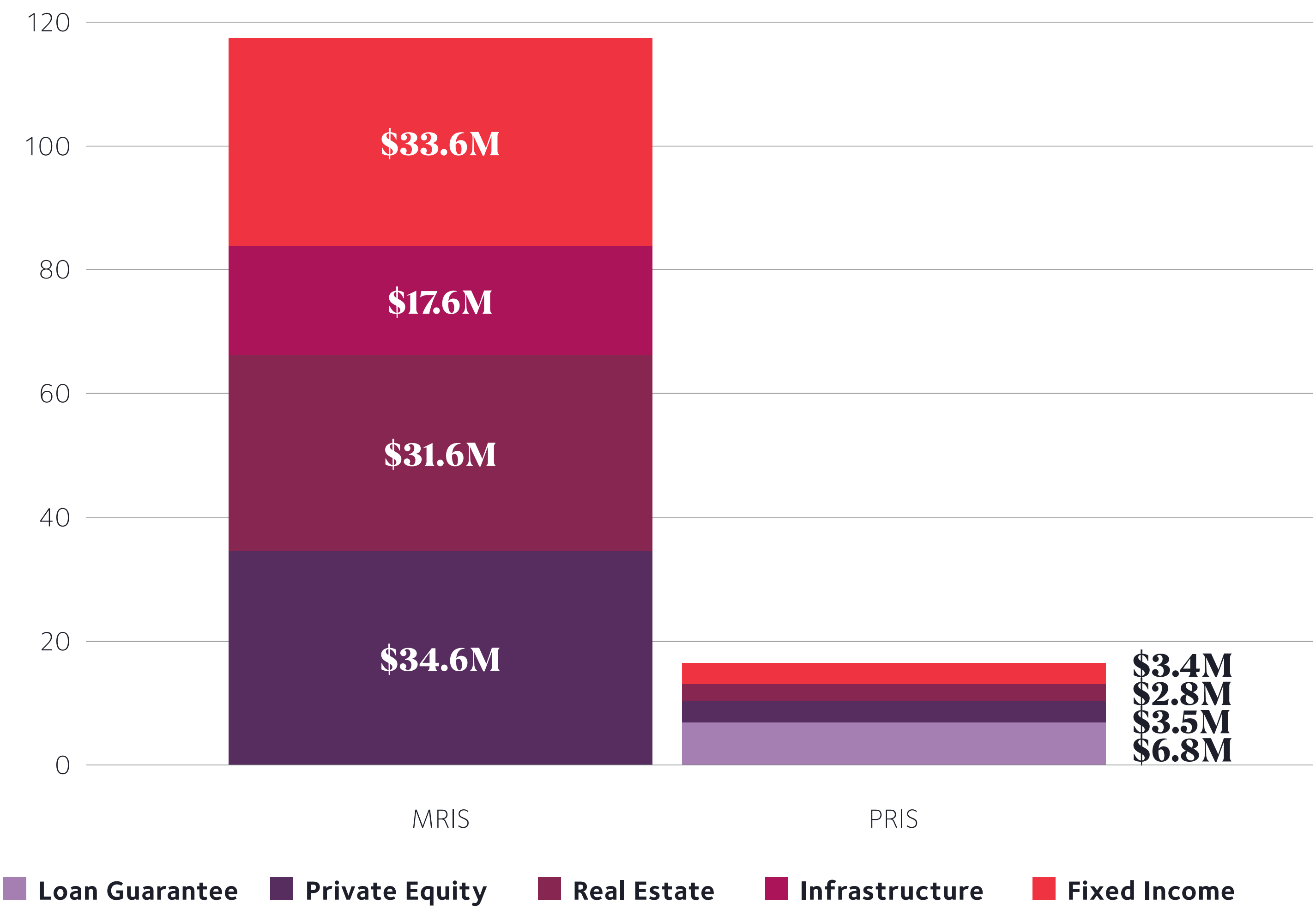
Bridges Sustainable Growth Fund V
Private equity
$10M
p. 58

Cross-Border Impact Ventures
Private equity
$5M
p. 59

PRIs **MRIs** **New in 2023**

Note: numbers represent committed amounts.

Impact Portfolio by Asset Class (Market Value)



How to read our profiles

Manager - Product

McConnell Investing Goals
The McConnell investing goal that the investment relates to.

Focus Area Impact Goal
Impact goals tied to McConnell's charitable focus areas or overarching mission.

Fund Level Key Performance Indicators

KPI 1

Key Performance Indicator related to the investment's activities in 2023. Data for KPIs is generated at the fund level.

Description
Summary of the investment manager and their activities.

Governance
Whether McConnell participates in a fund's governance committees.

Rationale
Summary of why the Foundation decided to pursue the investment and strategic fit with McConnell's own philanthropic and mission objectives.

Committed amount
The amount of capital McConnell has agreed to provide to the investee.

Target financial return
See glossary.

Fund size
The total amount committed from all investors in the fund/product.

Asset class
A category of financial instruments with similar financial structures and similar behaviour in the marketplace.

Investment type
How McConnell categorizes the investment (PRI or MRI). This categorization has implications for Canada Revenue Agency purposes.

Investment timeline

Start year Q4 2023 End year

Program-Related Investments (PRIs)

Investment profiles and key performance indicators (KPIs)

Q4 2023

Aboriginal Savings Corporation of Canada (ABSCAN)

Société d'épargne des Autochtones du Canada
Aboriginal Savings Corporation of Canada

1 2 3

McConnell Investing Goals

2. Strengthen community sector capacity
3. Build the marketplace through financial innovation

Focus Area Impact Goal

Reconciliation: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Housing loans disbursed since 2014

$14M

Number of housing units financed on reserves

159

Committed amount
$250,000

Target financial return
2%

Fund size
$10,000,000

Asset class
Private debt

Investment type
PRI – Conventional

Investment timeline
2018 2033

Description

Aboriginal Savings Corporation of Canada (ABSCAN or SEDAC in French) is a non-profit (OBNL) established in 2005 by the non-profit Native Commercial Credit Corporation (NCCC or SOCCA in French), to raise and invest First Nations savings in First Nations. Based in Wendake, Québec, ABSCAN has raised c. $68 million through 35 bond issuances. Proceeds have been invested, with no losses to date, in community infrastructure, business, and housing. ABSCAN's revolving housing fund has, over a generation, contributed to reduce housing backlogs on reserve.

Rationale

The Assembly of First Nations estimates that on reserve: 50% of homes need health- and safety-related renovations, and 130,000 new units are needed within the next 10 years. The estimated cost of closing core Indigenous housing needs amount to $135 billion (2023 figure) while the current level of contribution is only $2–3 billion per year. Since Indigenous Crown lands cannot be seized, traditional lenders require guarantees, thus adding an important barrier to financing on-reserve housing demand. Half of First Nations do not have the resources to finance their housing.

Bâtir son Quartier – Fonds Investissement Montreal IV

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Loans to non-profit housing providers
5

Affordable units financed
440

Committed amount
$1,000,000

Target financial return
5%

Fund size
$20,000,000

Asset class
Real estate

Investment type
PRI – Conventional

Investment timeline
2016 2037

Description
The Fonds d'investissement de Montréal (FIM) is a limited partnership managed by an independent board of directors. FIM enables non-profit organizations and housing co-operatives to purchase, renovate and improve rental properties in order to create healthy, affordable and safe housing for low- and modest-income households. The four investment phases of FIM are coordinated by Bâtir son quartier, a non-profit social economy enterprise with more than 40 years of experience in creating supportive living environments. FIM IV's revenue model is aligned with beneficiaries' impact: the interest rate relies on building managers' repayment capacity and their building net value, and administrative management fees are only taken on net profits and good stewardship.

Rationale
This Fund is the manager's fourth iteration of their successful strategy. It provides an opportunity to improve access to housing, enable non-profit and co-operative building operators to build their equity, and put private capital at the service of local Montreal communities.

La Caisse d'économie solidaire Desjardins – Garantie solidaire

CAISSE. D'ÉCONOMIE. SOLIDAIRE.

1 2 3

McConnell Investing Goals

2. Strengthen community sector capacity
3. Build the marketplace through financial innovation

Focus Area Impact Goal

Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Loan guarantees from McConnell since inception

$1.75M

Guaranteed by the 3 foundation partners since inception

$6M

Number of non-profits have benefitted from guarantees since inception

12

Committed amount
$5,000,000

Target financial return
1%

Fund size
$15,000,000

Asset class
Private debt

Investment type
PRI – Loan Guarantee

Investment timeline
2019 Open

Description

La Caisse d'économie solidaire Desjardins (CES) is the leading financial institution dedicated to non-profits, unions and social enterprises in Quebec. It is part of the Desjardins Group, which is the largest association of credit unions in North America, managing over $260 billion in assets for its members.

Governance: McConnell sits on the Approvals Committee.

Rationale

This guarantee to the Caisse is committed equally by the McConnell, Chagnon, and Saputo Foundations. Its purpose is to enable community organizations — including charities, non-profits and co-operatives — to access credit that they would otherwise not receive. This investment directly supports the Foundation's mission by creating a new financial product that provides community organizations with access to financing.

CFFAC – Community Forward Fund

1 2 3

McConnell Investing Goals
2. Strengthen community sector capacity
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

65 loans totalling $28.4 M advanced since inception
$28.4M

Loans directed to non-profits
61%

Loans directed to charities since inception
39%

Committed amount
$2,000,000

Target financial return
3.5%

Fund size
$10,800,000

Asset class
Private debt

Investment type
PRI – Conventional

Investment timeline
2014 — Open

Description

The Community Forward Fund provides loans to Canadian charities and non-profits to advance a more sustainable charitable and non-profit sector. The organization offers educational resources, such as financial workshops, to enhance the financial literacy of its borrowers and enable them to better manage their current and future financial needs.

Rationale

The Foundation's investment is specifically directed towards non-profit and charitable borrowers that would otherwise not likely have access to loan financing. These loans enable non-profit and charitable organizations to be more independently financially sustainable and to better plan for their long-term programs. Fund investors benefit from regular income distribution payments.

Efficiency Capital

1 2 3

McConnell Investing Goals
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

GHG reduction in 2023

911.2 tCo2e

GHG reduction since inception from 798 units — 4 projects

1,820 tCo2e

Committed amount
$250,000

Target financial return
3.5%

Fund size
Not applicable

Asset class
Private debt

Investment type
PRI – Conventional

Investment timeline
2022 2032

Description
Efficiency Capital (EC) is an investor and developer of energy efficiency projects. EC's approach is a unique financial innovation that was initially developed by The Atmospheric Fund (Taf.ca) in order to increase the flow of capital into energy efficiency and to standardize efficiency as a new asset class.

Rationale
The Fund aims to support the creation and exchange of new circular solutions between innovative start-ups and large corporations, through innovation, optimization and collaboration within companies.

Équiterre – Maison du développement durable

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors
2. Strengthen community sector capacity

Focus Area Impact Goal
Mission

Fund Level Key Performance Indicators

Social and environmental organizations that have affordable rental space at the MDD

16

Free events related to sustainable development

57

Successfully accessed loan financing and constructed the building to LEED Platinum standards

Committed amount
$3,095,000

Target financial return
0%

Fund size
$23,400,000

Asset class
Private debt

Investment type
PRI – Loan Guarantee

Investment timeline
2010 2024

Description

La Maison du développement durable (MDD) [Centre for Sustainable Development] provides a space for reflection, innovation, education, synergy and collaboration around sustainable development. Eight socially and environmentally focused organizations created the MDD in downtown Montreal as a demonstration green building and a place to house their operating activities.

Rationale

The Foundation's guarantee enabled financing from banking institutions for the building's initial construction costs. The Foundation's strong balance sheet allowed the bank to offer a more reasonable interest rate on MDD's loan. This guarantee helped enable the creation of one of Quebec's greenest buildings — the first LEED Platinum certified building in the province.

Fair Finance Fund

FAIR FINANCE FUND

1 2 3

McConnell Investing Goals
2. Strengthen community sector capacity
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Local jobs
1,103

Local food sales
$47,453,528

Number of regional suppliers
2,364

Amount spent on regional suppliers
$21,046,820

Committed amount
$250,000

Target financial return
N/A

Fund size
$10,000,000

Asset class
Private debt

Investment type
PRI – Conventional

Investment timeline
2022 2032

Description
The Fair Finance Fund is a non-profit social finance fund dedicated to providing loans and mentorship services to local food and farm enterprises that value strong local food systems, local economies, and a healthy planet. The fund is developed and managed by the Local Food and Farm Co-ops and the Rural Agri-Innovation Network. It builds on seed capital to implement an ongoing investment opportunity for community-minded individuals who want to invest their capital to build local food systems in Ontario to support food that is grown, raised and processed in their own backyards. The Fund provides also support across Ontario's food webs, from production to waste redirection.

Rationale
The Fund operates a revolving loan program to enable Ontario's agriculture and food businesses to access fair and accessible capital, creating social, environmental and economic benefits for the people and organizations involved. In the context of the Foundation's work to support more sustainable food systems and community resilience to the effects of climate change on food systems, this investment represents an opportunity to engage and make an impact in a key area.

Fiducie – Fonds d'aide à la rénovation de l'habitation communautaire

FONDS D'AIDE
À LA RÉNOVATION DE
L'HABITATION COMMUNAUTAIRE

1 2 3

McConnell Investing Goals
2. Strengthen community sector capacity

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of projects
16 ($8.2M)

Number of renovated and affordable* units
373

Committed amount
$1,000,000

Target financial return
5%

Fund size
$31,500,000

Asset class
Real estate

Investment type
PRI – Conventional

Investment timeline
2015 2027

Description
The principal mission of the Fiducie du Chantier de l'économie sociale has been to foster the expansion and development of collective enterprises by increasing their access to financing and enhancing the capitalization of social economy enterprises. La Fiducie designed this Fund to enable the renovation of non-profit and co-operative housing in a way that would maintain affordability of the rent paid by tenants.

Rationale
The mission of the Fonds d'aide à la rénovation de l'habitation communautaire (FondsARHC) [Fund to assist community housing renovations] is to enable repairs or renovations to existing affordable rental real estate buildings in a way that preserves the initial rent affordability. Patient loan capital is offered to eligible housing co-operatives and nonprofits to finance major work they would otherwise be unable to afford.

Governance
McConnell sits on the Conseil consultatif.

*FARHC considers rent affordable if it is 73% or less than current median rental price.

Fiducie – Fonds d'investissement pour logement étudiant (FILE)

FONDS D'INVESTISSEMENT POUR **LOGEMENT ÉTUDIANT**

1 **2** 3

McConnell Investing Goals
2. Strengthen community sector capacity

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of projects
2 ($6.6M)

Number of affordable* student bedrooms in 2 buildings
365

Committed amount
$2,000,000

Target financial return
6%

Fund size
$11,000,000

Asset class
Real estate

Investment type
PRI – Conventional

Investment timeline
2018 — 2038

Description
The principal mission of the Fiducie du Chantier de l'économie sociale Trust has been to foster the expansion and development of collective enterprises by increasing their access to financing and enhancing the capitalization of social economy enterprises.

Governance
McConnell sits on the Conseil consultatif and the Conseil consultatif d'investissement.

Rationale
The FILE provides debt to build and operate affordable student housing projects led by co-operatives and non-profits. Its objective is to build 500 units for students near university campuses in Montreal and across Quebec. This fund is an opportunity to create a new offering in Quebec's student housing market that aligns with the principles of the social economy. Furthermore, the investment aligns with the Foundation's Communities focus area.

*FILE considers rent affordable if it is lower than market rent for similar-quality buildings in the same geography, for the first year and over the duration of the loans.

Fiducie – Initiative Immobilière Communautaire du Grand Montréal

fiducie du Chantier de l'économie sociale

1 2 3

McConnell Investing Goals
2. Strengthen community sector capacity

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of pre-development loans

8

Number of community sector organizations and non-profits housed

49

Committed amount
$1,000,000

Target financial return
5%

Fund size
$16,000,000

Asset class
Real estate

Investment type
PRI – Conventional

Investment timeline
2021 2026

Description

A blended funding initiative consisting of three complementary funds, to enable community sector organizations and non-profits to acquire real estate assets or invest in real estate projects at affordable prices in the Greater Montreal area. The fund aims to address the problem of obtaining affordable and appropriate real estate, which has become a significant challenge for community organizations.

Rationale

This investment is closely aligned with the Foundation's impact investing goals of supporting the capacity development of the community sector and developing the market through financial and social innovation. It addresses an important gap in the market to meet the demand from non-profit organizations for commercial real estate. The Foundation's capital will enable investors with lower risk tolerance to participate in later stages of the investment, enabling long-term, multi-stage support for borrower organizations.

Kaleidoscope Social Impact

1 **2** 3

McConnell Investing Goals
2. Strengthen community sector capacity

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of active loans **17**	Loans since inception **345**
Value of financing approved in reporting period **+$1,016,665**	
Value of financing approved since inception **$3,091,665**	
Number of new units introduced in 2023 **36**	Number of units financed since inception **226**
Number of units improved or retained affordable since inception **190**	

Committed amount
$250,000

Target financial return
2%

Fund size
$10,000,000

Asset class
Real estate

Investment type
PRI – Conventional

Investment timeline
2022 2029

Description
Kaleidoscope (founded in 2000 as the Saint John, NB Community Loan Fund) invests in social real estate, offers loans for start-ups and business expansion, and offers other types of financing for individuals wishing to return to school or work, or those seeking to acquire affordable housing. Since its inception, Kaleidoscope has shown positive results with 300 loans that have helped 260 micro-businesses launch, supported training of over 6,500 people, and created 10 social enterprises.

Rationale
The Fund is in alignment with McConnell's mission as it aims to build a more resilient and inclusive society by providing financing to organizations and individuals who would otherwise not receive any via conventional methods.

New Market Funds Society – Sponsorship Loan

NEW MARKET FUNDS

1 2 3

McConnell Investing Goals
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Impact investment products across Canada since inception

$93.4M AUM

Number of partner and staff hours contributed to developing the social finance ecosystem since inception

10,871

Committed amount
$269,000

Target financial return
N/A

Fund size
$1,178,000

Asset class
Recoverable grant

Investment type
PRI – Conventional

Investment timeline
2016 2027

Description
New Market Funds Society (NMFS) is a charity that supports the development of Canada's social finance ecosystem. Together with New Market Funds Inc. (a B Corp), it achieves this through structuring and raising funds for new impact investing products, engaging in policy discussions and supporting the development of other organizations. NMFS's mandate is strongly aligned with the Foundation's goal of addressing Canada's complex social, environmental and economic challenges.

Governance
McConnell sits on the Board.

Rationale
In 2013, NMFS raised its first round of sponsorship funds from five impact investing organizations from across Canada: Vancity, Trico Foundation, Bealight Foundation, RISQ (QC) and Makeway (formerly Tides Canada). The Foundation's participation supports the development of new social innovation and social finance products in line with the Foundation's market building goals. As a Board member, the Foundation has the opportunity to collaborate and participate in the organization's priorities.

New Market Funds – Rental Housing Fund I LP

NEW MARKET FUNDS

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors
2. Strengthen community sector capacity
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

9 properties with investments totalling $17M

$17M

Number of affordable* units financed since inception

702

Rents are, on average, affordable* to households earning 56% of area median income in their respective locations

56%

Committed amount
$2,000,000

Target financial return
6%

Fund size
$24,720,000

Asset class
Real estate

Investment type
PRI – Conventional

Investment timeline
2017 2029

Description

New Market Funds (NMF) is a pan-Canadian manager that structures impact investing products, engages in policy discussions and supports the development of other organizations. The NMF Rental Housing Fund I LP supports non-profits and co-operatives that own and operate affordable multi-family rental properties across Canada.

Rationale

The Fund provides equity financing, which is gradually transferred back to the local housing operator. This investment facilitates community ownership of affordable real estate projects and maintains long-term housing affordability. NMF's mandate is strongly aligned with the Foundation's mission of addressing Canada's complex social, environmental and economic challenges.

*In Canada, housing is considered "affordable" if it costs less than 30% of a household's before-tax income.

New Market Funds – Rental Housing Fund II LP

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors
2. Strengthen community sector capacity
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

5 properties with investment totalling $11.8 M
$11.8M

Number of affordable* units financed since inception
1,242

Rents are, on average, affordable* to households earning 40% of area median income in their respective locations
40%

Committed amount
$3,000,000

Target financial return
7%

Fund size
$42,000,000

Asset class
Real estate

Investment type
PRI – Conventional

Investment timeline
2022 2035

Description
New Market Funds (NMF) is a pan-Canadian manager that structures impact investing products, engages in policy discussions and supports the development of other organizations. The NMF Rental Housing Fund II LP supports non-profits and co-operatives that own and operate affordable multi-family rental properties across Canada.

Rationale
Similar to Fund I, Fund II provides equity financing, which is gradually transferred back to the local housing operator. This investment facilitates community ownership of affordable real estate projects and maintains long-term housing affordability. NMF's mandate is strongly aligned with the Foundation's mission of addressing Canada's complex social, environmental and economic challenges.

*In Canada, housing is considered "affordable" if it costs less than 30% of a household's before-tax income.

Raven Indigenous Capital Partners – Raven Indigenous Impact Fund I LP

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Reconciliation: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of portfolio companies led by Indigenous CEOs
7

Average Indigenous ownership of portfolio companies
66%

Indigenous employees hired by portfolio companies
138

Committed amount
$1,000,000

Target financial return
6%

Fund size
$25,000,000

Asset class
Private equity

Investment type
PRI – Conventional

Investment timeline
2019 2029

Description
Raven Indigenous Capital Partners was founded in 2018 and is already recognized as a leader in the Canadian social finance space for its work in building a reconciliation economy. Raven structures and manages funds that support the development of Indigenous communities and entrepreneurs and serves as a bridge between private capital and Indigenous values.

Rationale
The Fund seeks to revitalize the Indigenous economy in Canada and the United States by investing venture capital in early- and growth-stage Indigenous-led enterprises. The manager supports its investees with partnerships, business guidance, and network connections in addition to financial capital. The Fund presents a sustainable, values-driven approach to community resilience and economic empowerment.

Raven Indigenous Capital Partners – Raven Indigenous Impact Fund II LP

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Reconciliation: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of portfolio companies led by Indigenous CEOs
6

Average Indigenous ownership of portfolio companies
59%

Indigenous employees hired by portfolio companies
27

Committed amount
$4,000,000

Target financial return
10%

Fund size
$100,000,000

Asset class
Private equity

Investment type
PRI – Conventional

Investment timeline
2022 2034

Description
Raven Indigenous Capital Partners was founded in 2018 and is already recognized as a leader in the Canadian social finance space for its work in building a reconciliation economy. Raven structures and manages funds that support the development of Indigenous communities and entrepreneurs and serves as a bridge between private capital and Indigenous values.

Rationale
Similar to Fund I, Fund II aims to revive the Indigenous economy in Canada and the United States by investing venture capital in late seed, early- and growth-stage Indigenous-led enterprises. The manager supports its investees with partnerships, business guidance, and network connections in addition to financial capital. The fund presents a sustainable, values-driven approach to community resilience and economic empowerment.

Windmill Microlending – Community Bond

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors
3. Build the marketplace through financial innovation

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Loans approved to newcomers
4,704

Dollar value of approved loans
$54.7M

Average income growth for loan recipients
3.4x

Drop in unemployment (from 40% to 10%)
75%

Committed amount
$1,000,000

Target financial return
3.5%

Fund size
$24,965,000

Asset class
Private debt

Investment type
PRI – Conventional

Investment timeline
2020 2026

Description
Windmill Microlending is a registered charity serving newcomers to Canada since 2005. Windmill offers microloans of up to $15,000 to help skilled immigrants and refugees continue their careers in Canada, empowering them to achieve economic prosperity. Windmill supports clients in obtaining the Canadian licensing or training required to work in their field, or to secure a position that matches their level of education, skills and experience. Funded by the public and private sector, Windmill is Canada's largest microlending program for immigrants and refugees.

Rationale
Canada welcomes over 250,000 skilled immigrants each year, but reaccreditation in Canada can be costly and slow. This Community Bond finances Windmill's loan capital, enabling the organization to provide additional loans to new clients, in-line with the Foundation's mission of supporting a more inclusive, resilient Canada. After a successful initial three-year term, the Foundation rolled over and increased its investment through 2026.

Mission-Related Investments (MRIs)

Investment profiles and key performance indicators (KPIs)

Q4 2023

AlphaFixe Capital – Green Bond Fund

AlphaFixe Capital

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Annual potentially avoided emissions
155 tCO2eq/ $M invested

Annual total potentially avoided emissions
5,601 tCO2eq

Energy savings
10,178 kWh/ $M invested

Committed amount
$35,000,000

Target financial return
50 basis points above benchmark

Fund size
$973,000,000

Asset class
Fixed income

Investment type
MRI – Institutional Grade

Investment timeline
2019 Open

Description
Founded in 2008, AlphaFixe Capital Inc. is a leading fixed income investment manager. The Firm's investment philosophy includes a rigorous risk management process and prioritizes flexibility and capital preservation. AlphaFixe has been a UNPRI signatory since 2009 and applies ESG factors to investment decision-making across portfolios. AlphaFixe launched the first Green Bond Fund in Canada in 2017.

Rationale
Green bonds are debt instruments that finance 'green' projects — those which directly contribute to a low carbon economy. Through this Green Bond Fund, the Foundation supports green infrastructure and efficiency projects led by companies, regional and federal governments or supranational organizations.

Amplify Capital I

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of companies financed since inception
10

$ invested per company on average (including follow on investments) since inception
$449,270.39

Number of ecosystem events across Amplify Funds I and II since inception (+17 in 2023)
60

Committed amount
$500,000

Target financial return
15%

Fund size
$5,800,000

Asset class
Private equity

Investment type
MRI - Market Building

Investment timeline
2016 — 2026

Description
The MaRS Centre for Impact Investing (MCII) was a social finance hub and project incubator that was designed to increase the awareness and effectiveness of social finance. It catalyzes new capital, talent and collaborative initiatives to mobilize private capital for public good and deliver innovative market-based solutions to Canada's social and environmental challenges.

Governance
McConnell sits on the Limited Partners Advisory Committee.

Rationale
The Fund targets promising seed-stage ventures with high-growth potential and core social purpose aims. This investment could prove beneficial for demonstrating the growing opportunities in impact investing.

Amplify Capital II

AMPLIFY CAPITAL

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of companies financed since inception

12

$ invested per company on average (including follow on investments) since inception

$1,412,612.06

Number of ecosystem events since 2020) since inception (+17 in 2023) Amplify I and II

60

Committed amount
$5,000,000

Target financial return
20%

Fund size
$36,000,000

Asset class
Private equity

Investment type
MRI - Market Building

Investment timeline
2022 2033

Description

Amplify Capital Fund II aims to provides early stage companies with long term equity solutions and strategic and operational support as they develop their business to solve challenges affecting our future.

Rationale

The Fund targets promising seed-stage ventures with high growth potential and core social purpose aims. This investment could prove beneficial for demonstrating the growing opportunities in impact investing.

Area One Farms – Fund III

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors

Focus Area Impact Goal

Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Acres of improved farmland since inception through restoring retired farmland or converting dryland to irrigated land

13,000

Acres (90%) operated on a low-till or no-till basis

77,000

Farm partner families who benefitted from equity participation

19

Committed amount
$5,000,000

Target financial return
10–12%

Fund size
$135,000,000

Asset class
Real estate (farmland)

Investment type
MRI – Institutional Grade

Investment timeline
2019 2027

Description

Area One Farms' mission is to empower farmers with a path to land ownership through partnership, providing them with long-term funding and mentorship to foster growth and sustainability. Area One Farms operates four private equity funds in the Canadian farmland sector, with farms located mainly in Alberta and Ontario. The Fund partners with established farm operators to acquire and increase the productivity and sustainability of off-market farmland, creating value through long-term capital growth and annual crop-based income.

Governance

McConnell is a member of the Limited Partners Advisory Committee.

Rationale

The Fund enables the sustainable expansion of family owned farms while encouraging innovative farmland practices, including regenerative agriculture, to improve farmers' financial returns and environmental sustainability.

BlackRock –
Global Renewable Power Fund II

BlackRock

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

MWh of renewable energy produced
33.6 million

Tons of CO2e emissions avoided
12.3 million

M³ of water usage reduced
26.3 million

Committed amount
$7,500,000 USD

Target financial return
7.5%

Fund size
$1,650,000,000 USD

Asset class
Infrastructure

Investment type
MRI – Institutional Grade

Investment timeline
2017 2029

Description
BlackRock, Inc. is the world's largest asset manager with over $6 trillion in assets under management. They have substantial industry experience, insight, and technical expertise across market sectors — and they have the largest global private markets renewables platform with $6 billion AUM.

Rationale
The BlackRock Global Renewable Power Fund II seeks attractive risk-adjusted returns through a diversified portfolio. The Fund focuses on wind and solar renewable power assets in OECD countries. This Fund is an opportunity to leverage the Foundation's endowment in the transition to a lower-carbon global future.

Bridges Property Alternatives Fund V

BRIDGES
Fund Management

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Housing units planned or in construction
3,000

Housing units in underserved locations*
68%

Avoided emissions
16,000 tCO2e

Committed amount
$15,000,000

Target financial return
15%

Fund size
$300,000,000

Asset class
Real estate

Investment type
MRI – Market Building

Investment timeline
2021 2027

Description
The fund invests in the real estate sector, focusing on niche markets with high development potential through direct management of corporate assets or joint venture partnerships, in the United Kingdom. The objective of these investments is to support the creation of regeneration areas and exemplary sustainable environmental (net zero) projects, including healthcare, education and other investments that can generate social benefits.

Rationale
Managed by a sustainability and impact fund manager with a social and environmental mission, this fund contributes to McConnell's impact investing goal of increasing impact in a range of sectors consistent with our mission and programs. The fund is relevant to our climate and community resilience focus areas through investments in alternative, needs-based sectors such as low-cost housing in underserved areas, low-carbon logistics and industrial developments in growth areas, and healthcare-related real estate.

*As per the UK Index of Multiple Deprivation
**The Bridges Property Alternative Fund V operates in the UK, where housing is considered affordable if it is at least 20% below market value (rentals and sales).

Bridges Sustainable Growth Fund V

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors

Focus Area Impact Goal

Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Senior leadership who identifies as female

40%

Emissions avoided through portfolio companies' products and services

47,937 tCO2e

Committed amount
$10,000,000 CAD

Target financial return
20%

Fund size
$350,000,000 CAD

Asset class
Private equity

Investment type
MRI – Market Building

Investment timeline
2023 2033

Description

The fund invests in growth companies in the UK and Europe with impact in the healthcare, training, environment and communities sectors. Bridges' teamwork with its portfolio companies to drive impact alongside value, growth and financial returns.

Rationale

Bridges Fund Management is a pioneer in impact investing, measurement and management. This fifth growth equity vintage enables us to bring leading impact management practices, such as integrated reporting, and reporting against impact targets, to grow and professionalize the Canadian impact investing ecosystem.

*The Bridges Property Alternative Fund V operates in the UK, where housing is considered affordable if it is at least 20% below market value (rentals and sales).

Cross-Border Impact Ventures: Women's and Children's Health Technology Fund

Cross Border IMPACT VENTURES

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of women, children, and adolescents worldwide reached by portfolio companies' innovations

231,000+

Percentage of portfolio allocated to women founders

60%

Committed amount
$3,750,000 USD

Target financial return
24%

Fund size
$100,000,000 USD

Asset class
Private equity

Investment type
MRI – Market Building

Investment timeline
2023 2033

Description

Cross-Border Impact Ventures (CBIV) is a Canada-based, women-led venture capital firm that invests in innovative, early growth–stage health technology companies. The Women's and Children's Health Technology Fund (WCHTF) invests specifically in companies seeking to improve access to quality, affordable healthcare for women, children, and adolescents across both high- and low/middle-income countries.

Rationale

Women represent just 19% of venture capital investment partners, and less than 3% of venture capital funding goes to women-founded startups. The Foundation's investment in the WCHTF contributes to gender diversity in the venture capital field and aligns with our Communities focus area by helping close gender gaps in health outcomes.

Cycle Capital – Cycle Capital Fund IV

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Number of companies in portfolio (invested in a total of 8 companies)
10

$ invested per company on average
$5M

Estimated amount of Greenhouse gas reduction
0.76 mtCO2 eq

Committed amount
$5,000,000

Target financial return
15%

Fund size
$144,696,970

Asset class
Private equity

Investment type
MRI – Market Building

Investment timeline
2019 2031

Description
Cycle Capital was founded in 2009. It is a cleantech venture capital firm based in Montreal with a presence in Toronto, Qingdao China, New York and Seattle. The Firm focuses on early commercialization–stage businesses across sectors such as sustainable agriculture, green IoT, green chemistry, renewable energy and energy efficiency, sustainable transportation and smart cities.

Governance
McConnell is a member of the Impact Committee.

Rationale
This Fund enables the Foundation to participate in scaling-proven clean technologies across North America while supporting the growth and development of Canadian entrepreneurs. The technologies financed through this investment aim to facilitate the transition to a more sustainable, lower-carbon economy.

Greensoil – Building Innovation Fund

GREENSOIL INVESTMENTS

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Number of companies financed since inception
12

$ invested per company on average
$4M

Number of cleantech companies in portfolio
6

Committed amount
$1,500,000 USD

Target financial return
20%

Fund size
$59,000,000 USD

Asset class
Private equity

Investment type
MRI – Market Building

Investment timeline
2016 2028

Description
Greensoil Proptech Ventures operates a private equity fund that invests in North American products that enhance the operation or resource efficiency of real estate infrastructure. The manager takes strategic minority positions in companies that create efficiency value through products, services and technologies.

Rationale
Through this Fund, the Foundation is able to support the development and scaling of energy efficient innovations in the real estate sector while yielding an above-market-rate target return. Given the high emission intensity of real estate and infrastructure, the technologies this Fund supports are key to transitioning to a lower-carbon economy.

InvestEco - Sustainable Food Fund Trust

InvestEco
Building companies that matter

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Number of social enterprises financed since inception
6

Percentage of social enterprise portfolio companies
100%

$ invested per company on average
$1.65M

Committed amount
$1,000,000

Target financial return
15%

Fund size
$11,460,000

Asset class
Private equity

Investment type
MRI - Market Building

Investment timeline
2012 2024

Description
Founded in 2002, InvestEco Capital recognized that environmentalism provided a business opportunity that wasn't yet tapped by the mainstream investment industry. The Sustainable Food Fund invests in growth-stage private companies that contribute to sustainable food and agriculture systems.

Rationale
The Fund finances social enterprises across North America that offer sustainable consumer food products. The Fund targets an above-market financial return while supporting innovative companies that provide healthy and sustainable food alternatives in alignment with the Foundation's Climate focus area.

Jonathan Rose - Rose Affordable Housing Preservation Fund V

Jonathan Rose Companies

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors

Focus Area Impact Goal

Communities: Supporting community resilience and communities facing systemic barriers to economic and social justice.

Fund Level Key Performance Indicators

Number of Properties

17

Number of affordable* units financed

3,604

Emissions avoided

2,289 Mt CO2e

Reduction in energy usage from baseline

5%

Reduction in water usage from baseline

26%

Committed amount
$15,000,000 USD

Target financial return
9%

Fund size
$525,000,000 USD

Asset class
Real estate

Investment type
MRI - Institutional Grade

Investment timeline
2020 2032

Description

Jonathan Rose Companies specializes in impact real estate investing. The Firm has a track record in the affordable housing sector, having invested approximately $2.3 billion in development, investment and project management work. Since the Firm's inception, they've acquired over 15,000 affordable and mixed-income multi-family housing units.

Rationale

The Fund acquires, renovates, and actively manages affordable, mixed-income and workforce multi-family housing in high-demand, transit-oriented locations in the United States. The fund's strong environmental and social objectives align with the Foundation's mission and priority to advance community wellbeing in cities.

Governance

McConnell is a member of the Impact Committee.

*Rent limited to 30% of resident's income

MacKinnon, Bennett & Co. – MKB Partners Fund

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Number of investments in companies aligned with climate transition and mobility
7

CO_2e emissions avoided to-date
2.1 million tons

Committed amount
$4,000,000

Target financial return
20%

Fund size
$52,410,000

Asset class
Private equity

Investment type
MRI – Market Building

Investment timeline
2018 2028

Description

MacKinnon, Bennett & Co. is a specialized Montreal-based private equity firm that provides growth capital to companies at the forefront of innovation in next-generation energy and transportation sectors. They structure and manage investments with the mission of accelerating the energy and transportation transformation while making a sustainable impact and generating attractive returns.

Rationale

By investing in products and services contributing to a low-carbon economy, the MKB Partners Fund directly aligns with the Foundation's low carbon economy objectives. The fund addresses a significant funding gap in the Canadian cleantech ecosystem for growth and commercialization-stage companies. Furthermore, this investment is an opportunity to leverage current market trends to deploy environmentally sustainable solutions while yielding strong expected returns.

Real Ventures – Investment Fund III

1 2 3

McConnell Investing Goals
3. Build the marketplace through financial innovation

Fund Level Key Performance Indicators

Enterprises supported
106

Partner hours at events/month
23

Ecosystem building events
41

Committed amount
$5,000,000

Target financial return
20%

Fund size
$88,250,000

Asset class
Private equity

Investment type
MRI – Institutional Grade

Investment timeline
2015 2027

Description
Real Ventures is an entrepreneur-centric investment platform of seed and early-stage venture funds that builds the early stage startup ecosystem in Montreal with hopes of expanding across Canada. They invest in entrepreneurs that are behind emerging tech ecosystems, disrupting existing industries and business models.

Governance
McConnell is a member of the Limited Partners Advisory Committee.

Rationale
Given Real Ventures' contribution to stimulating the Canadian venture capital industry and their values-driven approach to investment selection, there is clear alignment from both the target return and ecosystem-building perspective. The Foundation's investment relationship and strategic partnership with Real Ventures facilitates knowledge transfer and collaboration for further developing social innovation and social finance activity in Montreal and across Canada.

Renewal Funds – Renewal2 Social Investment Fund

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Number of social enterprises financed since inception
11

Percentage of portfolio companies that are social enterprises
100%

$ Invested per company on average
$2.9M

Committed amount
$2,062,280

Target financial return
Market-rate

Fund size
$35,000,000

Asset class
Private equity

Investment type
MRI – Market Building

Investment timeline
2010 2024

Description
Renewal Funds is a sustainability-focused impact venture capital firm that invests in scalable, early-stage companies across North America. Renewal finances technology and platform businesses, as well as consumer companies offering more sustainable alternatives across food and well-being. Founded in 2008, Renewal Funds is a pioneer in the Canadian impact investing ecosystem.

Rationale
The Fund invests in social enterprises across North America focused on responsible consumption and related clean technologies. The Fund targets competitive financial returns while aligning with the Foundation's goals around climate action and scaling impact across sectors.

Renewal Funds – Renewal3 Trust

renewal Funds

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors

Focus Area Impact Goal

Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Number of social enterprises financed since inception

14

Percentage of portfolio companies that are social enterprises

100%

$ Invested per company on average

$4.3M

Committed amount
$3,000,000

Target financial return
Market-rate

Fund size
$63,000,000

Asset class
Private equity

Investment type
MRI – Market Building

Investment timeline
2013 2025

Description

Renewal Funds is a sustainability-focused impact venture capital firm that invests in scalable, early-stage companies across North America. Renewal finances technology and platform businesses, as well as consumer companies offering more sustainable alternatives across food and well-being. Founded in 2008, Renewal Funds is a pioneer in the Canadian impact investing ecosystem.

Rationale

The Fund invests in social enterprises across North America focused on responsible consumption and related clean technologies. The Fund targets competitive financial returns while aligning with the Foundation's goals around climate action and scaling impact across sectors.

Stonebridge Financial – Infrastructure Debt Fund II

STONEBRIDGE FINANCIAL CORPORATION

1 2 3

McConnell Investing Goals
1. Scale impact across domains and sectors

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

$343M in 24 renewable energy projects since inception

$343M

Clean energy installed since inception

327 MWh

$209M in 14 renewable energy projects in partnership with First Nations

$209M

Committed amount
$15,000,000

Target financial return
275 bps above Government of Canada bonds

Fund size
$586,000,000

Asset class
Infrastructure

Investment type
MRI – Institutional Grade

Investment timeline
2020 Open

Description
Founded in 1998, Stonebridge originates private debt financing for Canadian infrastructure projects ranging from $10 million to $200 millions. The Fund provides fixed rate, senior construction and take-out debt to energy and social infrastructure projects across Canada, including hospitals, transit, and all types of renewable energy (solar, wind, hydro). The Fund works in partnership with First Nations to ensure infrastructure on First Nations' land benefit them.

Governance
McConnell is an observer (non-voting) on the Partners Advisory Committee.

Rationale
By developing and financing renewable energy projects and social infrastructure across Canada, often partnering with Indigenous communities, Stonebridge's investments support more resilient and lower-carbon communities. Through this investment, the Foundation supports low-carbon infrastructure and economic reconciliation across the country.

Windmill One Planet Living Real Estate Impact Fund LP1

1 **2** 3

McConnell Investing Goals
2. Strengthen community sector capacity

Focus Area Impact Goal
Climate: Galvanizing investor action to accelerate the equitable transition to a net-zero carbon economy.

Fund Level Key Performance Indicators

Percentage of projects that are zero carbon, combustion free, and committed to verification of operational carbon emissions
75%

Waste diverted from landfill
9,408 tons

Number of units of affordable housing developed
399

Committed amount
$10,000,000

Target financial return
18%

Fund size
$69,000,000

Asset class
Real estate

Investment type
MRI – Market Building

Investment timeline
2021 2026

Description

The One Planet Living (OPL) fund invests in both retrofit and new construction mixed-use and housing development projects, the majority in partnership with impact-oriented urban landowners. The fund is committed to clear and transparent reporting of impact outcomes and integrates clear social and environmental impact metrics into its investment criteria, ranging from community engagement to sustainable water and mineral use.

Rationale

The fund's investments align with the foundation's mission on two dimensions: 1) in the fight against climate change through the reduction of energy and water consumption, and 2) through the creation of more inclusive communities through the design of green buildings that improve the quality of life of local communities.

Exited investments

Closed Investments

	Product	Term	Domain	Instrument	Invested Amount	Exit Value
1	Mission-related investment	**2011–2016**	Multiple Sectors	Fixed Income - Secured Deposit	$1,000,000	**$1,102,000**
2	Mission-related investment	**2017–2019**	Multiple Sectors	Cash	$1,000,000	**$1,002,562**
3	Mission-related investment	**2015–2020**	Multiple Sectors	Public Equity - Canada	$10,000,000	**$10,546,329**
4	Program-related investment	**2010–2013**	Health & Health Services	Private Equity (direct)	$250,000	**$1**
5	Program-related investment	**2012–2014**	Environment	Fixed Income - Loan Guarantee	$2,000,000*	**n/a**
6	Program-related investment	**2012–2013**	Arts & Culture	Fixed Income - Loan (direct)	$500,000	**$12,500**
7	Program-related investment	**2015–2019**	Entrepreneurship	Fixed Income - Community Bond (direct)	$500,000	**$613,382**
8	Program-related investment**	**2015–2019**	Reconciliation	Real Estate - Loan	$350,000	**$28,783****
9	Program-related investment	**2016–2019**	Energy	Fixed Income - Loan	$1,000,000	**$1,065,721**
10	Program-related investment	**2007–2009**	Education	Fixed Income - Loan (direct)	$10,000,000	**$11,052,625**
11	Program-related investment	**2016–2021**	Health	Fixed Income - Social Impact Bond	$500,000	**$677,268**
12	Program-related investment	**2015–2022**	Entrepreneurship	Private Equity (direct)	$160,000	**$160,000**
13	Program-related investment	**2019–2023**	Reconciliation	Fixed Income - Social Impact Bond	$500,000	**$574,207**

*With this guarantee, no dollar amount was disbursed. The guarantee agreement came to term without any default on the part of the investee.

**This loan has a patient repayment schedule. Full capital repayment, including a 2% return, is scheduled for 2033.

Appendix

Key terms

In order to make this report accessible to a wider audience, we would like to offer our definitions for a few of the key terms used in this report and in the investment profiles.

Impact Investing Terms

Asset class is a category of financial instruments that have similar financial structures and behave similarly in the marketplace. McConnell invests across asset classes and holds impact investments in private debt, public equities, and private equities, among others.

Commitment amount is the amount of capital that McConnell has agreed to provide to the investee.

Successful exits are exits that have yielded the expected financial return while also achieving the intended impact outcomes. For private equity funds investments, for example, successful exits would be those that demonstrated a growing scale, depth and/or duration of impact between the time of investment and exit.

Target financial return is the Foundation's expectation of the financial performance of its investments. The portfolio-level target return is 6.5% net of fees, over the long term, which is expected to cover charitable and operational costs.

Flexible Capital is a category of McConnell's target return. Investments indicated as flexible capital may yield a financial return that is in-line with risk-adjusted market-rates or may display certain concessionary elements.

Mission-Related Investments (MRI) are financial investments made in either for-profit or non-profit funds with the intent of achieving mission-related objectives and normally earning market-rate financial returns. We distinguish between two types of MRIs: Institutional MRIs and Market-Building MRIs.

Institutional MRIs exhibit the following characteristics:
- Have an established track record in terms of financial performance.
- Have a deep, knowledgeable and experienced team.
- Clear, repeatable and proven investment process.
- Attracts institutional financial players (pension funds, endowments, etc.)
- Are of a significant size.

Market-building MRIs exhibit some or all of the following characteristics:
- Target the development of a new intermediary, financial instrument, investment thesis or scope of intervention.
- Play a role in building the marketplace and help attract larger pools of capital.
- The Foundation's participation could be considered catalytic.

Program-Related Investments (PRI) are investments that are made in non-profit organizations and impact funds to further the Foundation's programmatic objectives and to generate financial returns, with a tolerance for below-market rates of return. We distinguish between two types of PRIs: loan guarantees and conventional PRIs.

Loan guarantees exhibit some or all of the following characteristics:
- In addition to fees that may be charged, commitments made under the form of guarantees are still productive towards the endowment's financial return.

Conventional PRIs exhibit some or all of the following characteristics:
- Target the development of a new intermediary, financial instrument, investment thesis or scope of intervention.
- Play a role in building the marketplace and help attract larger pools of capital. The Foundation's participation could be considered catalytic.

Net Zero Terms

Scope 1 emissions: direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

Scope 2 emissions: indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Scope 3 emissions: the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain. An organization's value chain consists of both its upstream and downstream activities.

Financed emissions: indirect emissions attributed to financing activities — such as lending and investments — of financial institutions. These activities all contribute to providing capital or financing to a company that emits GHG emissions. It is part of Scope 3 of Financial Institutions.

Baseline: reference state or the values against which we measure change in GHG emissions. For the McConnell Foundation, this is the financial year 2020.

Coverage: proportion of assets under management covered by this methodology.

Data quality score: PCAF uses a five-step data quality scale, enabling firms to report a quality score from 1 to 5 on their carbon emissions. A score of 1 reflects the best quality data and means the investee company has performed an emissions calculation verified by a third-party auditor. A score of 5 is the lowest and estimates the emissions of the investee company based on sector and region averages or benchmarks.

PCAF Score	Type of data required
1	Detailed calculated emissions, based on the Greenhouse Gas Protocol, that have been verified by a third-party auditor
2	Detailed calculated emissions, based on the Greenhouse Gas Protocol, not verified by a third-party auditor
3	Production-based data. For example, tons of steel produced
4	Economic data — such as revenue, company value and the amount lent/invested
5	Economic data — such as the amount lent/invested

Net zero end state: cutting carbon emissions to a small amount of residual emissions that can be absorbed and durably stored by nature and other carbon dioxide removal measures, leaving zero in the atmosphere.

Emission intensity: amount of GHG emissions (in tCO_2e) emitted per unit of economic output or activity. For the McConnell Foundation's Financed Emissions, this is usually per million CAD invested.

Attribution analysis: analysis of the factors affecting change in financed emissions over time, namely:

- Asset owner decisions: changes in emissions due to reallocation of funds between external fund managers
- Portfolio manager decisions: change in emissions due to reallocation of funds between companies in the same fund
- Company decisions: change in emissions due to change in the company's emissions per $ of revenue (or other measure of activity)
- Fund size: change in emissions due to change in the value of the fund (inflows, outflows)
- Company financial efficiency: change in emissions due to change in the ratio of the company's revenue to valuation
- Estimation method: change in emissions due to difference in the method used to calculate the emissions

Science-based target initiative (SBTi): corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis by developing standards, tools and guidance that allow companies to set GHG emissions reduction targets in-line with what is needed to limit global warming and reach net zero by 2050 at the latest.

Net zero–aligned financial flows: any financial flow that is linked to an entity or activity that has reached a level of performance that is consistent with a net-zero economy, defined using specific metrics at the entity and activity level.

Just Transition: concept defined by the G7 Impact Taskforce that identifies three critical elements for the Transition to be Just:

- Advancing climate and environmental action — for example, greenhouse gas emission mitigation, reduction and removal
- Improving socio-economic distribution and equity — for example, inclusive opportunities for decent jobs
- Increasing community voice — through, for example, engagement and dialogue with affected communities that are often excluded and marginalized

Partnership for Carbon Accounting Financials (PCAF): financial industry–led initiative created in 2015 to help financial institutions assess and disclose the greenhouse gas (GHG) emissions from their loans and investments through GHG accounting.

1.5 degree pathway: A pathway of emissions of greenhouse gases that provides an approximately one-in-two to two-in-three chance, given current knowledge of the climate response, of global warming either remaining below 1.5°C or returning to 1.5°C by around 2100 following an overshoot.

Net Zero Methodology

As part of our commitment to transparency (principle 3 of **UN guidance for non-state actors)**, we share below the methodology and assumptions used for computing our financed emissions, with the hope that this will lead to increased disclosure by asset owners and asset managers alike.

We welcome your comments and feedback — reach out to us: **info@mcconnellfoundation.ca**

We used the Partnership for Carbon Accounting Financials (PCAF)'s **Global GHG Accounting and Reporting Standard for the Financial Industry, 2nd edition**, which was released in December 2022, to calculate our Financed Emissions as of December 31, 2020 and December 31,2023. Aligned with the standard, we calculated again our baseline.
Whenever available, we used specific databases for our public portfolio and data as reported by our fund managers for private assets. If direct data was not available, we matched each holding in our portfolio to a GICS sector and used that GICS sector's average proxy in tCO2/M$ revenue for that particular holding.
In areas for which the PCAF standards were non-existent or unclear, we did the following:

Cash: Since cash and cash equivalents are not covered in the standard, they are excluded from our financed emissions (thus our coverage is lower than 100%).

Real Assets: Farmland, which is not part of the standard either, was calculated as equity in the equivalent GICS sector. Real estate holdings consisting only of land (no buildings) were removed from our coverage and assumed to be zero emissions. Real estate holdings in development, optional in the PCAF standard with no recommended method, were nonetheless calculated as if they were a loan, and emissions estimated using the GICS factor for real estate development. Our real estate fund managers sometimes provided net rentable area as opposed to building square footage, in this case, we used net rentable area as a proxy for building size, though it may slightly underestimate emissions.

Bonds: Provincial and municipal bonds, which are sub-sovereign debt, were assessed as sovereign debt using the PCAF standard. Green bonds use the methodology of regular bonds, as PCAF does not specify a green bond methodology that could link bond issuances to specific projects rather than its issuer as a whole.

McConnell Impact Rating — Assessment Tool

Fund name: ______________________________

Time Horizon: ______________________________

Dimension of Impact	Performance Data & Assumptions	Performance Rating Criteria	**Assessment** (numbers are for illustrative example purposes)	Weight*
What	**Outcomes:** All things being equal, we prefer fund managers whose investments result in measurable, additional social and environmental impact alongside financial returns, helping to accelerate the shift to an impact-first economy where all investments contribute to the betterment of society and the environment.	**1–3:** Increase in amount of capital flowing towards positive social and environmental impact. **4–6:** Attracting new investors or differentiated mix of capital into impact investing. **7–10:** Market leading impact management approach/actively shaping impact management best practice.	**6**	**20%**
Who	**Targeting:** All things being equal, we prefer investments that enable new forms of financing for charities and nonprofits and/or benefit equity-deserving groups that experience significant collective barriers to economic and social justice. These barriers could include attitudinal, historic, social and economic barriers based on age, ethnicity, disability, economic status, gender, nationality, race, sexual orientation and transgender status.	**1–3:** Capital flowing to mix of impact and non-impact private companies, products, or assets — majority by $ must be impact-oriented. **4–6:** 100% capital invested in impactful for-profit companies, products, or assets or mix of for profit and non-profit. DEI and racial equity considerations explicit focus of strategy. **7–10:** Capital invested in not-for-profit charities, social enterprises or businesses benefitting equity-deserving groups who would otherwise not have access to similar sources of capital.	**10**	**20%**

*An impact rating is a weighted sum of indicators that collectively cover multiple dimensions of impact, such as the number of people reached, how underserved those people are, and how much each individual is affected. Weights reflect two factors:
– Importance of impacts to stakeholders that experience them;
– Investors' impact priorities.

Dimension of Impact	Performance Data & Assumptions	Performance Rating Criteria	**Assessment** (numbers are for illustrative example purposes)	Weight*
How Much	**Scale:** All things being equal, we prefer investments that shift philanthropic, corporate and institutional behaviour towards impact investment opportunities, building the Canadian impact investing market.	**1–3:** Investors experienced with impact investing seeding a new or differentiated strategy. **4–6:** New mix of philanthropic, institutional and/or public capital into tried & tested strategies that would otherwise be invested in traditional assets or approaches. **7–10:** Cross-sector collaboration seeding new strategies or approaches and/or building confidence in the impact marketplac.	9	10%
	Depth: All things being equal, we prefer investments that achieve measurable, additional social and environmental impact for equity-deserving groups that experience significant collective barriers to economic and social justice, with solutions designed and led by these groups.	**1–3:** Fund manager has DEI process in place, which is reflected both in leadership team, operations, and underlying investments. **4–6:** Manager assesses prospective and/or present portfolio companies through an equity lens and actively shares learnings with peers. **7–10:** BME-, female-, and Indigenous-led fund managers with growing AUM focused on racial equity and/or building reconciliation economy.	3	10%
	Duration: All things being equal, we prefer investment managers who are investing to achieve longer-term positive impact, where a systems-level view of impact is understood and articulated, and where impact is reliably and sustainably measured.	**Performance rating guidelines:** **1–3:** >10-year duration, uncertain or ill-defined impact on exit. **4–6:** Clearly articulated impact on exit (10+ years) with plan for longer-term measurement, monitoring and reporting, including upon exit. **7–10:** Clearly articulated impact on exit (10+ years) with plan for longer term measurement, monitoring and reporting. Systems-level impact view is articulated and measured.	3	10%

Dimension of Impact	Performance Data & Assumptions	Performance Rating Criteria	Assessment (numbers are for illustrative example purposes)	Weight*
Fund Contribution to Investees	**Outcome counterfactual:** All things being equal, we prefer investment managers who have already shown material and lasting positive outcomes.	**0:** No difference in outcomes stakeholders experience as a result of the investment. **1–3:** Uncertain difference in outcomes experienced as a result of investment. **4–6:** Material difference in outcomes stakeholders are experiencing as a result of the investment in the short term. **7–10:** Material difference in outcomes stakeholders are experiencing as a result of the investment in the short and longer terms.	**8**	**5%**
McConnell Contribution to Fund Manager	**Engage actively:** All things being equal, we prefer investment managers for whom we can bring the most additionality and value.	**1–3:** Does this investment contribute to a signalling effect that impact matters? **4–6:** Are there opportunities for McConnell to engage actively in the impact of the investment? **7–10:** Initiative wouldn't have occurred without our participation/ McConnell has contributed flexible capital to enhance impact.	**10**	**5%**
	Grow new and/or undersupplied capital markets: All things being equal, we prefer investment managers who would contribute to the Canadian impact investing ecosystem.	**1–5:** Does the investment, if international, enable us to transfer learnings to the Canadian market? **5–10:** Does the investment fill an unmet need in the Canadian impact investing market?	**10**	**10%**

Dimension of Impact	Performance Data & Assumptions	Performance Rating Criteria	**Assessment** (numbers are for illustrative example purposes)	Weight*
Impact Risk	**Positive Impact Risk:** All things being equal, we prefer investments that have lower risk of positive impacts not occurring.	Referring to the nine types of impact risks and selecting the most relevant risks for each investment, consider: **0:** Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is high. **2:** Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is low. **4:** Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is high. **6:** Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is low. **8:** Likelihood of desired impact not occurring is low, severity of consequences is high. **10:** Likelihood of desired impact not occurring is low, severity of consequences is low. And multiply by two.	**8**	**5%**
	Negative Impact Risk: All things being equal, we prefer investments that have lower risks of any negative impacts occurring.	**1:** High risk of many material negative impacts occurring. **10:** Low risk of any negative externalities occurring.	**5**	**5%**
		Final Impact Rating /10	**7.25**	***100%***

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