



Impact Investing Report 2024 — Staying the Course

2024 Impact Investing Report
Data as of December 31, 2024

Fondation
McConnell
Foundation

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Executive Summary: Year Two

2024 marked the second full year of our new investment strategy and our commitments to build a 100% impact investment portfolio by 2028 and achieve net-zero portfolio carbon emissions by 2050.

The second half of the year saw rising pushback against the consideration of ESG (environmental, social and governance) and DEI (diversity, equity and inclusion) factors in investment processes. This polarization has challenged existing impact investing and net-zero commitments worldwide, leading to widespread backlash that has continued into the first half of 2025.

In this context, we reaffirm our commitments to social equity, net-zero alignment and impact investing. We do not see these values as controversial but rather essential to fulfil our mission to strive for a resilient, inclusive and sustainable society that can successfully address its complex challenges.

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Our Progress in 2024

1. Finalizing Governance and Increasing Confidence in Management and Measurement: To advise us on our journey to a 100% impact portfolio, we set up an [Impact Advisory Committee](#) (IAC). It is made up of members of our Board, Investment Committee, and staff, as well as external impact management and measurement (IMM) experts. The IAC meets twice a year to

provide recommendations to our Board and Investment Committee regarding our key performance indicators ([see p. 16](#)), impact ratings process ([see p. 14](#)), and impact management processes and frameworks.

Regarding the latter, we joined the December 2024 cohort of the Endowment Impact Benchmark (EIB) program, organized by the US-based Intentional Endowment Network (IEN). BlueMark, the program's independent verification provider, awarded McConnell a Platinum rating (the highest), indicating that we have robust and market-leading policies and practices in place for sustainable investing in many areas, while also recommending some opportunities for further improvement in others ([see p. 25](#) for detailed learnings).

In 2024, we have aligned a significant portion of our real assets portfolio to impact, by committing capital to infrastructure debt and equity funds accelerating the renewable energy transition. Along the way, we have sought to better understand and mitigate impact risks in renewable energy value chains.

2. Investing for Impact: Building upon the success of our program-related investment in the Aboriginal Savings Corporation of Canada (ABSCAN) and a deeper understanding of Indigenous housing needs, we committed to Yānonhchia's Housing Finance Fund ([see case study p. 21](#) and [deal profile p. 34](#)) to help finance the construction and renovation of homes in Indigenous communities.

We have also aligned a significant portion of our real assets portfolio to impact, by committing capital to both infrastructure debt (Eiffel Energy Transition III, [see p. 35](#)) and infrastructure equity (Quinbrook Net

Zero Power Fund, [see p. 36](#)) funds. Along the way, we have tried to better understand and mitigate impact risks in these sub asset classes, especially around renewable energy value chains ([see p. 28](#)).

3. Growing Internal Capacity to Manage Our

Financed Emissions: As shared in our 2023 impact report, we have begun the practice of reporting annually on our financed emissions. In 2024, we further refined this practice by engaging with our managers, collecting (and critically examining) data, and running our financed emissions and attribution analysis autonomously. This year, we also sought to gauge the overall alignment of our endowment with net-zero targets ([see net-zero section](#)).

4. Partnering to Build the Canadian Impact Investing Ecosystem:

From May to July 2024, the first edition of the [TOWARDS Community Finance Development Accelerator](#), facilitated by SVX and the Catalyst Community Finance initiative, successfully equipped 14 community finance fund managers with the tools to develop, fund-raise and operationalize their impact strategies. TOWARDS benefited from the financial and operational support of several partners in addition to us — including Realize Capital Partners, Boann Social Impact, CapFinance, the Ontario Trillium Foundation, and Definity Insurance Foundation — which enabled a second cohort in 2025.

We were also excited to launch several other initiatives alongside our partners:

- We are designing an Investors for Racial Equity tool with SHARE and Dragonfly Ventures.
- We are exploring the potential of [donor-advised funds \(DAFs\)](#) to catalyze additional capital for impact investments with TwinRiver and 12 funding partners.
- And we are investigating how we might disseminate a pan-Canadian loan guarantee program that benefits nonprofit organizations (building on the success of Desjardins' loan guarantee fund in Quebec, in which McConnell has been involved for over seven years).

Finally, we are piloting one dimension of the recently developed Social Equity Lens Investing (SELI) framework to better understand the diversity of the teams stewarding our assets ([see p. 17](#)) using a federally endorsed taxonomy developed by Employment and Social Development Canada.

What's Next — a Sneak Peek into 2025

Over the course of 2025, we will be undertaking two major projects: first, an asset mix review (our first iteration that considers both financial and impact factors to develop a target portfolio asset allocation); and second, an impact evaluation to assess the degree to which our impact management practices yield real-world positive social and environmental outcomes. In conjunction with the Foundation's granting team, we will further refine our theories of change, at both the mission level and across our focus areas. We'll prioritize all this while further investing for impact across asset classes, to reach an interim target of 50% impact portfolio alignment by the end of the year.

We look forward to your feedback — feel free to reach out to us at info@mcconnellfoundation.ca.

The McConnell Investment Team

What's New in This Report

As we strive to continuously improve the format and content of our impact report (based on prior years' feedback) we have implemented a few new/refined sections:

- reporting on the alignment of our portfolio to net-zero
- updated aggregated KPIs (using more refined methodology)
- a refined Impact Rating template (taking into account the impact of financial intermediaries on end beneficiaries)
- an overview of the diversity of the fund managers stewarding our portfolio (using SELI)
- two case studies: one on Indigenous housing, the other on impact-linked credit pricing, selected from our 2024 investment commitments.
- a section where we explore impact risks
- a shorter impact investment profile section, where we present our new impact investments*

* (All existing investments can be found in our prior years' impact reports on our [website](#).)

Impact Goals

Impact Investing Thesis

We seek to accelerate the shift to an impact-first economy, where all investments contribute to a resilient, inclusive and sustainable society. Currently, the Foundation seeks to invest through impact investing fund managers to achieve the following mission-level impact goals:

1 Scale impact

Scale impact (across a range of sectors) that aligns with our mission or philanthropic focus areas. Examples of investments that enable 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

Enable new forms of financing for charities, non-profits and social enterprises so they can scale their activities and amplify the positive impact they have in their communities.

3 Build and influence the market

Build financial markets and influence corporate and industry behaviour through financial innovation, testing new financial mechanisms in the private or public markets, and investing in managers with strong shareholder engagement.

Our investment strategy contributes to our overarching thesis. It is aligned with our mission-level impact goals and our three focus areas.

Focus Area Impact Goals

Investing in our Focus Areas

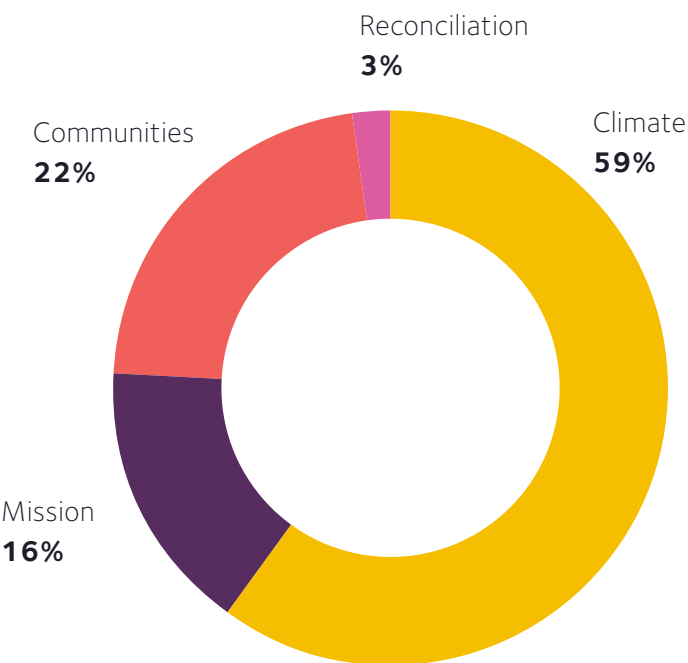
In addition to our portfolio-level impact thesis and goals, in 2024 we refined our impact goals aimed at advancing our three focus areas of communities, reconciliation and climate. These goals are most relevant to our Program Related Investments (PRIs). By combining our investment capital with our philanthropic funding and internally building our investments-grants continuum, we hope to activate exponential impact on issues of generational importance that are impacting communities across the country.

2024 Portfolio Breakdown by Focus Areas

Our objective is to align all our investments with our mission by 2028. Although we do not expect every investment to directly align with our focus areas (given portfolio construction constraints and sometimes-nascent opportunities) we hope to increase the number of focus area-aligned investments strategically over time.

Impact Investments by Focus Area (Committed)

As our Program Team refines the focus-area theories of change over the next few years, we will weave in the role of our endowment and our impact investments. We expect to update the high-level theories of change next year.



Communities

We will scale investments into funds that support community resilience and 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 **just 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.

Net-Zero Report

As part of its net-zero commitment and *Climate Action Plan*, the McConnell Foundation strives to report on its financed emissions annually. Our investment team autonomously collected, computed and analyzed its financed emissions for the first time in 2024. We used the **Zfolio** software (a platform to measure the carbon footprint of investments) for proxies, aggregation, and attribution analysis.

Portfolio Financed Emissions

Following best practice, we have re-run our 2020 and 2023 financed emissions alongside our 2024 emissions to account for methodological updates. This explains the slight discrepancies between this year’s table and the one shared in our 2023 Impact Report¹. The table below details our actual financed emissions for Scopes 1 and 2, alongside our intermediate targets.

McConnell portfolio — Scope 1 and 2 Financed Emissions 2020–2024

Financed Emissions Scope 1 & Scope 2 ^{1,2}	Absolute Financed Emissions (tCO2e)		Financed Emissions Intensity (tCO2 per Million CAD of AUM)		Per Annum Reduction in Intensity ³		Absolute Emission Reduction Target vs 2020 Baseline ⁴	
	Target as of 2020	Actual	Target as of 2020	Actual	Target as of 2020	Actual	Target as of 2020	Actual
2020	–	50,188	–	73.2	–	–	–	–
2023	40,369	28,931	59	43.8	–7%	–16%	–	–42%
2024	37,543	27,703	55	39.1	–7%	–11%	–	–45%
2025	34,915	–	51	–	–7%	–	–36%	–
2030	24,812	–	35	–	–5%	–	–60%	–
2050 or sooner	0	–	0	–	TBD	–	–100%	–

Our absolute Scope 1 and 2 emissions decreased slightly in 2024 to 27,703 tons of carbon dioxide equivalent (tCO2e). Given the 10% increase in our endowment size, this slight decrease compared to 2023 remains material⁵.

Our financed emissions intensity decreased by 11% in 2024, outperforming our target of 7%, and totalling 39 tCO2e per million dollars of endowment investments. Overall, we are on track with our charted pathway to net-zero by 2050 and our 2025 intermediate milestone.

1. More specifically, we have improved both our coverage and data quality score for 2020 and 2023, thanks to updated data and more specific industry-sector mapping. 2024 data quality is slightly lagging, as all data was not yet available at the time of this report.”

McConnell Scope 1 & 2 Financed Emissions	Portfolio coverage (the higher the better)	Data quality score (the lower the better)
2020	99%	2.88
2023	100%	2.73
2024	99%	3.03

2. Attentive readers may have noticed that these figures differ slightly from what we shared in 2023, a result of re-running our emissions using up-to-date methodology.

3. Target set as a 7% annual reduction between 2020 and 2025, and –5% annually from 2025 to 2030, on our re-calculated 2020 baseline, as per our 2023 Climate Action Plan.

4. Target set in our 2023 Climate Action Plan for 2025. 2030 and 2050, compared to 2020 baseline

5. We initially acknowledged that our emissions may increase in the short term to enable decarbonization in the long run.

Financed Emissions Change: Attribution Analysis

Due to the large swing in valuations at the end of 2024, we added a shift in valuation parameters to our reporting table to explain our financed emissions change.

Attribution Analysis — McConnell Foundation's Financed Emissions Change

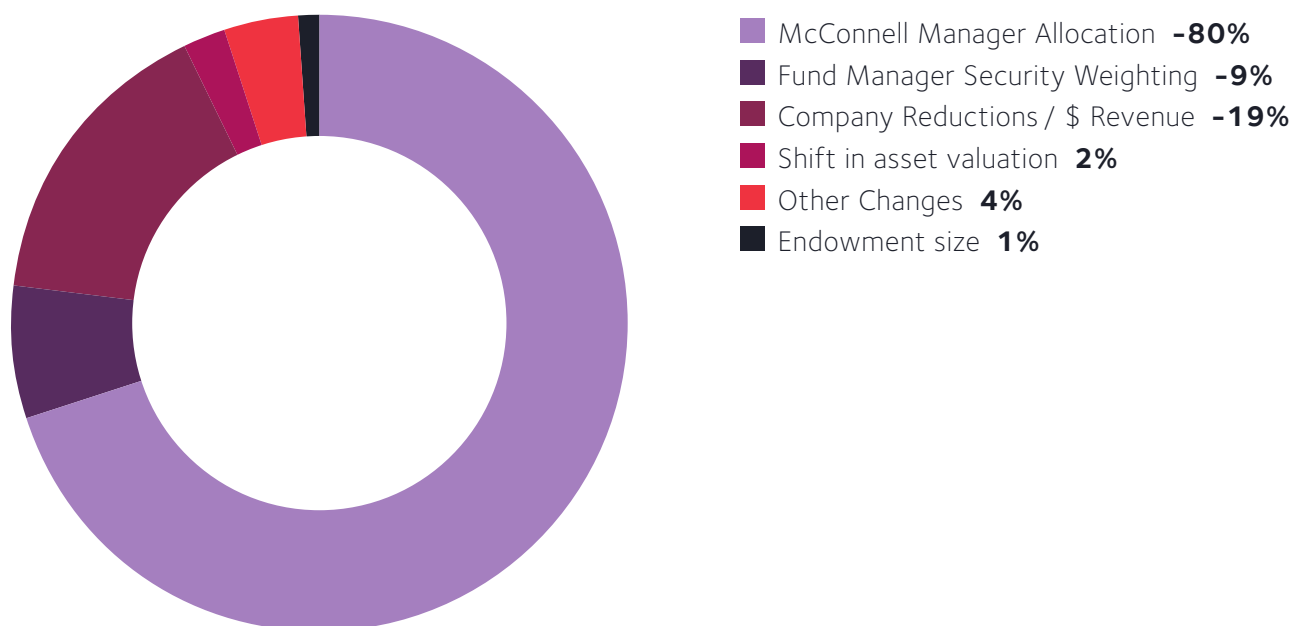
McConnell Foundation Changes in Financed Emissions	Absolute Emissions Scope 1 & 2 (tCO ₂ e)	Emissions Intensity Scope 1 & 2 (tCO ₂ e / CAD mill)
2020-2023		
Total 2020	50,188	73
Endowment Size	-1,817	0
McConnell Manager Allocation	-18,142	-26
Fund Manager Security Weighting	1,377	2
Company Reductions / \$ Revenue	-3,097	-5
Shift in Asset Valuation	123	0
Other Changes	299	-1
Total 2023	28,931	44

2023-2024		
Total 2023	28,931	44
Endowment Size	2,102	0
McConnell Manager Allocation	123	0
Fund Manager Security Weighting	-3,311	-5
Company Reductions / \$ Revenue	-1,105	-2
Shift in Asset Valuation	393	1
Other Changes	569	1
Total 2024	27,703	39

On a positive note, improved data disclosures doubled the real-world emissions reduction from companies in our portfolio from 2020 to 2023 compared to what we reported last year. As such, a real-world emissions reduction, our north star, accounted for 19% of our absolute emissions reduction from 2020 to 2024.

McConnell Foundation Changes in Financed Emissions	Absolute Emissions Scope 1 & 2 (tCO ₂ e)	Emissions Intensity Scope 1 & 2 (tCO ₂ e / CAD mill)	Cumulative reduction in absolute emissions
2020-2024			
Total 2020	50,188	73	
Endowment Size	285		1 %
McConnell Manager Allocation	-18,018	-26	-36 %
Fund Manager Security Weighting	-1,934	-3	-4 %
Company Reductions / \$ Revenue	-4,202	-6	-8 %
Shift in Asset Valuation	517	1	1 %
Other Changes	868	1	2 %
Total 2024	27,703	39	-45 %

Absolute Emissions Reduction Repartition 2020-2024



Portfolio Alignment with Net-Zero

In 2024, we reached out to our managers (impact and non-impact) to discuss their portfolio alignment with net-zero by 2050, as per the [SBTi for Financial Institutions Net-Zero Standard](#) and/or the [Net Zero Investment Framework](#) (NZIF) from the Institutional Investor Group on Climate Change (IGCC).

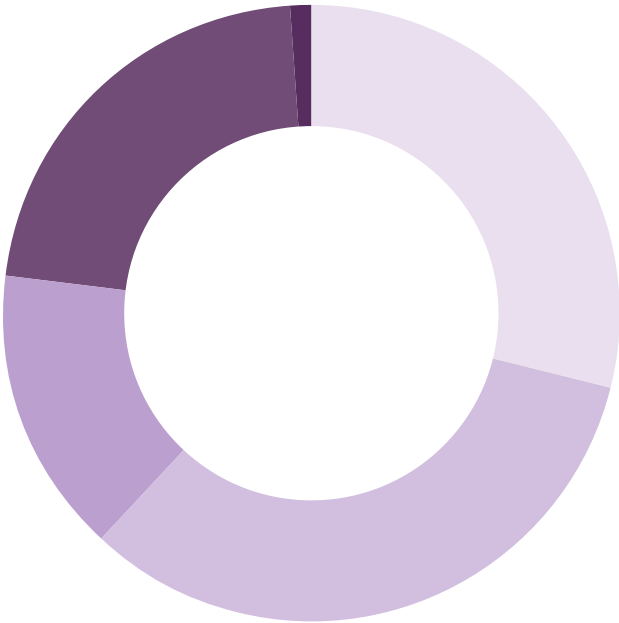
A little less than half our managers provided answers, and we have been able to judge another 12% of our

managers ourselves, leaving our total coverage close to 60% of our managers, representing 72% of our endowment.

Overall, larger institutional managers were more equipped to assess their portfolio alignment with the SBTi or NZIF frameworks and were relying on external data providers. This is a first step, and the data shared below will likely be refined over time, as we seek to achieve net-zero emissions by 2050.

McConnell Foundation — Total Portfolio Data as of End of 2024

TOTAL AUM Breakdown by Net-Zero Alignment



- No Data **29%**
- % of AUM Not Aligned **33%**
- % of AUM 1.5 °C Aligned Ambition **15%**
- % of AUM 1.5 °C Aligned Performance **22%**
- % of AUM 1.5 °C Achieved **1%**

Photo: Eiffel



Impact Performance

Impact Ratings

Context

To better understand the performance of current and prospective investments against our impact goals, we introduced an impact ratings tool in our 2022 Impact Report. The tool helps us systematically assess relative impact and financial performance against expectations. The impact ratings start with our impact goals and provide detailed assessment criteria and weightings such that each investment generates an expected impact score.

There are three components to our ratings system:

1. impact outcomes, 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.

Refining our Impact Rating Methodology

In 2024, we refined our Impact Ratings to assess not only our impact on our investees (financial intermediaries and fund managers), but also the impact that these intermediaries have on end beneficiaries. Our methodology is detailed in the [Appendix](#).



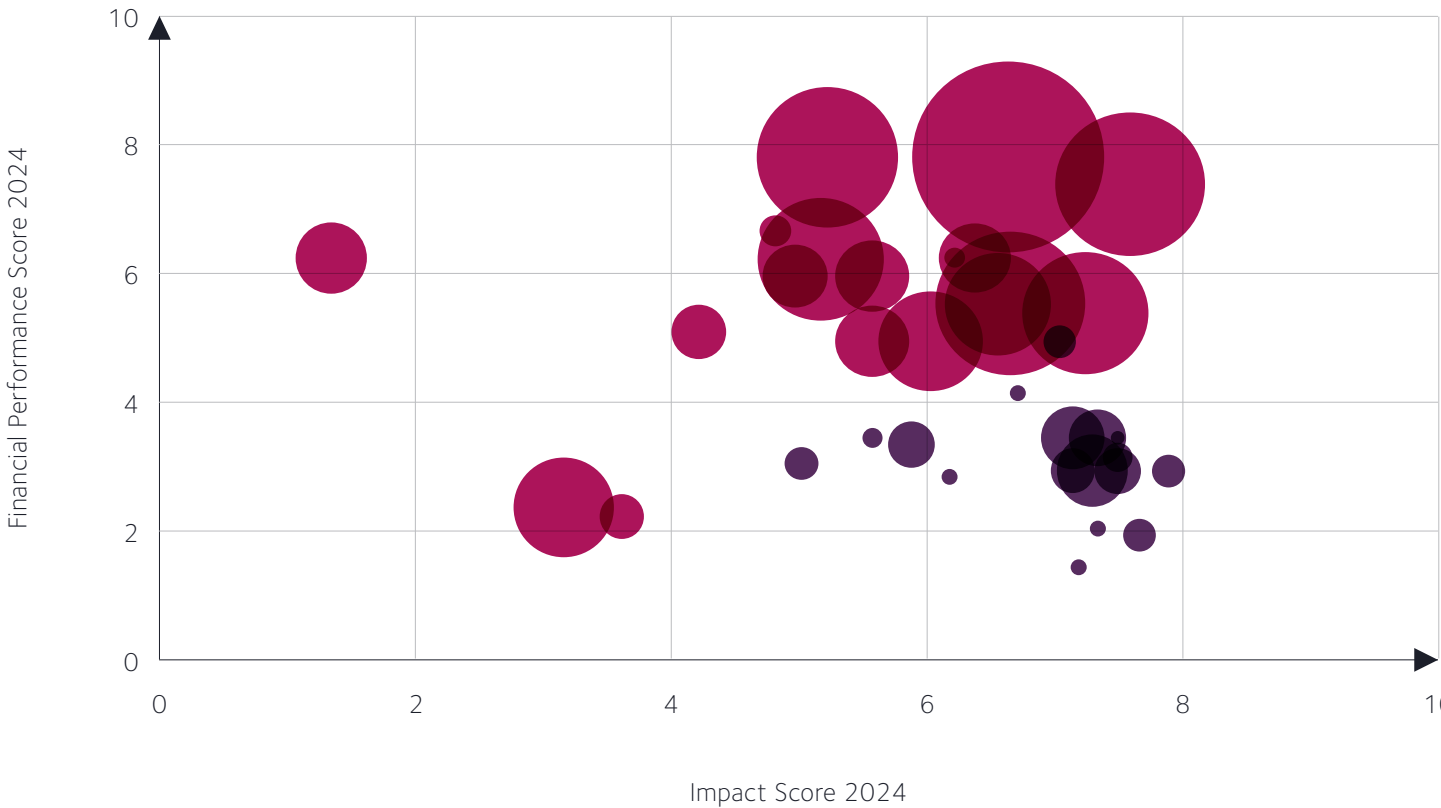
Plotting the Projected Impact and Financial Performance of Our Portfolio

To visualize our portfolio’s expected performance, we have plotted our investments on a scatterplot. Each investment is placed according to its 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 2024

McConnell Impact Portfolio — Impact Ratings



MRIs have generally moved to the right with our 2024 updated rating methodology. This is due to several factors. First, an underweight of McConnell’s impact and additionality on the manager as we started scoring impact on end beneficiaries. Second, the assessment tool put more emphasis on impact scale (and MRIs tend to be larger than PRIs) and robustness of impact management processes (where MRIs tend to have larger teams).

Aggregated KPIs and McConnell's Targets

In our 2022 Impact Report, we introduced the concept of cumulative impact targets to evaluate our impact performance over time and progress toward specific goals by 2030. We iterated on these metrics and associated targets with the addition of financed emissions data to our Climate focus area targets in 2023.

This year, we focused on streamlining our KPI data collection and analysis — with an emphasis on methodological consistency across our three focus areas — and clear, contribution-based metrics that reflect

our role as an allocator and ecosystem partner. As a result, some previously reported metrics have been refined, and new KPIs have been added. We remain committed to setting meaningful and ambitious targets for our KPIs and look forward to further refining our targets as part of the mid-point review of our impact investing strategy in 2025.

All monetary-based metrics reported below are calculated on a cumulative, committed capital basis and include exited investments.

	2023	2024	2030 target
Reconciliation			
1. Capital deployed to Indigenous-led and/or majority-owned companies and projects (\$M CAD)	Refined	\$9.3	\$45
2. Number of Indigenous-led and/or majority-owned companies and projects	Refined	38	25
3. Number of Indigenous employees/contractors (portfolio company-level)	New	223	TBD
Communities			
Affordable homes			
1. Cumulative contribution to affordable housing (\$M CAD)	New	\$33.1	TBD
2. Cumulative number of affordable housing units supported	9,207	11,095	10,000
Support for charities, social enterprises, cooperatives, and nonprofits			
3. Cumulative guarantees or loans benefiting charities, nonprofits, social enterprises and cooperatives (\$M CAD)	New	\$10.1	TBD
4. Number of charities, nonprofits, social enterprises and cooperatives cumulatively supported	Refined	355	350
Climate			
1. Cumulative amount invested in renewable energy (\$M CAD)	\$30	\$70	\$150
2. Absolute annual GHG emissions in t CO ₂ e (Scopes 1 & 2)	40,369	37,543	20,075
3. GHG emissions intensity in tCO ₂ e/\$M CAD invested (Scopes 1 & 2)	59	55	35
4. GHG emissions intensity change vs 2020	-16%	-11%	-60%
Mission: Accelerating the Shift and Building the Market			
1. Amount of capital invested for impact (\$M CAD)	\$204	\$243	\$1,000
2. Proportion of PRI portfolio committed to Canadian fund managers	100%	100%	100%
3. Proportion of MRI portfolio committed to Canadian fund managers	65%	60%	35%
4. Number of ecosystem-building initiatives we have facilitated or participated in	4	8	12

Social Equity Lens Investing — a First Look at the Diversity of Our Portfolio Managers

Background

A new element in this edition is that we collected data from our fund managers in alignment with the Government of Canada's Social Equity Lens Investment (SELI) coding system. The SELI framework was **announced in November 2024** by the Minister of Families, Children, and Social Development, and is designed to help investors assess progress towards the **Social Finance Fund's** investment targets of advancing social equity and gender equality. The framework captures information related to gender representation, racial and cultural diversity, disability representation, and Indigenous reconciliation. The SELI system provides shared criteria and language to evaluate diversity in investment decision-making, making it an important tool to help us advance our approach to equity-lens investing.

Our Approach

To better understand how our portfolio and ongoing capital deployment strategy align with the SELI framework, we asked all fund managers, both in Canada and abroad, to report aggregated data on two levels:

- 1. Investment team:** those who have direct involvement in investment due diligence and portfolio management.
- 2. Governance:** those with oversight over investment decision-making and/or the management of the general partner/asset management firm. This could include investment committees, boards of directors, or other advisory governance bodies.

The data collection process sparked insightful conversations with our fund managers, deepening our understanding of the degree to which they incorporate diversity into team composition and governance. While we have been interested in evaluating the diversity of our portfolio in the past, this process marks our first coordinated effort to benchmark our investment strategy using an equity-aligned national standard.

Results

Across our 37 distinct fund managers, 24 provided data in response to our request, representing 65% coverage of our portfolio on a manager-by-manager basis, and 53% on an assets under management-weighted basis. While we strove for 100% portfolio coverage, not all managers were able to provide us with data according to the exact SELI specifications. In many cases, this was due to privacy concerns, operational specificities and jurisdictional differences encountered by our non-Canadian managers. SELI was developed as a Canadian taxonomy, and certain aspects of the framework do not align with the specific data collection norms of other countries. We were nonetheless encouraged by the level of engagement and participation in the exercise, especially given the current pushback against diversity, equity and inclusion (DEI) reporting. We believe these results showcase a partial but insightful overview of the diversity within the management of our portfolio, while holding the most relevance in the Canadian context.

A number of our managers reported incomplete metrics limited mainly to gender, demonstrating a need to strengthen diversity reporting across a larger range of indicators. Managers reporting on limited data points tended to be larger, institutional-scale funds, revealing a level of tension between capital scale and transparency. This dynamic held true in both our "traditional" (non-impact aligned) portfolio, and our MRI impact portfolio, demonstrating room for improvement in diversity reporting, even among funds with impact mandates. On an assets under management-weighted basis, 73% of our MRI portfolio either reported limited data or did not respond to our request. By contrast, we were impressed by the degree to which smaller, less traditionally well-resourced teams responded comprehensively to the request.

Among managers who reported data within our impact portfolio (MRIs and PRIs), women and gender diverse individuals made up 40% of investment team positions, approaching the Canada Census 2021 level of 51%.

By contrast, representation was significantly lower in our traditional portfolio, with only 28% of investment team roles filled by women and gender diverse individuals, highlighting the continued room for increased gender diversity in the financial services industry more broadly.

Furthermore, 2SLGBTQI+ people represented 3% of investment team roles. While Other Racialized Peoples represented 18% of investment team roles. Both percentages were below census levels. Indigenous representation stood out at 5%, in-line with the census benchmark. This represents a key area of progress related to our Reconciliation focus area and associated investment targets ([see Aggregated KPIs on p. 16](#)),

though we acknowledge that this data is likely skewed given the level of SELI data coverage discussed above.

Governance diversity lagged further, with only 34% of board and committee positions held by women and gender diverse individuals and 11% by Other Racialized Peoples. These statistics show the disparities between the composition of investment teams and their governance bodies (e.g., boards and investment committees) across our investments. Board compositions, even in impact funds, are persistently less diverse, underscoring an opportunity for increased representation among those who oversee investment decision-making and governance.

SELI Breakdown — McConnell Impact Portfolio¹

Breakdown of our fund managers by equity-deserving groups, according to the federal SELI taxonomy	2SLGBTQI+	Black Peoples	First Generation Immigrants, Refugees and New-comers	Indigenous Peoples: First Nations, Inuit, Métis	Official Language Minority Communities	Other Racialized Peoples	People Living with a Disability (including invisible and episodic disabilities)	Women and Gender Diverse Peoples
McConnell Portfolio — Investment Team	3%	3%	10%	5%	7%	18%	1%	40%
McConnell Portfolio — Fund Manager Governance	2%	4%	9%	4%	6%	11%	0%	34%
Canada Census (2021) ^{2, 3, 4, 5}	4%	4%	23%	5%	3%	22%	27%	51%

Next Steps

Our findings through the SELI exercise provide a valuable baseline for measuring social inclusion, highlighting areas where we can seek deeper engagement in the future. Going forward, we hope to focus on improving participation in these exercises, expand data consistency across managers, and use these insights to shift how and by whom capital is managed over the long term.

1. Impact portfolio only (MRIs and PRIs). Percentages may include double-counting for individuals with intersectional identities across multiple dimensions (e.g., 2SLGBTQI+ women)

2. Statistics Canada. Census Profile, 2021 Census of Population – Canada.

3. Government of Canada. Federal 2SLGBTQI+ Action Plan: Facts and Stats.

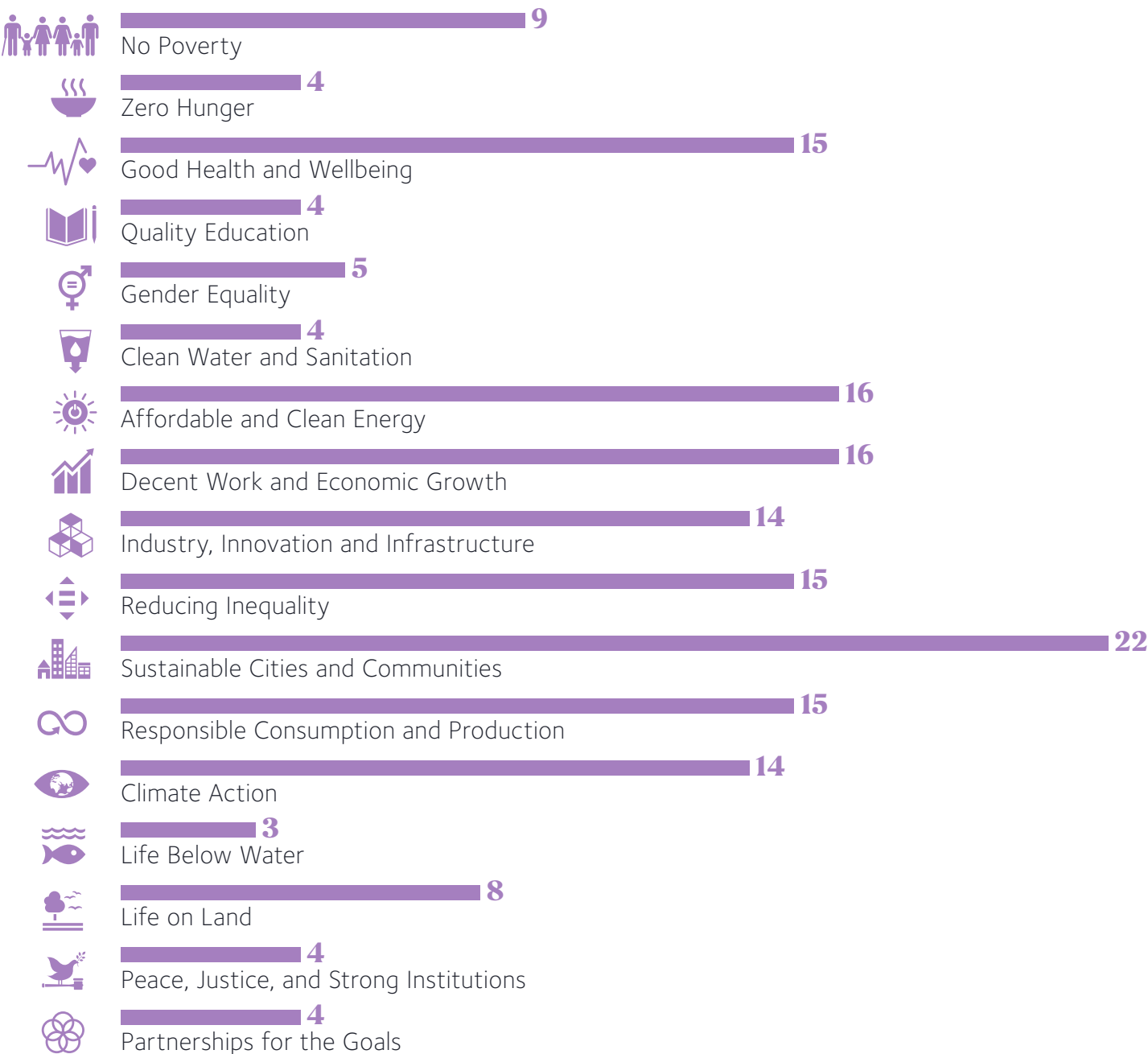
4. Statistics Canada. Canadian Survey on Disability, 2022. The Daily, December 1, 2023.

5. Innovation, Science and Economic Development Canada. *Official Languages and Communities*.

Contribution to the United Nations Sustainable Development Goals (SDGs)

Like the past few years, we plot the number of investees contributing meaningfully (i.e. stating their rationale for contributing and tracking their contribution) to the United Nations Sustainable Development Goals.

Total number of investees contributing to SDGs



Please note that investees may contribute to more than one goal.

Impact Stories

Unlocking Capital to advance Indigenous Homeownership in Communities: Yānonhchia' Housing Finance



Colonial policies and systems have dispossessed communities of their lands, disrupted traditional housing practices, and underfunded infrastructure for generations. This has created a housing crisis for Indigenous Peoples. The Assembly of First Nations (AFN) estimates that 50% of homes on reserve need health- and safety-related renovations, with demand for housing also increasing to 130,000 units in the next 10 years. According to a 2023 estimate by the AFN, the cost to ensure equitable access and adequate quality of housing would be a staggering \$135 billion¹.

Traditional lenders such as commercial banks would normally be the first option to finance this gap. However, they typically require guarantees to provide financing on-reserve given that reserve lands are considered Crown lands (i.e. federal government-owned) under the Indian Act. As a result, the land cannot be seized or used as collateral for a mortgage. This creates a systemic barrier to financing housing on-reserve. Over 50% of First Nations communities do not have the resources to finance their housing, often resulting in overcrowded homes, inadequate heating, and aging or unsafe infrastructure, particularly in remote areas in Northern Canada².

Yānonhchia' is an Indigenous-led solution aimed at increasing access to financing for on-reserve housing. It was built on the success of the **Aboriginal Savings Corporation of Canada** (ABSCAN), a partner of the McConnell Foundation, who pioneered the model of raising First Nations savings to invest in First Nations. To increase the base of loans required to meet First Nation's housing needs, ABSCAN and the National Aboriginal Capital Corporations Association (NACCA) developed Yānonhchia', a non-profit coalition of Indigenous Financial Institution (IFI) housing lenders.

Yānonhchia' is partnership-focused, working with communities, governments and investors to provide an immediate mechanism out of the housing crisis on-reserve and maximize collective benefits for Indigenous communities. It provides an institutional solution to the Indigenous housing crisis and catalyzes systems change by enabling access to private homeownership for First Nations.

"True reconciliation requires not only recognizing past injustices but building the financial infrastructure that empowers Indigenous communities to thrive on their own terms."
— Chief Lance Haymond, General Manager, Yānonhchia' Housing Finance

1. Assembly of First Nations, *Closing the Infrastructure Gap by 2030: Cost Report for Budget 2023* (November 2022)

2. Dominique Collin, McConnell Foundation's Indigenous housing fellow



Photo: Yänonhchia'

Yänonhchia' will use its first investments to scale ABSCAN's housing loan portfolio and then replicate the model from coast to coast to coast, adapting to regional circumstances. ABSCAN offers housing loans adapted to the circumstances of First Nations. Loans for the acquisition, construction and renovation of family residences are based on repayment capacity and home equity value. Once the loan portfolio reaches \$150 million, Yänonhchia' hopes to implement a securitization facility to direct the needed billions into First Nations by accessing capital markets.

Indigenous self-determination is aligned with the McConnell Foundation's **Reconciliation focus area** and central to Yänonhchia's thesis. Yänonhchia's model works

directly with communities to support the modernization of housing ecosystems, and it reflects a shift from government-subsidized housing to private and public Indigenous-led solutions.

The McConnell Foundation believes in the transformative potential of investing in Indigenous-led housing solutions. We invite our partners and fellow investors to join us in advancing housing equity and Indigenous self-determination through solutions like Yänonhchia' — advancing reconciliation through innovative financing, partnerships and advocacy.

Reducing Risks while improving Renewable Energy Supply Chains: Eiffel Energy Transition III



Eiffel Investment Group (Eiffel) is a Paris-based fund manager that invests to generate positive impact for the environment. Since its inception in 2009, it has focused on transitioning Europe to renewable energy.

Eiffel fully integrates environmental, social, and (corporate) governance (ESG) as an extra-financial framework across the investment process. Within its private debt strategies, Eiffel adapts its credit pricing to the ESG practices and outputs of the energy developers it lends to, contributing to improving the onshore wind and solar supply chains.

“Eiffel funds the development and construction of assets, which involves the procurement of equipment globally, with various levels of social standards. Eiffel’s ESG-linked credit pricing incentivizes renewable energy developers to procure equipment from suppliers who are best in class on the ESG front. In addition to contributing to social excellence, it mitigates the risk of Eiffel facilities not being refinanced by long-term project financiers.”

— Guillaume Panié, CEO, Eiffel Investment Group

This ESG-linked credit pricing relies on [Eiffel’s pioneering due diligence and monitoring tools](#). These include: a supply chain risk scorecard (differentiated across solar and wind industries) and a climate risk tool platform (in partnership with Altitude). Interest rates (or loan prices) can go up or down based on ESG practices and outputs of developers. ESG ratings are shared with developer-borrowers, and Eiffel provides transparency on potential adjustments as a way to incentivize better practices.

Eiffel aims to combine maximum positive climate impact through the facilities they fund, while ensuring no harm on other fronts (to biodiversity or socially, etc.). For example, in lending to a renewable energy developer to build a 60 megawatt-peak solar photovoltaic project in Romania, Eiffel conducted a solar photovoltaic panel supplier audit that uncovered supply chain policies that were not up to Eiffel’s social and human rights objectives. Eiffel then embedded an environmental and social action plan in the loan documentation to establish an improvement framework for the developer, which included a path to discard non-compliant supply chain counterparts, improve environmental practices, and possibly improve its cost of financing.

Eiffel also focuses on adaptation to ensure the sustainability of the assets funded. Its climate risk assessments lead to concrete and tangible risk mitigation strategies. For instance, the height of solar panels was modified on a project financed by Eiffel following a flood risk study that combined topographical measurements on the field with existing data.

In 2024, Eiffel **conducted a study** to measure the impact of the implementation of ESG KPIs on the financial performance of companies¹. ESG KPIs include reducing the carbon footprint in absolute terms, enhancing the representation of employees with disabilities, and increasing the proportion of women in managerial positions. Financial performance was assessed across multiple dimensions².

Findings unequivocally demonstrated a positive association between implementing ESG KPIs and companies' financial performance: 83% of the implemented ESG objectives yielded a net positive impact, with more financial indicators affected positively than negatively. Conversely, only 3% of the objectives resulted in a negative net impact, primarily attributable to increased capital expenditure and operational costs. This approach underscores that enhancing extra-financial performance not only strengthens companies but also boosts profitability.

The McConnell Foundation hopes that more transparent supply chains in the renewable energy sector become common practice in Canada — similar to new infrastructure projects being built to adapt to climate risks such as forest fires and floods). As an asset owner, the Foundation welcomes further Canadian research demonstrating whether the implementation of ESG KPIs can have a positive impact on companies, paving the way for ESG-linked costs or savings.

1. Data was collected on Eiffel's private debt portfolio of European SMEs and mid-caps, primarily of French origin, with a median turnover of €200 million and a median workforce of 900 employees, via a survey sent to the CFOs and CSR of the companies surveyed.

2. Access to new markets and opportunities, improved customer retention, easier and cheaper access to financing, easier sourcing from suppliers, increased employee productivity, ease of recruiting and retaining talent, increase in the valuation of the company, price increases for more sustainable products/services sold, increase in turnover, reduced litigation and regulatory costs, improved business resilience to exogenous shocks, reduced capital expenditures, reduced operational expenditures.

Photo: Eiffel



Impact Learnings

1. Taking Part in the Endowment Impact Benchmark: Results and Learnings

Background and Rationale for McConnell

When we committed to undertaking a 100% impact strategy in 2022, we also committed to embarking on an impact evaluation at the midpoint of our portfolio transition plan (2025) to evaluate the depth of our impact processes and outcomes. As a precursor to the more formal impact evaluation, we joined¹ the December 2024 pilot cohort of the Endowment Impact Benchmark (EIB) to obtain an external assessment of the robustness of the impact measurement and management processes that we had developed, and to benchmark our performance against peer asset owners.

The Endowment Impact Benchmark, Intentional Endowment Network (IEN) and BlueMark

The [Endowment Impact Benchmark](#) (EIB) is a comprehensive assessment and ratings framework for endowments to report on their sustainable and impact

investment strategies. It was developed by IEN, a network organization for mission-oriented endowments, and BlueMark, an impact investing consulting and verification firm.

The EIB assessment framework is organized around four key pillars: strategy, management, governance, and transparency. So far, 14 asset owners (all American except McConnell) have gone through the verification process. Fifty percent were university endowments, and fifty percent were charitable foundations.

McConnell Foundation’s Results

We are proud to announce that McConnell achieved a Platinum rating (the highest tier) and scored highly in the Transparency and Strategy pillars. We note there is room for improvement in the Management pillar, particularly around Manager Selection, Engagement and Monitoring.

	Endowment Impact Benchmark Pillar	McConnell Foundation	Rating
Strategy	The social and/or environmental objectives an endowment has established for the portfolio	97%	PLATINUM
Management	The policies and practices an endowment has implemented to integrate the pursuit of its strategic social and/or environmental objectives into its investment processes	85%	
Governance	The oversight, resourcing, and accountability mechanisms an endowment has put in place in relation to its social and/or environmental objectives	94%	
Transparency	An endowment’s openness with respect to its policies, progress, and performance related to its social and/or environmental objectives	100%	

1. We thank our friends at the [Russell Family Foundation](#) for being a thought partner and pointing us towards this resource.

	PILLAR SCORES			SUB-PILLAR SCORES	
	EIB Average	McConnell Foundation		EIB Average	McConnell Foundation
Strategy	67%	97%	Investment Approach	68%	100%
			Strategy Development	63%	84%
Management	75%	85%	Policy	91%	100%
			Manager Selection	73%	69%
			Engagement	59%	100%
			Monitoring	60%	100%
			Collective Action	93%	100%
Governance	72%	94%	Oversight & Accountability	73%	100%
			People	70%	86%
			Knowledge Management	66%	100%
Transparency	82%	100%	Investment Disclosure	82%	100%
			Policies & Practices	96%	100%
			Results Reporting	70%	100%

Learnings and What's Next

The EIB process has been a welcome opportunity to further connect our Investment Team with our granting and operations teams and align our overarching goals as an organization.

The detailed feedback we received was helpful. While we were proud to achieve high ratings for our impact management tools and processes, we have also begun to implement the following improvements in response to BlueMark's feedback:

- considering developing a learning approach (piloted through this Impact Learning section of the Impact Report) and forming deeper collaboration with our Monitoring, Evaluation and Learning Team at the Foundation;

- developing theories of change (which we aim to share by our 2025 Impact Report);
- and, more intentionally monitoring the diversity of our portfolio managers (see SELI reporting and updated aggregated portfolio KPIs [on page 17](#) of this report).

As the first Canadian asset owner to participate in the benchmark, we warmly encourage our peers — fellow Canadian foundations and endowments — to undertake this useful exercise, and to build a benchmark adapted to the Canadian impact investing market.

2. Assessing Impact Risks and Their Mitigants

Renewable Energy Infrastructure

In 2024, we made two large allocations to institutional-scale infrastructure impact fund managers. While the positive impact of decarbonizing the grid through the addition of additional renewable energy capacity was clear, we also took the time to thoughtfully consider the associated impact risks as part of our due diligence process.

Through this process, we identified three primary categories of risk:

1. Evidence risk: Adding renewable capacity to the grid does not necessarily replace fossil fuel primary energy but may only supplement it.

2. Negative impact risk: Renewable energy capacity may be used for activities that we may find otherwise controversial in some way (e.g., powering servers for the artificial intelligence revolution, fuelling arms manufacturers, etc.)

3. Alignment risk: The risk that impact is not inherent to an enterprise's business model and/or that incentives are not aligned to promote positive social or environmental impact. This can especially occur across the supply chains of solar panels and wind turbines, both of which are key cost components of renewable energy development. Both can be subject to human rights issues (from mining extraction to assembly) to guarantee a lower cost. As such, we have focused part of our impact due diligence on understanding how our fund managers think, assess and monitor the supply chain risks of their underlying renewable energy projects.

While evidence risk and negative impact risk are hard to mitigate as an investor or as a renewable energy developer (given the interconnectedness of the grid), alignment risk can be mitigated through appropriate disclosures.

As shared in the Eiffel case study ([on p. 23](#)), we have been particularly impressed by the depth of their renewable energy component due diligence, and how they have been able to hedge that impact and reputational risk through ESG-linked credit pricing. Eiffel considers supply chain transparency as a requirement of their underwriting process, screening out the least transparent developers and charging an interest premium on its loans if part of the supply chain is potentially problematic. This stringent process helps nudge borrowers to improve transparency and fairness while mitigating the financial impacts of ESG-related downside risk.

Feel free to reach out with the impact risks you are noticing, and which ones are being mitigated at info@mcconnellfoundation.ca.



Photo: Eiffel

3. Differentiating Program-Related Investments

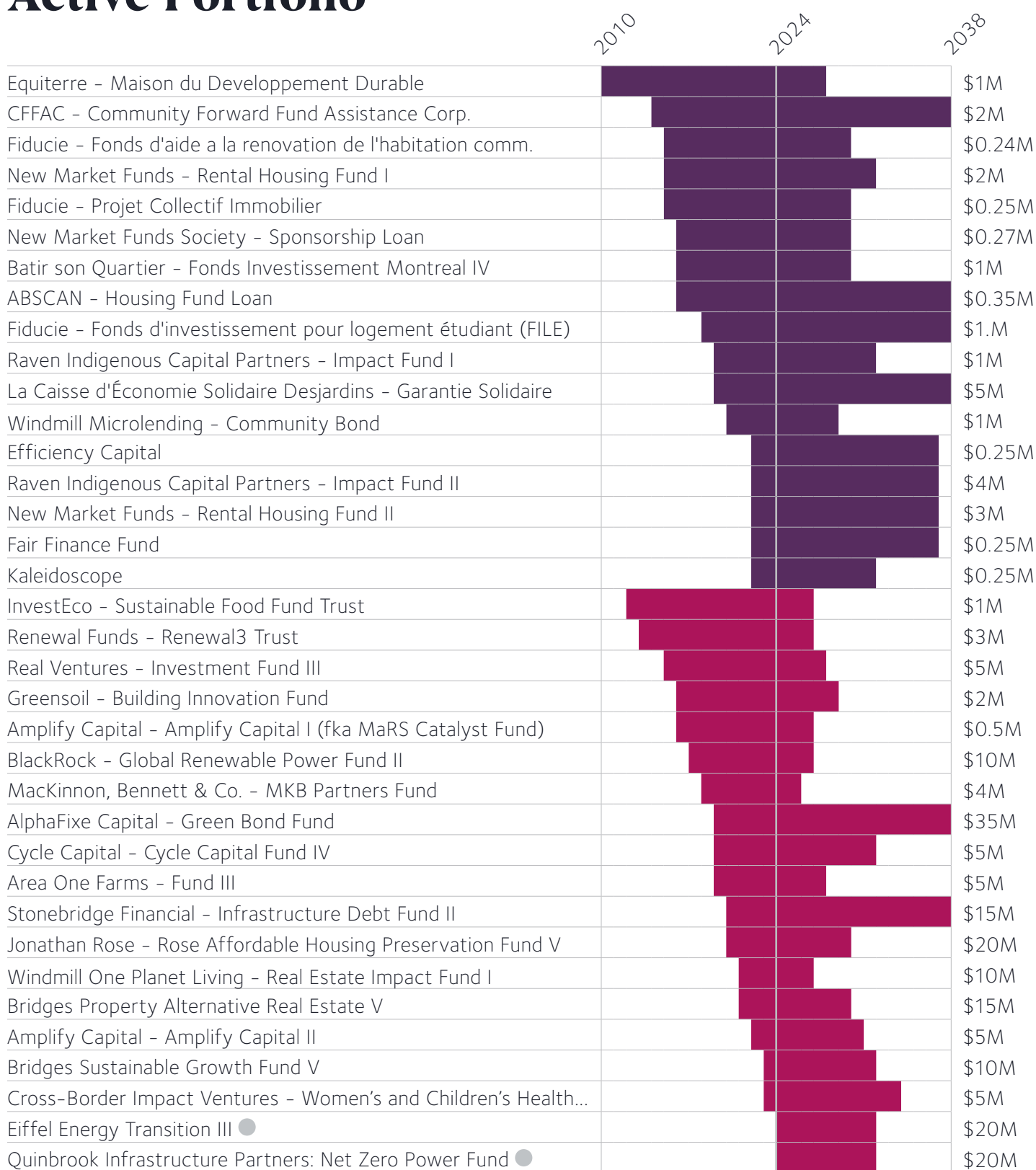
We have developed a classification system for our program-related investments (PRIs), to better clarify where each current or prospective opportunity lies on a spectrum of financial self-sustainability.

We now distinguish between three categories:

Category 1	PRIs that have become financially self-sustainable, typically having reached a sufficient scale to achieve breakeven. We hope these PRIs can attract further, institutional-scale sources of capital.
Category 2	PRIs that have a clear path to financial self-sustainability, but are earlier in their journey, need to prove certain business model assumptions and/or reach a greater scale. Ideally, by the end of our investment, these organizations graduate to Category 1.
Category 3	PRIs that require ongoing grants or other financial support given the unique nature of their structure and/or activities. These investments may carry a higher risk of default, but typically aim for a deeper, broader, and more sustained impact targeting underserved beneficiaries. When assessing these PRIs, we seek to help finance and grow the revenue-generating activities of the organization.

Portfolio Overview

Active Portfolio



New investments in 2024

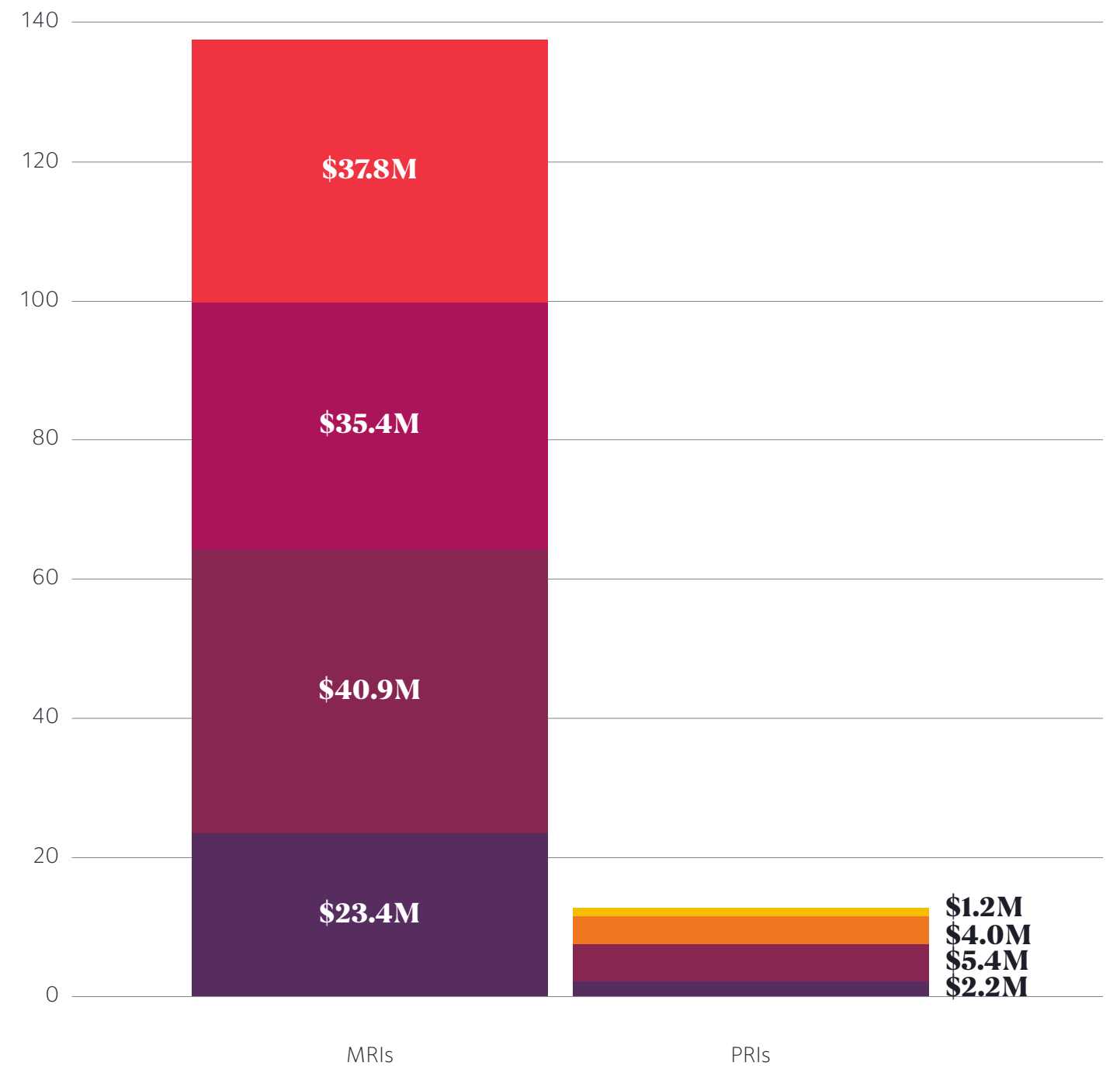
Eiffel Energy Transition III (p. 35)

Quinbrook Infrastructure Partners: Net Zero Power Fund (p. 36)

Infrastructure debt \$19 773 990

Infrastructure \$19 847 400

Impact Portfolio by Asset Class (Market Value)



- Loan Guarantee
- Private Debt
- Fixed Income
- Infrastructure
- Real Estate
- Private Equity

New Impact Investments in 2024

Yānonhchia’ Indigenous Housing Finance Network

123

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

Cumulative number of housing units financed on reserves

—

Number of Indigenous financial institutions that are members of Yānonhchia’

—

Committed amount
\$2 million

Target financial return
2% annual interest rate

Fund size
\$150 million target

Asset class
Private credit

Investment type
Program-related investment

Investment timeline
20252035

Description

Yānonhchia’ is a First Nation–led solution aiming to increase access to affordable financing for Indigenous housing in communities across Canada. Their approach builds on the success of Aboriginal Savings Corporation of Canada in Quebec, an existing partner of McConnell. Yānonhchia’ is designed as a national lending facility for Indigenous financial institution members to access affordable capital to then lend for housing needs (construction and/or renovation) in their communities.

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 cost is estimated at around \$135 billion, with current financing at only \$2–3 billion a year. Traditional lenders require guarantees to finance on reserve, which increases the barriers for investing. Yānonhchia’ demonstrates a strong fit for our impact investing strategy in supporting leading Indigenous-led financial institutions solving and scaling solutions to the housing crisis.

Eiffel Investment Group – Eiffel Energy Transition III

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

Equivalent households supplied by the projects financed

323,247

Megawatts capacity

974

Estimated amount of greenhouse gas reduction

0.76 mtCO₂ eq

Committed amount

\$35 million

Target financial return

Inflation +5%

Fund size

\$1.7 billion

Asset class

Infrastructure debt

Investment type

Mission-related investment

Investment timeline

2024

2032



Description

Eiffel Investment Group is a Paris-based manager focused on accelerating Europe's energy transition. Eiffel Energy Transition III provides short-term senior secured bridge debt to renewable energy developers across Europe to accelerate the installation of renewables. It has deployed €2.5 billion in bridge debt across 4,500 renewable energy projects, contributing to financing 16 gigawatts worth of clean energy capacity.

Rationale

Our investment in Eiffel Energy Transition III aligns strongly with our climate and impact goals. The strategy bridges renewable energy development funding gaps and integrates ESG-linked credit pricing. We also hope to bring Eiffel's best-in-class ESG practices in solar and wind supply chains, alongside their ESG-linked credit pricing to Canada.

Quinbrook Infrastructure Partners

— Net Zero Power Fund

123

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

Renewable energy produced by portfolio assets

14.2 GWh

Tons of avoided CO2e emissions attributable to portfolio operations in 2024

29,512

Jobs created over the lives of the fund's operational projects

1,650+

Committed amount
\$20 million

Target financial return
12%

Fund size
\$2.3 billion

Asset class
Infrastructure

Investment type
MRI – Institutional Grade

Investment timeline
20242031

Description

Quinbrook Infrastructure Partners is a renewable infrastructure manager with over \$6 billion USD in assets under management with specialized expertise in project development. The Net Zero Power Fund is Quinbrook’s third fund, with investments in renewable infrastructure projects across the US, UK, and Australia. The fund’s investments span projects in battery storage, large scale solar, sustainable data centres and waste-to-energy solutions.

Rationale

The Quinbrook Net Zero Power Fund offers robust environmental reporting and an explicit objective to generate measurable environmental impact alongside competitive financial returns. The fund invests in the development of new renewable infrastructure projects, creating additional assets that increase renewable energy capacity to decarbonize emerging and existing carbon intensive industries. This investment is an opportunity for the Foundation to continue its support of decarbonization opportunities with a focus on rapidly evolving industries.

Appendices

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 Mission-related investment	2010–2024	Multiple Sectors	Private Equity	\$2,000,000	\$1,638,739
5 Program-related investment	2010–2013	Health & Health Services	Private Equity (direct)	\$250,000	\$1
6 Program-related investment	2012–2014	Environment	Fixed Income – Loan Guarantee	\$2,000,000*	n/a
7 Program-related investment	2012–2013	Arts & Culture	Fixed Income – Loan (direct)	\$500,000	\$12,500
8 Program-related investment	2015–2019	Entrepreneurship	Fixed Income – Community Bond (direct)	\$500,000	\$613,382
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.

Key Terms

To make this report accessible to a wider audience, we 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 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 (MRIs) are financial investments made in 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 knowledgeable and experienced team.
- Have a clear, repeatable and proven investment process.
- Attract 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 (PRIs) are investments 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. Financed emissions are 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: The Partnership for Carbon Accounting Financials (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, tonnes 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 tCO2e) 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 combatting 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, which 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/or 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 three of the [UN guidance for non-state actors](#)), we share below the methodology and assumptions used for computing our financed emissions. We hope this will lead to increased disclosure by asset owners and asset managers alike.

We welcome your comments and feedback — you can reach out to us at 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, December 31, 2023, and December 31, 2024. 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 Global Industry Classification Standard (GICS) sector and used that GICS sector's average proxy in tCO₂/M\$ revenue for that particular holding, using the Zfolio software. In areas for which the PCAF standards were nonexistent 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.

We have been pleased to see increased coverage and an improved (i.e. lower) quality score for 2020 and 2023, as more companies have improved data disclosures, which have been captured by the Zfolio software. In addition, increased 2023 data enabled us to see larger company-level emissions reduction, or real-economy emissions reduction.

McConnell Impact Rating — Assessment Tool

Fund Name:

Time Horizon:

Impact Thesis:

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	What	Outcomes: What positive outcomes are we aiming to enable or influence at the financial intermediary level through our investment, and how are these outcomes material to their business/strategy?	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.		5%
	Who	Targeting: All things being equal we prefer investments that 1) enable new forms of financing for charities and nonprofits and/or 2) channel capital towards equity-deserving financial intermediaries / asset managers 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.		5%

*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	Score	Weight*
Impact	How Much	<p>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.</p>	<p>1–3: Investors experienced with impact investing seeding a new or differentiated strategy.</p> <p>4–6: New mix of philanthropic, institutional and/or public capital into tried and tested strategies that would otherwise be invested in traditional assets or approaches.</p> <p>7–10: Cross-sector collaboration seeding new strategies or approaches and/or building confidence in the impact marketplace.</p>		5%
		<p>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. DEI, ESG and net-zero practices will be used as a proxy to assess this impact.</p> <hr/> <p>ESG:</p> <p>1. ESG Policies, Objectives, KPIs, Reporting, Standards Alignment and Training: Does the firm have formal ESG policies, clear objectives, measurable KPIs, regular LP reporting, alignment with international standards, and provide updated training to staff?</p> <p>2. ESG Team Integration into Investment Team: Is there a dedicated ESG team integrated into all stages of the investment process, collaborating daily with investment staff, influencing decisions, and properly resourced?</p> <p>3. Incentives: ESG in Performance Reviews and Compensation: Is ESG performance included in employee reviews, linked to compensation, based on clear metrics, with senior leadership accountable, and incentives for continuous ESG improvement?</p> <p>4. Engagement with Potential Investees on ESG Topics: Are ESG issues discussed during pre-investment diligence, expectations clearly communicated, capacity building offered, action plans agreed on if needed, and ongoing ESG monitoring conducted?</p>	<p>10–9: Outstanding/Best-in-Class Formal ESG/DEI/net-zero KPIs fully defined; reviewed quarterly; directly tied to executive and team compensation; full external verification with alignment to leading standards (e.g., UN PRI, SBTi); policies updated annually or better; Board actively oversees ESG/DEI/climate strategy; proactive and structured engagement with investees; strong, measurable team diversity across leadership and all levels; clear evidence of achieving impact goals and continuous improvement.</p> <p>8–7: Excellent/Leading Practice ESG/DEI/net-zero KPIs clearly defined; reviewed semi-annually; partially tied to compensation (executive or key staff); strong but internally verified alignment with standards; policies updated every 1–2 years; Board informed but less active; structured investee engagement during diligence with some post-investment follow-up; good diversity in leadership and investment teams, with targets but less transparency; strong progress toward impact targets.</p> <p>6–5: Good/Emerging Practice ESG/DEI/net-zero goals exist but KPIs may be vague or incomplete; reviewed annually; informal link to bonuses without structured KPI tie-in; partial or limited alignment to standards; policies exist but updated irregularly; Board has limited awareness; investee engagement mostly pre-investment, little post-investment; some basic diversity measures (e.g., gender) tracked but no comprehensive diversity strategy; progress tracking inconsistent.</p> <p>4–3: Basic/Early Stage High-level ESG/DEI/net-zero intentions but no formal KPIs; infrequent, ad hoc reviews; no real link to compensation; only general references to standards; outdated policies; Board passive or unaware; minimal engagement with investees; diversity not systematically tracked or promoted; no strong evidence of impact delivery.</p> <p>2–1: Poor/Nonexistent No formal ESG/DEI/net-zero KPIs; no review process; no linkage to performance or compensation; no alignment to standards; no Board oversight; no investee engagement; no diversity efforts or tracking; no evidence of impact outcomes or monitoring.</p>		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	How Much	<p>DEI:</p> <p>1. DEI Policy, Topics Covered, Metrics and Targets: Does the firm have a DEI policy covering a wide range of diversity characteristics and topics (harassment, discrimination, violence, family leave, equitable pay, whistleblowing, grievances) with defined metrics and targets?</p> <p>2. DEI Metrics in Executive Performance and Compensation: Does the organization integrate DEI performance metrics into executives' performance reviews and/or compensation mechanisms?</p> <p>3. Training on DEI: Does the firm provide regular DEI training to staff across all levels?</p> <p>4. Engagement with Potential Investees on DEI: Does the firm engage with potential investees on DEI topics during pre-investment diligence and ongoing monitoring?</p>			5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	How Much	<p>Net-Zero:</p> <ol style="list-style-type: none"> 1. Does the company set short-, medium-, and long-term climate targets, and have they historically achieved past targets? 2. Do the company's targets cover Scope 1, Scope 2 and Scope 3 GHG emissions? 3. Are the company's targets science-based and verified through the Science Based Targets Initiative (SBTi)? 4. Does the company have a decarbonization strategy, use carbon offsets appropriately, rely on available or emerging technology, and align capital expenditures with climate goals? 5. Is there clear Board oversight and support for the climate plan? 6. Is executive compensation tied to the achievement of climate-related goals? 7. Does the company's commitment to net-zero include considerations for a just transition, ensuring worker protections and community engagement, and how have they performed against past commitments? 			5%
		<p>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.</p>	<p>1-3: >10-year duration, uncertain or ill-defined impact on exit</p> <p>4-6: Clearly articulated impact on exit (10+ years) with plan for longer-term measurement, monitoring and reporting, including upon exit</p> <p>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.</p>		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	<p>McConnell Contribution to Fund Manager</p>	<p>Engage actively: All things being equal we prefer investment managers for whom we can bring the most additionality and value.</p> <p>Identify investor actions: What financial and/or non-financial support did we provide to the intermediary (e.g., catalytic capital, capacity-building, DEI targets, governance involvement)?</p> <p>Assess investor-level counterfactual: What would the intermediary likely have done or accessed in the absence of our capital or engagement?</p> <p>Identify changes at the intermediary: What specific strategic, operational, or cultural shifts occurred at the intermediary as a result of our support?</p> <p>Assess intermediary-level counterfactual: Would these changes have occurred without our involvement? If not, how did our support accelerate, deepen or unlock them?</p>	<p>1-3: Does this investment contribute to a signaling effect that impact matters?</p> <p>4-6: Are there opportunities for McConnell to engage actively in the impact of the investment?</p> <p>7-10: Initiative wouldn't have occurred without our participation/McConnell has contributed flexible capital to enhance impact</p>		5%
		<p>Canadian Ecosystem Impact Grow new and/or undersupplied capital markets: All things being equal, we prefer investment managers who would contribute to the Canadian impact investing ecosystem.</p>	<p>1-5: Does the investment, if international, enable us to transfer learnings to the Canadian market?</p> <p>5-10: Does the investment fill an unmet need in the Canadian impact investing market?</p>		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	Risk	<p>1. Evidence risk: the probability that insufficient high-quality data exists to know what impact is occurring.</p> <p>2. External risk: the probability that external factors disrupt an enterprise's ability to deliver the intended impact.</p> <p>3. Stakeholder participation risk: the probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account.</p> <p>4. Drop-off risk: the probability that positive impacts do not endure and/or that negative impacts are no longer mitigated.</p> <p>5. Efficiency risk: the probability that impact could have been achieved with fewer resources or at a lower cost.</p> <p>6. Execution risk: the probability that the activities are not delivered as planned and do not result in the desired outcomes.</p> <p>7. Alignment risk: the probability that impact is not locked into the enterprise's business model.</p> <p>8. Unexpected impact risk: the probability that significant unexpected negative impact is experienced by people and/or the planet.</p> <p>9. Endurance risk: The probability that the required activities are not delivered for a long enough period.</p> <p>10. Inequity risk: The probability that even if a group of people experiences positive outcomes, inequities between subgroups persist/worsen.</p>	<p>Referring to the 10 types of impact risks and selecting the most relevant risks for each investment, consider:</p> <p>0: Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is high.</p> <p>2: Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is low.</p> <p>4: Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is high.</p> <p>6: Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is low.</p> <p>8: Likelihood of desired impact not occurring is low, severity of consequences is high.</p> <p>10: Likelihood of desired impact not occurring is low, severity of consequences is low</p>		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact of Financial Intermediary Investment	What	<p>Core Concepts: What Change? What Need? What Importance? What Evidence?</p> <ul style="list-style-type: none"> What specific outcomes does the investment seek to achieve for stakeholders (e.g., improved health, education, climate mitigation)? What evidence supports that these outcomes are meaningful and high-priority for the intended stakeholders? What baseline conditions exist for stakeholders before the intervention (starting point)? What scale of need exists for the outcome among the target population or environment? What is the degree of improvement expected relative to the baseline (small, medium, transformational change)? 	<p>10–9: Outstanding Clear, specific outcomes targeting high-priority needs; strong evidence base confirming stakeholder importance; baseline conditions well-understood; magnitude and degree of improvement are transformational; strong data on reach and significance.</p> <p>8–7: Excellent Well-defined and relevant outcomes; good evidence of stakeholder need and importance; baseline is reasonably assessed; expected improvement is strong and measurable, though not fully transformational.</p> <p>6–5: Good Outcomes are generally relevant but less specific; some evidence exists for stakeholder need or importance; baseline partially understood; expected impact is moderate and beneficial, though not deeply transformative.</p> <p>4–3: Basic Outcomes are broad or vague; weak or anecdotal evidence of importance; limited understanding of baseline or need; improvement expected is minor or uncertain.</p> <p>2–1: Poor Outcomes unclear or disconnected from stakeholder needs; little to no evidence or data; baseline and degree of improvement not defined; scale or relevance of impact questionable.</p>		10%
	Who	<p>Core Concepts: Who is affected? Who matters most? Who is Vulnerable? Who benefits/is excluded?</p> <ul style="list-style-type: none"> Who are the main stakeholders (individuals, communities, environment) impacted by the investment? Who is intended to experience positive change (specific groups, populations)? Who might be at risk of experiencing negative outcomes? Who among the stakeholders is historically underserved, marginalized or vulnerable? Who defines whether the outcomes are important — do stakeholders' voices inform what's being measured? Who is included or excluded in the reach of the impact? Who benefits most from the intervention — and is it equitably distributed? 	<p>10–9: Outstanding Stakeholders clearly identified and disaggregated; focus on marginalized or vulnerable groups; stakeholders meaningfully consulted in outcome design; strong equity lens with intentional inclusion; benefits are equitably distributed and exclusions addressed.</p> <p>8–7: Excellent Well-defined primary and secondary stakeholders; attention to underserved populations; some stakeholder engagement informs outcomes; reasonable inclusion strategy with mostly equitable benefit distribution.</p> <p>6–5: Good General identification of stakeholder groups; basic consideration of vulnerable populations; limited stakeholder input; benefits not fully disaggregated but reasonably inclusive.</p> <p>4–3: Basic Broad or generic stakeholder definitions; little evidence of inclusion of marginalized groups; stakeholder perspectives not incorporated; unclear who benefits or may be excluded.</p> <p>2–1: Poor Stakeholders undefined or misaligned; vulnerable groups overlooked; no stakeholder engagement; unclear or inequitable distribution of outcomes.</p>		10%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact of Financial Intermediary Investment	How Much	Scale (Reach and Coverage): <ul style="list-style-type: none"> How many stakeholders are expected to experience positive outcomes? How does the reach compare to the scale of the need (e.g., does it serve 5%, 50%, or 90% of the underserved population)? What methodologies are used to verify the number of stakeholders or area impacted (e.g., third-party validation, administrative data)? Is the reach increasing year-over-year, and how ambitious are the scaling targets? 	10–9: Outstanding/Best-in-Class The intervention reaches a large and well-defined portion of the target population (e.g., 80–100%), demonstrating high scalability. Depth of impact is transformative, significantly improving key indicators (e.g., income, health, education) to a level above industry benchmarks. Positive outcomes are sustained long-term, with resilience mechanisms in place to withstand external shocks. 8–7: Excellent/Leading Practice The intervention reaches a substantial portion of the target population (e.g., 60–80%), with clear scaling potential. Depth of impact is significant, improving key indicators beyond the baseline and towards industry standards. Outcomes are sustained over time, though some risks to long-term impact are present (e.g., slight vulnerability to external factors).		5%
		Depth (Magnitude of Change and Transformation): <ul style="list-style-type: none"> What metrics are used to measure the significance of stakeholder improvements (e.g., % increase in income, % improvement in health outcomes)? How does the depth of impact compare to industry benchmarks or best practices? What evidence (studies, pilot results, stakeholder feedback) supports that the intervention creates meaningful, not marginal, improvements? Are deeper impacts experienced disproportionately by the most vulnerable or underserved groups? 	6–5: Good/Emerging Practice The intervention reaches a moderate portion of the target population (e.g., 30–60%), but scaling potential is limited or still being explored. Depth of impact is noticeable but not transformational, with moderate improvements in key indicators. Outcomes are sustained only in the short-to-medium term, with unclear resilience to external shocks or future challenges. 4–3: Basic/Early Stage		5%
		Duration (Longevity and Resilience of Outcomes): <ul style="list-style-type: none"> For how long after the intervention are positive outcomes sustained, based on evidence or historical results? What mechanisms ensure that benefits persist without continuous support (e.g., capacity building, system changes)? How vulnerable are the outcomes to reversal (e.g., economic shocks, political changes)? Are there specific targets for sustaining impact? 	The intervention has a limited reach (e.g., <30% of the target population), and scaling is not well-defined. Depth of impact is shallow, with only marginal improvements in key indicators. The outcomes are short-lived and vulnerable to reversal due to external factors, with limited planning for long-term sustainability. 2–1: Poor/Nonexistent The intervention reaches a very small portion of the target population or fails to define the target population clearly. Impact is minimal, with negligible improvements in key indicators. Outcomes are not sustained, and no systems are in place to ensure long-term benefits.		5%

Dimension of Impact	Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact of Financial Intermediary Investment	Intermediary Contribution to Enterprise	<p>Engage actively: All things being equal, we prefer investment managers who can bring the most additionality and value to assets / portfolio companies.</p> <p>Identify intermediary actions: What capital, expertise, or influence did the intermediary provide to the enterprise (e.g., flexible financing, technical assistance, ESG guidance)?</p> <p>Assess intermediary counterfactual: Would the enterprise have received similar support from another investor or source? Was the support unique, timely, or catalytic?</p> <p>Identify changes at the enterprise: What did the enterprise do differently because of the intermediary's support (e.g., expanded access, adopted ESG practices)?</p> <p>Assess enterprise-level counterfactual: Would those enterprise actions have happened anyway, or did the intermediary enable or accelerate them?</p> <p>10–9: Outstanding/Best-in-Class Investor actions (capital and non-financial engagement) create significant additional value, driving major changes in the company. Without this investor, the company would have received much less support or slower growth.</p> <p>8–7: Excellent/Leading Practice Investor actions lead to clear additionality, with non-financial engagement playing a key role. The company would have likely received some support elsewhere, but the investor's involvement accelerates impact.</p> <p>6–5: Good/Emerging Practice Investor actions provide moderate additionality, with some influence on company activities. The company would have likely received similar support from other sources, though perhaps at a slower pace.</p> <p>4–3: Basic/Early Stage Investor actions show limited additionality or non-financial engagement, with minimal changes in company activities. The company would likely have received comparable support from other investors.</p> <p>2–1: Poor/Nonexistent Investor actions offer negligible additionality. The company's activities remain largely unchanged, and the company would likely have succeeded without this investor's involvement.</p>		10%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact of Financial Intermediary Investment	Risk	<p>1. Evidence risk: the probability that insufficient high-quality data exists to know what impact is occurring.</p> <p>2. External risk: the probability that external factors disrupt an enterprise’s ability to deliver the intended impact.</p> <p>3. Stakeholder participation risk: the probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account.</p> <p>4. Drop-off risk: the probability that positive impacts do not endure and/or that negative impacts are no longer mitigated.</p> <p>5. Efficiency risk: the probability that impact could have been achieved with fewer resources or at a lower cost.</p> <p>6. Execution risk: the probability that the activities are not delivered as planned and do not result in the desired outcomes.</p> <p>7. Alignment risk: the probability that impact is not locked into the enterprise’s business model.</p> <p>8. Unexpected impact risk: the probability that significant unexpected negative impact is experienced by people and/or the planet.</p> <p>9. Endurance risk: The probability that the required activities are not delivered for a long enough period.</p> <p>10. Inequity risk: The probability that even if a group of people experiences positive outcomes, inequities between subgroups persist / worsen.</p>	<p>Referring to the 10 types of impact risks and selecting the most relevant risks for each investment, consider:</p> <p>0: Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is high.</p> <p>2: Likelihood of desired impact not occurring is high, severity of consequences for stakeholders should desired impact not occur is low.</p> <p>4: Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is high.</p> <p>6: Likelihood of desired impact not occurring is medium, severity of consequences for stakeholders should desired impact not occur is low.</p> <p>8: Likelihood of desired impact not occurring is low, severity of consequences is high.</p> <p>10: Likelihood of desired impact not occurring is low, severity of consequences is low</p>		5%
			Final Impact Rating /10		100%



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