



Halfway to 100%: 2025 Impact Investing Report

Data as of December 31, 2025

Fondation
McConnell
Foundation

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Executive Summary

2025 was a milestone year for the McConnell Foundation, as it marked the midway point to our 100% impact target. It was a year that tested our assumptions, and ultimately, strengthened our conviction.

Economic and political instability intensified throughout the year. Tariff disputes, abrupt policy shifts, geopolitical tension and supply-chain uncertainty drove market volatility. At the same time, accelerating competition in artificial intelligence began reshaping industries and investment priorities at a faster pace than many imagined. Canada's federal election brought additional uncertainty around misinformation, public policy and the future direction of issues that are central to our Foundation's focus areas and investment objectives.

Against this backdrop, we decided to temporarily pause our deployment in early 2025. The pause was an opportunity to assess how rapidly changing conditions could affect different asset classes and the portfolio more broadly. We began to recognize that persistent volatility was the new normal. We also saw how impact investing could be part of the response, strengthening portfolio resilience through exposure to essential services, real assets and enduring structural trends, while financing the solutions that could help reduce physical, operational and systemic risks.

On the positive side, in 2025, we noted with enthusiasm the record amount of capital invested in clean energy globally, driven by an acceleration of electrification¹. It was also the second year in a row where clean energy supply investments outpaced fossil fuel investment globally. We were encouraged by growth in biodiversity finance, and the availability of nature-based solutions in impact investing. These developments reinforced a central lesson from the year: done well, impact investing can help build a portfolio, and economy, that is better prepared to navigate uncertainty.

Opportunities in affordable and community housing continued to grow, while new financing mechanisms opened pathways for more Indigenous ownership. Canada's social finance ecosystem continued to mature, mobilizing private capital for social enterprises,

cooperatives and community-serving organizations. Together, these developments pointed to a broader and increasingly investable impact market, one that will help build resilience from the ground-up.

Refining our strategy

In 2025, we updated our plan for the remaining three years of our transition to 100% impact.

We completed the Foundation's first asset allocation review conducted through an impact lens, establishing a clearer path for the next phase of the portfolio's transition.

We advanced our commitment to reach net-zero emissions by 2050 by joining the [Net-Zero Asset Owner Alliance](#) and refined our investment [exclusion policy](#). We also assessed our practices against the International Finance Corporation's Operating Principles for Impact Management and are reporting publicly on how our approach aligns with those [principles](#).

Across the Foundation, we strengthened collaboration between our granting and investing teams, giving us a more integrated framework to deploy all our resources in support of lasting impact.

Investing for impact & learnings across the portfolio

We committed to five new impact investments in 2025: four mission-related investments (MRIs), one program-related investment (PRI), and a top-up in one existing impact fund. We exited one MRI (see [Learnings](#)) and two PRIs.

In 2025, we finalized the impact transition of our fixed income portfolio and started to transition our public equities. We reflected on what we learned from the fixed-income transition and started sharing about our first 10 years investing in Canadian impact venture capital. We will report more fully on our approach to public equities in 2026.

1. [BloombergNEF Finds Global Energy Transition Investment Reached Record \\$2.3 Trillion in 2025, Up 8% from 2024 | BloombergNEF](#)

Partnering to build the Canadian impact investing ecosystem

Our ambition extends beyond aligning our portfolio: we seek to deepen its real-world impact, including by strengthening the ecosystem so more asset owners can invest for impact with confidence.

In 2025, we took part in several initiatives to grow the Canadian impact investing ecosystem. We contributed data to SVX for their first Canadian impact investing market performance report, which confirms, from the bottom up, the top-down figure found in 2024 by the Canadian Impact Investing Working Group.

Following the 2024 study conducted by TwinRiver ([see 2024 Impact Report](#)), we supported the Impact United Academy to organize several conversations around donor-advised funds and impact investing. These discussions explored how a larger share of philanthropic assets could be aligned with charitable purpose.

We also contributed to building stronger connections between community bonds and traditional fixed income markets. Through its Impact Fixed Income Fund, Addenda Capital became the first institutional fixed income fund to invest in a community bond, supporting Groupe TAQ and helping demonstrate how community-based financing can become more accessible to institutional investors. Read the case study in our [2025 Year in Review](#) and our reflections on transitioning the fixed-income portfolio.

In late 2025, we started working with partners to explore how a successful guarantee program developed with the Caisse d'économie solidaire in Quebec could be expanded to other provinces through collaborations with other credit unions and foundations.

What's next: 2026 sneak peek

In 2026, we are busy implementing our transition plan, with allocations across public equities and private asset classes. We have also begun developing an impact cash product working with the social finance wholesalers. We expect to share more about this initiative in our 2026 impact report.

As we build our impact public equities portfolio, we are formalizing our engagement strategy designed to influence corporate practices and help contribute to measurable, real-world outcomes. As performance data across our impact portfolio deepens, we will strengthen our assessment of results (both in absolute terms and relative to appropriate asset-class benchmarks) and share what we learn with the broader field.

We undertake this work as part of a growing community of foundations building on the leadership of early adopters of 100% impact commitments. Their experience is creating the longer-term integrated performance records needed to demonstrate what mission-aligned portfolios can achieve. [Inspirit Foundation's 10 Years Later report](#) is an important example. Such evidence helps move the conversation beyond whether a fully impact-aligned portfolio is possible and toward how more asset owners can make the transition successfully.

The past year reinforced our belief that capital can, and must, do more.

As we enter the second half of our journey to 100% impact, we do so with a clearer strategy, a stronger portfolio and a deeper commitment to learning alongside others. By sharing evidence, developing new investment pathways and applying our full asset base in service of our mission, we hope to contribute not only to a more resilient portfolio, but to a more resilient, inclusive and sustainable economy.

As always, we welcome and encourage questions, reflections, and opportunities to collaborate:

info@mcconnellfoundation.ca

Impact Strategy Update

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Impact Investing Thesis

We seek to accelerate the shift to an impact-first economy, where all investments contribute to our vision of a resilient, inclusive and sustainable society that can successfully address its complex challenges¹.

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

1

Make impact investing the norm in Canada



Financial outperformance of impact portfolio

Increased number of institutional investors embedding impact

Impact-financial integration is the new norm

2

Strengthen the community and social sector



Increased number of social and community finance intermediaries

Increased self-sufficiency of the sector

Increased representation of equity-deserving groups in positions of power

Growth of the sector (scope, geography, assets)

3

Decarbonize the real economy



Reach net zero by 2050

Contribute to Canada's path to net zero

Champion the "Just Transition" by helping prove that social equity and environmental goals are fundamentally codependent

In 2025, with the help of our Impact Advisory Committee, we refined our theory of change, highlighting the links from inputs to activities, outputs and desired outcomes, and differentiating across our MRI, PRI and granting portfolios, which we will publish soon.

1. <https://www.mcconnellfoundation.ca/about/vision-mission/>

Building an impact continuum: from Programs to Investments

In addition to our portfolio-level impact thesis and goals, in 2025 we integrated impact investment outcomes (led by our PRI portfolio) to the theories of change of our Climate and Reconciliation focus areas. Together, we have started developing priority PRI outcomes and target KPIs, which we will share in 2026. 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.

To this end, we added a step in our due diligence process: discussing target outcomes, systems change, assumptions and impact risks with the Foundation's granting team. A few years into systematically presenting potential new investments to our internal 100% Impact Committee, we have seen tremendous value added. During these meetings, colleagues from our granting team challenge the theory of change and

This year, we wanted to expand our grants-to-investments impact continuum and celebrate the value it brings to our systems-change work.

assumptions for the investment opportunity under review, and surface material impact risks that may be less visible to the investment team.

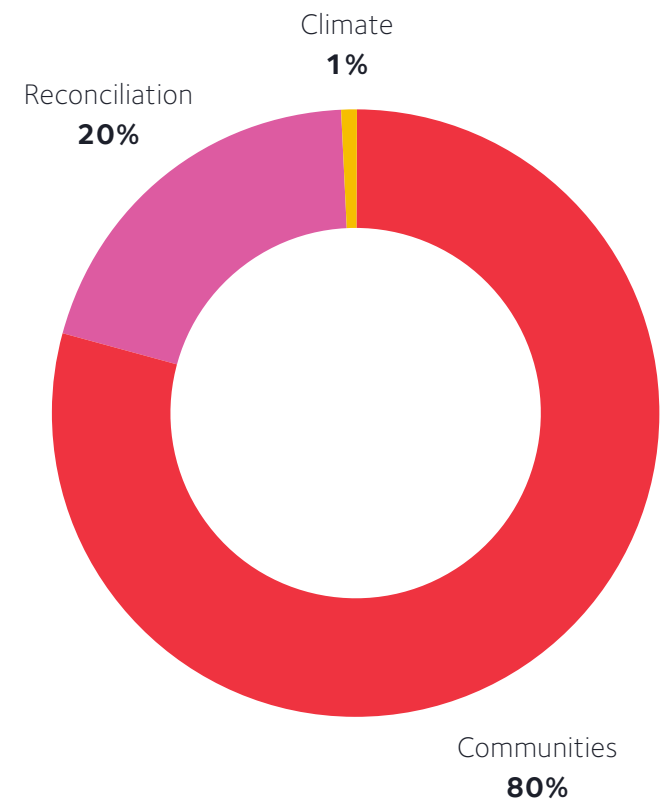
We also recently implemented a second forum of discussion. During monthly conversations between each focus area and an investment team lead, we coordinate our PRI and grant pipeline, work together on blended finance opportunities, and discuss ecosystem-building initiatives. For instance, the investment team was brought in to help assess the endowment management strategies of our recent capital transfers to Indigenous community foundations.



Impact investments by Focus Area

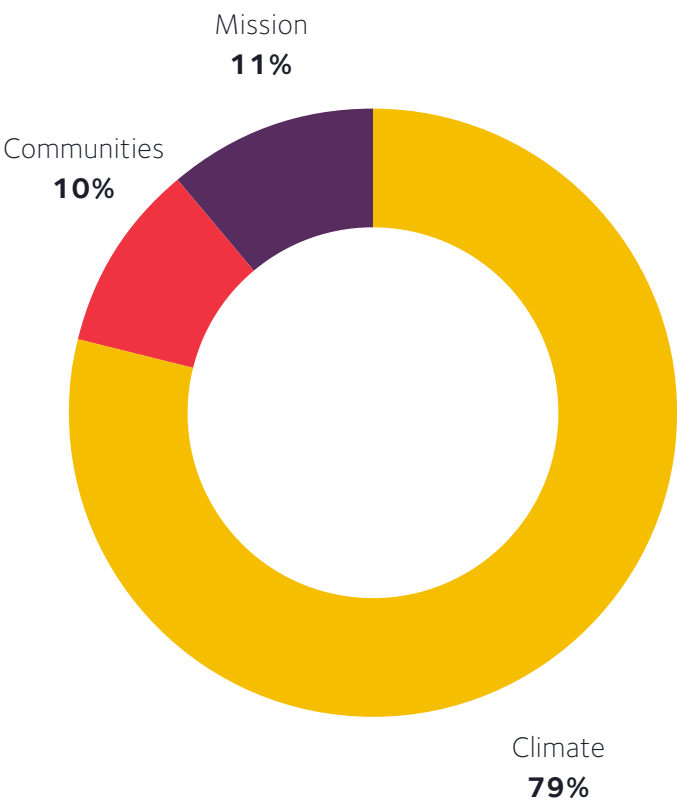
In 2025, we are separately reporting the repartition of our MRI and PRI portfolios across focus areas.

**PRI portfolio by Focus Area
(Committed CAD as of Year End 2025)**



The distribution across focus areas reflects differences in market maturity, scale and fit with particular investment tools, not the absence of investable opportunities. Climate offers the broadest and most standardized range of institutional-scale investments across asset classes, which is reflected in its larger share of the MRI portfolio. Community- and mission-aligned investment markets are also established and substantial, although opportunities may be less standardized, offered at smaller ticket sizes or better suited to flexible and catalytic capital. Together, the MRI and PRI portfolios demonstrate how complementary investment

**MRI portfolio by Focus Area
(Committed CAD as of Year End 2025)**



approaches can advance outcomes across all of our focus areas.

A review conducted by Sonen Capital, the impact investment advisor that supported our 2025 asset mix review, reinforced a well-established market pattern: climate currently offers the broadest range of institutional-scale opportunities across asset classes. It also identified meaningful opportunities in established community- and mission-aligned markets, where investments may require more tailored sourcing, smaller allocations or different forms of capital.

ASSET CLASS	IMPACT THEMES					
	Climate		Communities		Reconciliation	
Public Equities	Thematic funds, net-zero targets		Possible inclusion of equity-deserving groups		Marginal impact on reconciliation	
Nominal Bonds	Green bonds, net-zero targets		Municipal/local authority/provincial bonds		Indigenous financial institutions and Indigenous project Special Purpose Vehicles (SPVs)	
Cash	Marginal impact on climate		CDs and CDFIs in local communities		Indigenous financial institutions	
Real Estate and Infrastructure	Low-carbon infrastructure, renewables and energy distribution		Affordable housing and inclusive access		Targeted infrastructure, real estate and project equity	
Private Equities	Technologies in climate, decarbonizing of industrials, logistics, and food production		Equity in housing developments and diverse managers		Indigenous-led fund managers and entrepreneurs	
Private Debt	Direct lending to climate positive companies reducing GHG emissions		Loans to/for housing developments and direct to diverse-led businesses		Loans to Indigenous enterprises	

Potential Impact Contribution:  Marginal  Passive  Active  Significant

We are particularly interested in where climate and community needs intersect. The transition to a low-carbon, climate-resilient economy will have different effects across communities, and its benefits will not be shared equally without deliberate action. Investments in affordable, energy-efficient housing, community-owned renewable energy and locally designed adaptation infrastructure could advance both environmental and social goals. Indigenous-led climate and community solutions also offer an important opportunity to advance Reconciliation, and we see with confidence the institutionalization of Indigenous- and diverse-led fund managers.

Our learning: Opportunities across climate, communities and Reconciliation differ in scale, structure and market maturity, but meaningful investment opportunities exist across all three. We see particular potential at their intersections, including affordable, energy-efficient housing, community-owned renewable energy and Indigenous-led climate solutions. By using MRIs and PRIs in complementary ways, we can pursue stronger environmental and social outcomes and contribute to a just transition.

Midway through our 100% Journey

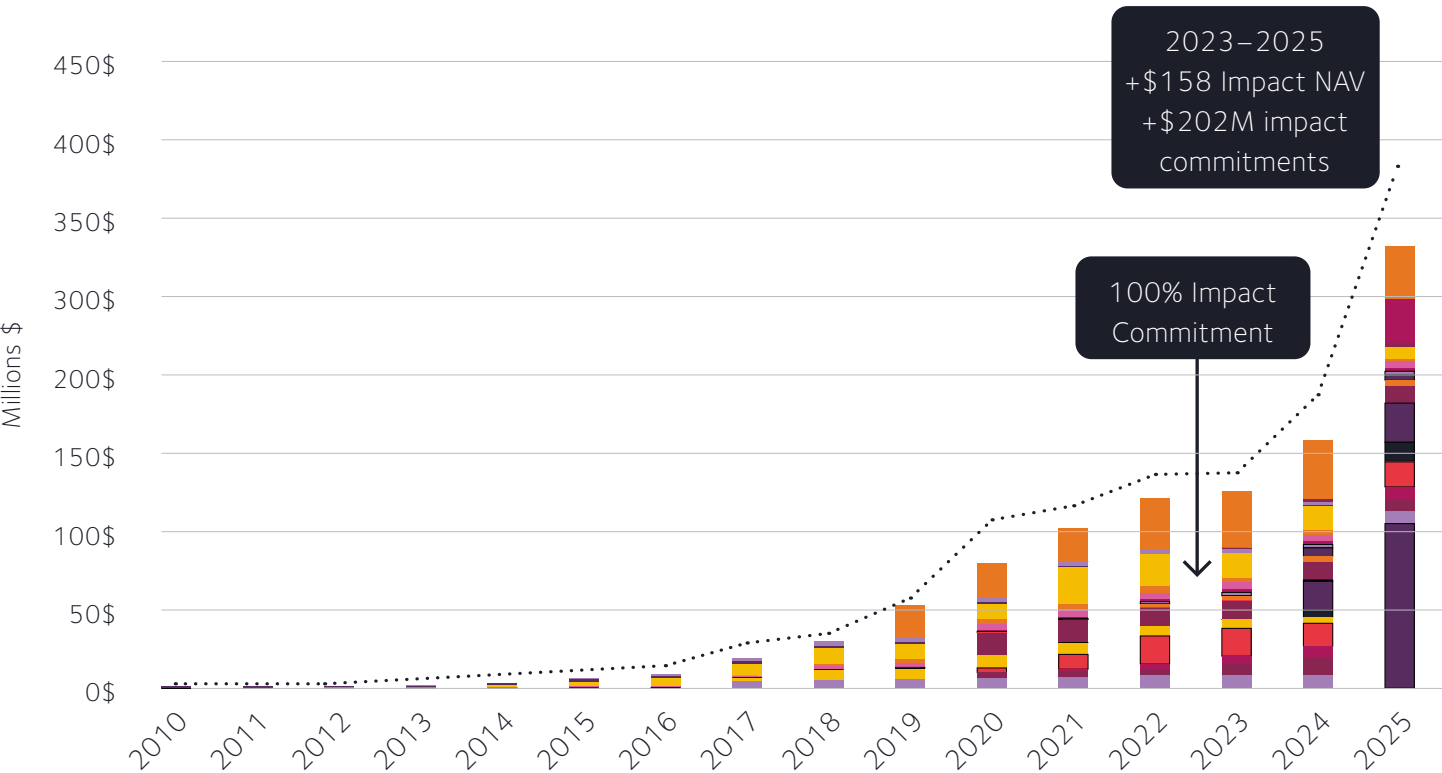
Since our commitment to 100% Impact at the end of 2022, we have committed approximately \$200 million to twelve impact investments over three years, growing our impact portfolio by two and a half times. This represents four investments and \$67 million allocated per year on average.

As of the end of 2025, 51% of our endowment is committed to impact investing; 42% in value is actively driving outcomes. As we grow our allocation to impact private markets, we expect the gap between committed and valued to remain, and potentially to widen.

To achieve 100% Impact by 2028, we are planning for a similar allocation pace: four MRIs per year, alongside one to two PRIs. Amounts committed may increase as we transition larger portfolios, especially in public equities.

We remain confident that our 100% Impact goal is achievable. We are inspired by foundations that have made, and in some cases already fulfilled, similar commitments, demonstrating strong financial performance alongside measurable, real-world impact. As we pass the halfway point, we are encouraged by our progress and grateful for the support of so many partners across Canada and beyond. We know the work ahead requires continued learning and refinement. Ultimately, our goal is not simply to reach 100%, but to ensure our endowment contributes to meaningful, positive outcomes for people and planet.

McConnell MRI Portfolio — NAV (Net Asset Value) and commitment over time in CAD (2010–2026)



Impact Performance

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What the results show: Across the portfolio, McConnell's investments are contributing to outcomes at several levels: expanding access to affordable housing and other essential resources; directing capital to Indigenous-led, community-based and mission-driven organizations; and strengthening the systems and markets that support a more inclusive and resilient economy. While the type and scale of impact vary across investments, the results demonstrate growing reach across the Foundation's focus areas and overarching mission.

In 2025, we assessed our impact performance through several tools:

1. Aggregated impact KPIs across our portfolio and analyzing them against last year's performance and our 2030 targets.
2. Visualization of our Impact classes. Following Impact Frontiers guidance, we plotted our impact portfolio across our investor contribution and fund contribution.
3. Plotted our investments on our integrated performance graph alongside projected risk-adjusted financial and impact performance. We were thrilled that this approach was recognized by the **CFA Society of the United Kingdom in their Certificate in Impact Investing course.**
4. Updated our Social Equity Lens Investing (SELI) reporting with new investments.
5. **Aligned our practices with the Operating Principles for Impact Management (OPIM).**
6. Created qualitative case studies detailing the theory of change, interventions and outcomes sought by some of our 2025 new investment partners.



Aggregated impact KPIs

McConnell Portfolio — Impact Performance

	2024	2025	2030 target
Reconciliation			
1. Number of Indigenous-led and/or majority owned companies & projects*	38	42	25
2. Capital deployed to Indigenous-led and/or majority owned companies & projects (\$M CAD)*	\$9.3	\$11	\$45
3. Number of Indigenous employees/contractors (portfolio company-level)	223	223	TBD
Communities			
Affordable homes			
1. Cumulative number of affordable housing units supported	11,096	11,971	15,000 ¹
2. Cumulative contribution to affordable housing (\$M CAD)	\$31	\$43	\$50
Support for charities, social enterprises, cooperatives, and nonprofits			
3. Cumulative guarantees or loans benefiting charities, nonprofits, social enterprises and cooperatives (\$M CAD)	\$5	\$8	\$15
4. Number of charities, nonprofits, social enterprises and cooperatives cumulatively supported	351	372	350
Climate**			
1. Absolute annual GHG emissions in t CO ₂ e (Scopes 1 & 2)	27,851	22,277	19,771
2. GHG emissions intensity in tCO ₂ e / \$M invested (Scopes 1 & 2)	39.3	32.5	29.5
3. % GHG emissions intensity change vs 2020	-47%	-56%	-60%
4. Cumulative amount invested in renewable energy (\$M CAD)	70	106	150
Mission: Accelerating the Shift and Building the Market			
1. Proportion MRI portfolio committed to Canadian Fund Managers	60%	39%	35 %
2. Proportion of PRI portfolio committed to Canadian Fund Managers	100%	100%	100%
3. Amount of capital invested for impact (\$M CAD)***	\$243	\$337	\$1bn
4. Co-investment match on our investment (PRIs)	15x	14x	10x
5. Number of ecosystem building initiatives we have facilitated or participated in****	8	9	12

We have seen incremental progress across our indicators. In 2025, we updated our 2030 contribution target to contribute to finance 15,000 affordable housing units by 2030, double what we had done since 2022 when we started tracking it.

Our proportion of Canadian fund managers in our MRI portfolio dropped in 2025, due to asset allocation. Whenever possible, we hope to leverage the best practices seen abroad to grow the Canadian impact investing market.

1. 2030 target increased to 15,000 units as of 2025.

* "Indigenous-led" = Indigenous Founder/CEO.

** 2030 targets for climate KPIs concern the entire portfolio, which is targeted for 100% impact alignment by that point.

*** Total commitments to impact investments to-date, includes exited investments.

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

Impact asset classes across our portfolio

McConnell 2025 Portfolio per Impact Areas

Investor Contribution	# funds	Avoid Harm	Benefit Stakeholders	Contribute to Solutions	Total AUM	% AUM
Signal that impact matters	17	\$375M	\$74M	\$9M	\$458M	67%
Signal that impact matters + Grow new markets	5	–	–	\$11M	\$11M	2%
Signal that impact matters + Engage actively + Grow new markets	3	–	\$167M	–	\$167M	24%
Engage actively	1	–	–	\$12M	\$12M	2%
Grow new market	9	–	\$20M	\$0.5M	\$20M	3%
Grow new markets + Provide flexible capital	17	–	–	\$13.5M	\$13.5M	2%
Total	52	\$375M	\$261M	\$47M	\$682M	100%

This chart shows both the impact of our investments and how we contribute as an investor. All investments classified as “Avoid Harm” currently fall under “Signal that Impact Matters”: our contribution is through our choice to invest, rather than active engagement that changes their impact. We also show legacy investments that do not meet our divestment criteria under “Does / May Cause Harm”; they represent less than 1% of assets under management.

After participating in the 2023 Impact Frontiers cohort, we started mapping our new impact investments not only based on their direct impact contributions but also our investor contribution. It took a few years to review our earlier impact investments, and we now have a visual to assess our portfolio across impact asset classes¹, an ask from our Impact Advisory Committee. The Impact Asset Classes framework contributes to answering the following questions about the impact performance of our portfolio:

- What differentiated impact performance can we expect across the portfolio? How is it distributed and evolving over time?
- Where are we driving the most impact as an investor (top row)? How does this relate to resource allocation on our team?
- Which of our investments are themselves driving the most impact (right column)? Are we able to contribute to that impact? Could we do more?

Though we do not expect to grow undersupplied markets across our whole portfolio, or see all our investments contributing to solutions, we want to have a current picture of where we are at and assess whether we can do better.

1. <https://impactfrontiers.org/wp-content/uploads/2025/10/A-Guide-to-Classifying-the-Impact-of-an-Investment-3.pdf>

Endowment breakdown by impact (market value — 2025)



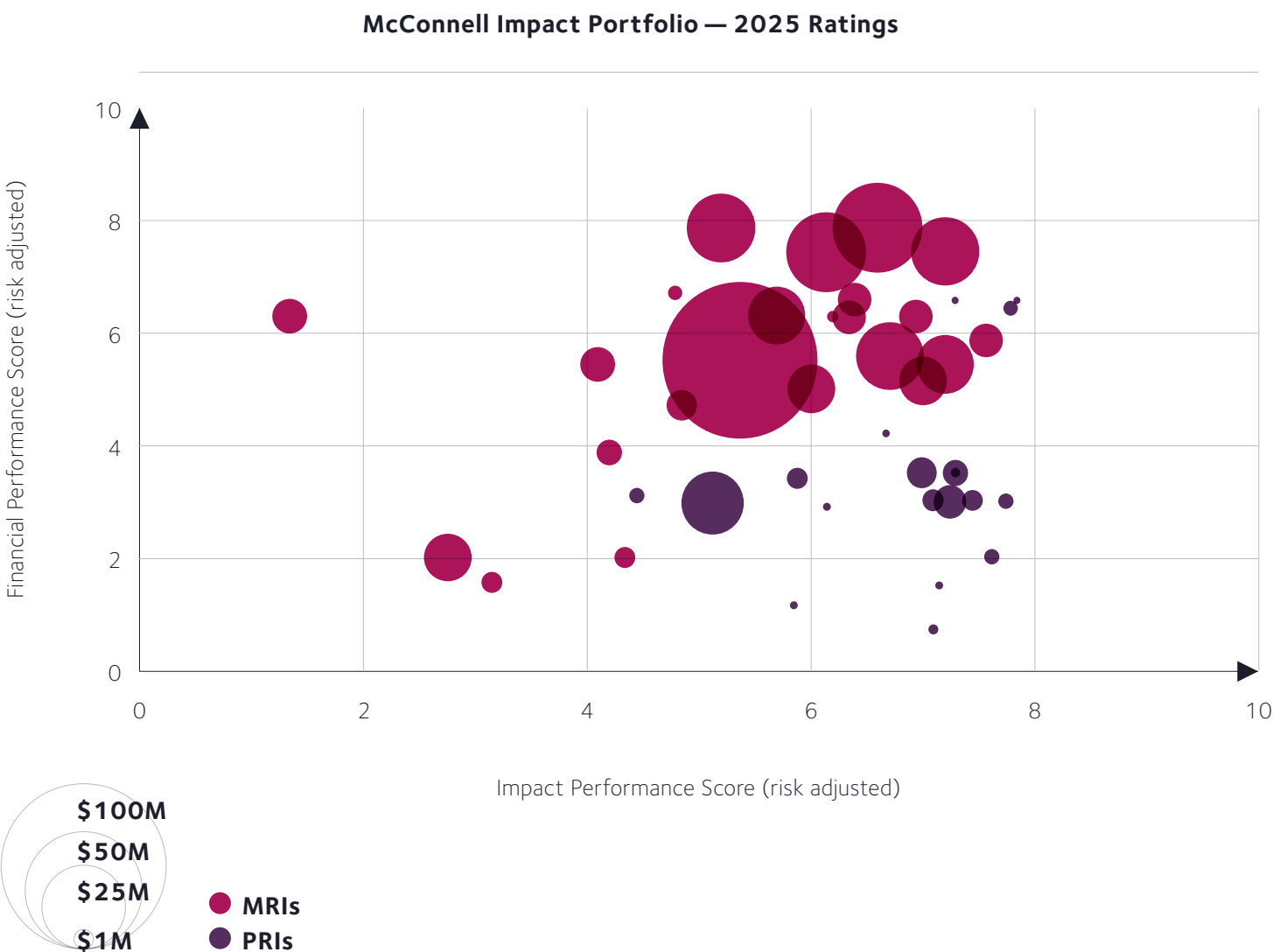
- Avoiding harm **55%**
- Benefiting stakeholders **38%**
- Contributing to solutions **7%**

Integrated Performance

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 its impact score. The size of the bubbles indicates the size of McConnell’s investment,

with purple representing PRIs and pink representing MRIs. This year, we added exited investments in lighter colour, where ratings include actual impact and financial performance. We look forward to seeing how the exited investments feature in the graph over time, as it provides a useful indication of impact on exit and whether investments achieved their initial impact aims.



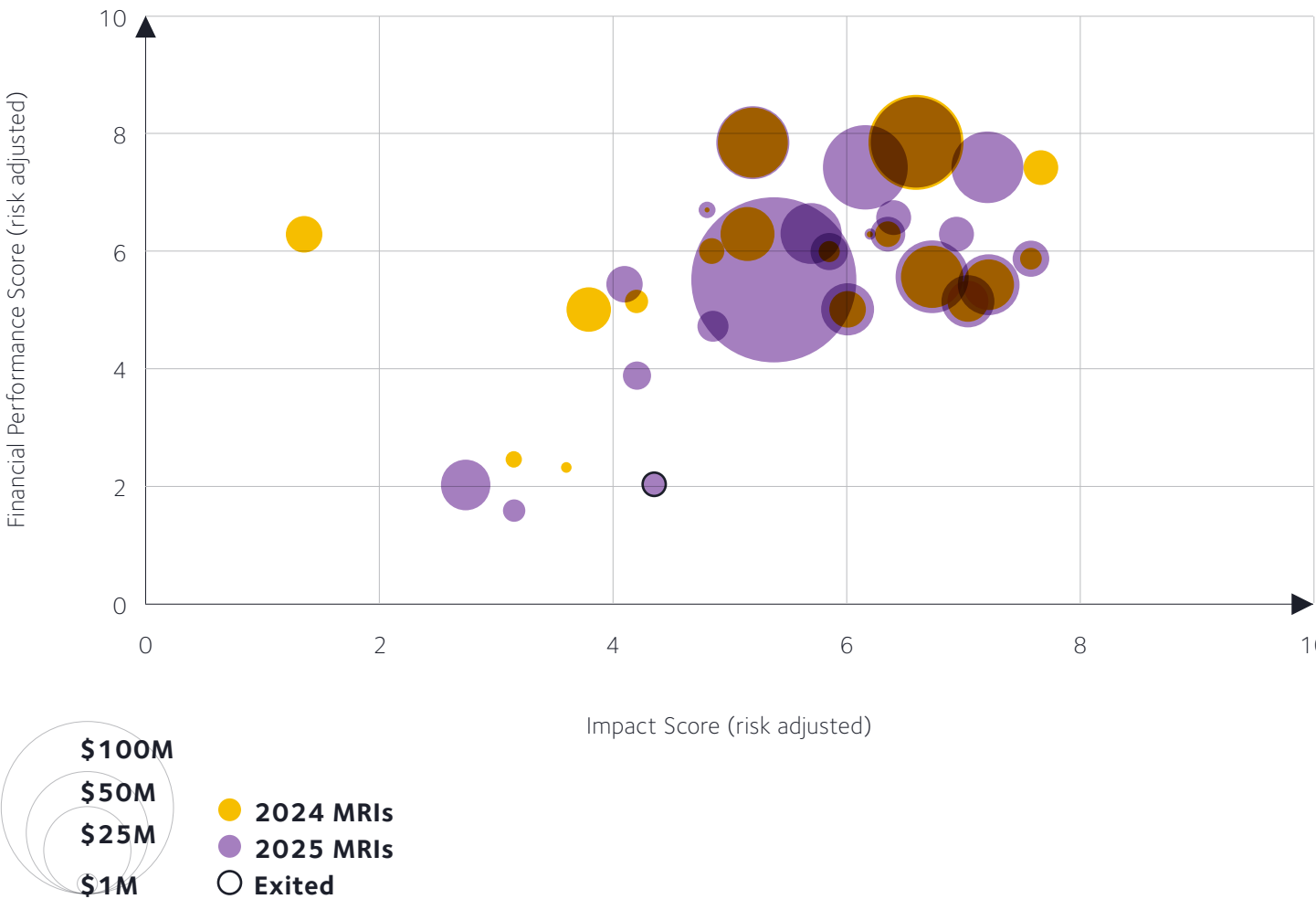
Between 2024 and 2025, impact ratings edged down overall, largely because we applied a more consistent scoring approach to investments that had initially received higher ratings. Financial ratings were broadly stable overall: clearer performance and exit prospects improved some scores, while defaults and lower expected returns reduced others. Some impact scores also rose as investments expanded the breadth or depth of the solutions they provide.

Below is a year-over-year change in the ratings: yellow bubbles are 2024 ratings, while purple bubbles are 2025 ratings. The resulting orange bubbles indicate no change in the ratings, while some bubbles have increased in size, or moved alongside our two axes.

Our annual adjustments for impact and financial ratings have been around:

- Increase in financial rating: higher visibility on exit pathway and performance (thus lower valuation risk)
- Increase in impact rating: increased depth or breadth of solutions provided
- Decrease in impact rating: harmonization as we realized we tended to score very highly the managers we recently allocated to
- Decrease in financial rating: default, lower return expectations

McConnell MRI Portfolio — 2024 vs 2025 Ratings



Key Impact Risks

In 2025, our portfolio encountered two major impact risks that led to discussions about how to sufficiently track, measure and report on these risks.

1. Climate risks materializing: extreme weather events

Our portfolio experienced a new degree of climate risk at the start of 2025, when one of our real estate managers explained the impact of the Southern California wildfires on a residential and office portfolio. Separately, one of our renewable infrastructure assets in Asia was badly damaged by a typhoon, leading to a sizable valuation correction. In Canada, which usually benefits from plentiful water, a drought is reducing water levels at a dam, leading to consistent underperformance of a hydropower facility.

As such, we started implementing an internal tracker on climate extreme events affecting our portfolio and their impact on asset value. While we do not yet have an integrated way of seeing the geographical dispersion of underlying physical assets, we have encouraged reporting by our real estate and infrastructure managers

on key climate risks and discussed preventative measures to withstand the impact of floods or sea-level rise. During due diligence, we added a focus on the insurance coverage of key real assets and adaptation measures of our managers to increase resiliency during extreme weather events.

We asked our own auditors whether they were considering climate risks while reviewing our financial statements (which encompass our endowment and investment portfolio). The answer was yes, our auditors consider whether climate risks could have a material impact on our financial statements, in accordance with auditing standards requiring them to identify and assess risks of material misstatement. However, we were surprised to learn that, because our endowment assets consist primarily of investments measured at fair value, any climate risks would already be inherently reflected in their fair value, as determined by our fund managers. Thus, no further assessment at an aggregate level was undertaken. We still have a long way to go to better understand and assess aggregate climate risks across our portfolio. This further underscores the importance of climate change mitigation and the case for investing in climate solutions.



2. Inherent alignment risk in affordable housing

Given the continued importance of addressing the affordable housing crisis in Canada via complementary funding and partnership approaches, we reviewed our affordable housing exposure across MRI and PRI, and its systemic impacts. Our portfolio spans financial tools from pre-development guarantees, development equity, and long-term debt. We have partnered with affordable housing developers, builders, and operators, primarily in Canada as well as in the United States and the United Kingdom (from where lessons can be drawn — [see Impact Learnings](#)).

One of the most sizable and difficult to finance needs within Canadian non-profit or cooperative owned and managed affordable housing financing is long-term debt capital that finances land and building acquisition, construction and the first years of operations.

This is where we see the greatest degree of impact alignment risk in our property portfolio (see our Impact Rating tool in [Appendix p.56](#)). In that specific affordable housing model, financial returns (interest payments or repayment of long-term patient capital) inherently come from rent payments from housed beneficiaries. While operational improvements — such as digitization, energy retrofits leading to heating or cooling cost savings — may improve operational margins, these are minimal. Key return metrics remain: planned rent increases (usually tied to inflation), and cost of long-term capital. Requiring a higher interest rate means fundamentally that the partner may need to raise rents, irrespective of inflation, which will have a knock-on impact on households and affordability.

We saw this tension within our portfolio. In one property, when operating costs ran higher than expected, the fund manager paused payouts from this project and stepped in with extra flexible funding (in the form, among others, of municipal rent supplements) rather than directly raise rents from tenants.

This was a part of the ecosystem we engaged via our program-related investment tool. Indeed, to understand this alignment risk better, we asked some of our PRI managers if they track to what extent deeper affordability is enabled by lower interest rates, controlling for inflation. Could we get a sense of that inherent trade-off? We have had limited responses and would appreciate more ecosystem data.

We are now more mindful when conducting due diligence on nonprofit affordable housing projects of the potential alignment risks. We will consider to what extent the cost of our capital impacting or likelihood of impacting the long-term affordability of housing units during due diligence and portfolio management. In practice, this means watching for early warning signs, such as whether a project earns enough to comfortably cover its loan payments, since the tightest margins are where the pressure to raise rents is greatest. It also means recognizing that when returns come in below target, this often reflects managers choosing to protect affordability rather than push rents higher. In these circumstances, a lower financial return can itself be a sign of impact integrity. In other words, what is the impact alignment risk, if any, and how can we better address this in the design of non-profit affordable housing fund structures?

3. The Rise of Artificial Intelligence: Emerging Climate and Inequality Risks

The most tangible AI-related impact risk we encountered in 2025 arose not in a software holding, but in our real assets portfolio. One of our traditional infrastructure managers (though not through the strategy we are invested in) made new investments into a US gas-fired power plant alongside battery storage; capacity that is increasingly built to feed the electricity demand of AI data centres.

This exposes an uncomfortable tension in our portfolio: the AI boom is being physically underwritten, at least in part, by new fossil-fired generation — an outcome that runs counter to our net-zero commitments. We have started flagging this risk through our infrastructure monitoring, including tracking excess data-center capacity at another manager. It reinforces the importance of understanding the geographical and technological footprint of underlying physical AI assets matters, even in the portfolio's "non-impact" sleeves. All investments have positive and negative impacts, whether managers intentionally account for them or not.

Roughly half of our endowment is invested in public equities. Given the composition of today's markets, our managers carry significant, largely unavoidable exposure to AI. The "Magnificent 7" now make up around a third of the S&P 500 (the highest concentration in public equity markets since the early 1970s).

This creates a genuine dilemma for impact investors. The benefits of AI are being channelled to a very narrow set of winners (a small number of mega-cap companies, their investors, and high-skilled workers) while the costs of displacement and disruption may be borne much more broadly.

At the same time, managers that sit out the AI boom risk materially underperforming. The "NVIDIA gap", for example, cost one prospective manager more than 20% in performance in 2024. Impact managers therefore cannot afford to ignore these companies. Yet investing in them creates financial exposure to, and dependence on, an economic transition that may deepen the very inequalities those managers seek to address.

This is a systemic risk that we are only beginning to understand how to track, discuss, and manage.



Social equity lens investing

In 2025, to ease the reporting burden on our partners, we added diversity data from our new partners’ investment teams and governance bodies, following the Leadership theme at the Social Finance Intermediary Level from the Government of Canada’s pilot Social Equity Lens Investment (SELI) coding system¹. Our 2025 results confirm key insights from last year:

- Our coverage was 28 managers out of 39 overall. This was due mostly to our transition to 100% impact, with more managers able and willing to report on diversity and equity metrics.
- Among managers reporting SELI data within our impact portfolio (MRIs and PRIs), representation was mixed relative to 2024. Other racialized peoples increased slightly (18% to 19%) and 2SLGBTQI+ representation remained stable at 3%, while most

other groups declined by 1–4 percentage points, including women and gender diverse peoples (40% to 37%), first generation immigrants, refugees, and newcomers (10% to 7%), official language minority communities (7% to 3%), Indigenous peoples (5% to 4%), and Black peoples (3% to 2%), moving overall representation modestly further from 2021 Canadian Census benchmarks.

- Governance diversity lags investment team diversity, 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.

SELI Breakdown 2025 — 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%	7%	4%	3%	19%	0%	37%
McConnell Portfolio — Fund Manager Governance	2%	4%	8%	4%	6%	11%	0%	34%
Canada Census (2021) ^{2, 3, 4, 5}	4%	4%	23%	5%	5%	22%	27%	51%

As Canada is undertaking a census in 2026, we expect a more material analysis, especially on our Canadian portfolio, next year.

1. https://socialfinance.fund/wp-content/uploads/2025/11/Infographic-SELI-taxonomy-SFI_EN.jpg

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*.

Net Zero Update

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Joining the Net-Zero Asset Owner Alliance

In 2025, McConnell pledged to become a signatory of the UN Net-Zero Asset Owner Alliance (NZAOA). Our targets were validated in 2026, and we expect to officially become a signatory in late 2026. This would make McConnell the fifth Canadian asset owner to join the alliance, which includes approximately 85 asset owners globally.

Through this commitment, McConnell reinforced its goal to reduce its portfolio's financed emissions intensity by 60% by 2030, and added two other complementary objectives: committing an additional CAD \$200 million to climate solutions investments by 2030, and formalizing climate engagement targets with both external asset managers and their underlying portfolio companies.

By 2030



Reduce our portfolio's financed emissions intensity by 60%

60% ↓

Invest additional \$200M to climate solutions

\$200M

Engage 15 companies and 15 asset managers on climate transition planning and emissions reduction

15 + 15

companies

asset managers

As of 2025, we already made significant progress in reducing the financed emissions intensity of our portfolio, achieving a 56% reduction from our 2020 baseline. Our focus remains identifying opportunities that support real-world decarbonization — such as companies reducing their emissions per output, rather than relying solely on emissions reductions achieved through portfolio allocation decisions.

Across our current portfolio, we have invested ~CAD \$250 million of our endowment in climate solutions, representing 37% of total assets. These investments span renewable energy infrastructure, climate technology and other decarbonization-focused opportunities across all asset classes. As we work toward our additional CAD \$200 million climate solutions investment target by 2030, we will continue to take a diversified, portfolio-wide approach to supporting the transition to a low-carbon economy.

As part of our NZAOA commitment, we use engagement to support the transition to a net-zero economy across our portfolio. In 2025, we engaged managers on fossil fuel exposure, decarbonization strategies, renewable energy portfolios, and climate-related risks reporting (see [Learnings p.29](#)). Our 2030 engagement targets cover both direct company-level engagement and asset manager-level engagement, focused on strengthening climate stewardship, improving reporting, addressing fossil fuel exposure, and advancing portfolio alignment with net-zero objectives. Through direct engagement and monitoring, we aim to engage at least 15 companies and 15 asset managers by 2030 to support stronger climate transition planning and emissions reductions.

Climate Solutions Investing

Covered portfolio Market Value (MV)

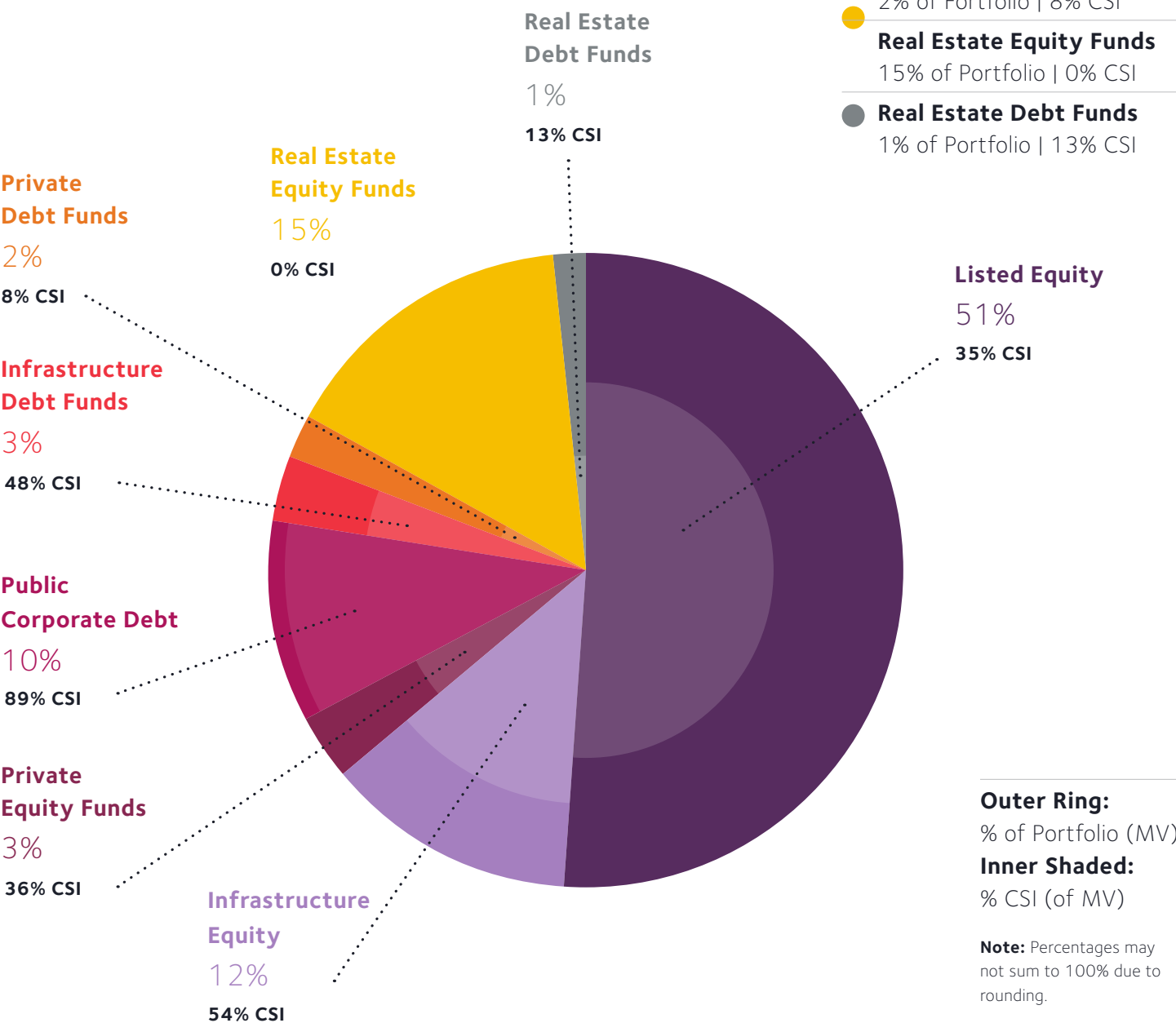
\$673M

Climate Solutions Investments CAD

\$252M

CSI % of MV

37%



Key insights

Last year, we reported on the share of our portfolio aligned with the Science Based Targets initiative (SBTi) net-zero pathways, a useful measure of how portfolio companies are managing their transition to a low-carbon economy¹, by setting emissions targets, building emission reduction plans across their operations, and reporting on their progress.

In 2025 we broadened our approach by focusing on climate solutions investing (CSI)², which captures investments that actively contribute to climate mitigation and adaptation outcomes. Compared with SBTi alignment, CSI provides a more inclusive view — informed by taxonomies, particularly for emerging and specialized managers whose portfolios may be financing innovative climate technologies and solutions but do not yet meet formal net-zero alignment criteria (which may not exist yet within their sector). As a result, CSI better reflects the breadth of our climate-related investments and their contribution to the real-world transition.

We used a conservative methodology to identify climate solutions investments, counting only holdings that have achieved net-zero outcomes, demonstrate 1.5°C-aligned performance, or are directly linked to climate solutions in private markets through underlying portfolio company analysis. In contrast with the current broader NZAOA definition (see footnote 1), we exclude for now holdings categorized as “aligned ambition” or “committed”, resulting in a CSI allocation of approximately CAD \$250 million, representing 37% of portfolio assets as of December 31, 2025.

Climate Solutions Investments opportunities are concentrated in asset classes with well-developed climate investment ecosystems, particularly green bonds and renewable energy infrastructure, which together account for a significant share of our climate solutions exposure. By contrast, identifying qualifying CSI investments in real estate remains more challenging, while relatively few managers across our primary North American markets currently demonstrate credible net-zero performance. This highlights manager engagement and stewardship as important levers for increasing both portfolio alignment and real-world climate impact over time.

1. We continue to carefully read SBTi Trend tracker to get a broad perspective on real-world decarbonization. In 2025, [science-based targets now cover over 40% of global market capitalization and a quarter of global revenue](#). Given that companies with validated targets, on average, reduce absolute and intensity emissions more than those without targets, we remain confident that underlying companies in our portfolio with SBTi targets have a better chance to meet our net zero goals.

2. Climate solutions investments are investments in economic activities considered to contribute to climate change mitigation (including transition enabling) and/or adaptation, in alignment with existing climate related-sustainability taxonomies and other generally acknowledged climate-related frameworks. [NZAOA Target Setting Protocol, Fifth Edition \(2025\), T69](#)

2025 Financed Emissions

As part of our 2022 *Climate Action Plan*, 2023 net-zero commitment, and as a 2025 NZAOA member, we aim to report annually on our financed emissions. The investment team collected, calculated, and analyzed financed emissions using manager-reported data and Zfolio (a platform to measure the carbon footprint of investments) for proxies, aggregation, and attribution analysis.

Headline results

McConnell reduced absolute financed emissions by 20% year over year from 2024 to 2025, and by 56% since the 2020 baseline. This is ahead of the NZAOA-aligned pathway, which required a 36% reduction by 2025 to remain on track for a 60% reduction by 2030. In other words, McConnell is currently 20 percentage points ahead of the 2030 absolute emissions reduction trajectory. Emissions intensity also declined by 17% year-over-year and by 56% since 2020, ahead of our 7% year-over-year reduction target and our 60% reduction target by 2030.

McConnell portfolio — Scope 1 and 2 Financed Emissions
2020–2025

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	-	50,371	-	73.4	-	-	-	-
2023	40,516	29,427	59	44.5	-7%	-15%	-	-42%
2024	37,680	27,851	55	39.3	-7%	-12%	-	-45%
2025	32,237	22,277	51	32.46	-7%	-17%	-36%	-56%
2030	20,148	-	36	-	-5%	-	-60%	-
2050 or sooner	0	-	0	-	TBD	-	-100%	-

1. Detailed portfolio coverage and data quality score achieved per year in the appendix.
2. Attentive readers may have noticed that these figures differ slightly from what we shared in 2024, 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

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	50,371	73.5
Endowment Size	-1,823	0.0
McConnell Manager Allocation	-18,246	-26.6
Fund Manager Security Weighting	1,832	2.7
Company Reductions / \$ Revenue	-3,079	-4.5
Shift in Asset Valuation	120	0.2
Other Changes	253	-0.7
Total 2023	29,427	44.5



Closest proxy to
real-world
emissions reduction

2023–2024		
Total 2023	29,427	44.5
Endowment Size	2,138	0.0
McConnell Manager Allocation	107	0.2
Fund Manager Security Weighting	-3,476	-5.3
Company Reductions / \$ Revenue	-1,333	-2.0
Shift in Asset Valuation	361	0.5
Other Changes	628	1.3
Total 2024	27,851	39.3



Closest proxy to
real-world
emissions reduction

2024–2025		
Total 2024	27,851	39.3
Endowment Size	-883	0.0
McConnell Manager Allocation	-4,772	-6.7
Fund Manager Security Weighting	-71	-0.1
Company Reductions / \$ Revenue	174	0.2
Shift in Asset Valuation	-99	-0.1
Other Changes	77	-0.1
Total 2025	22,277	32.5

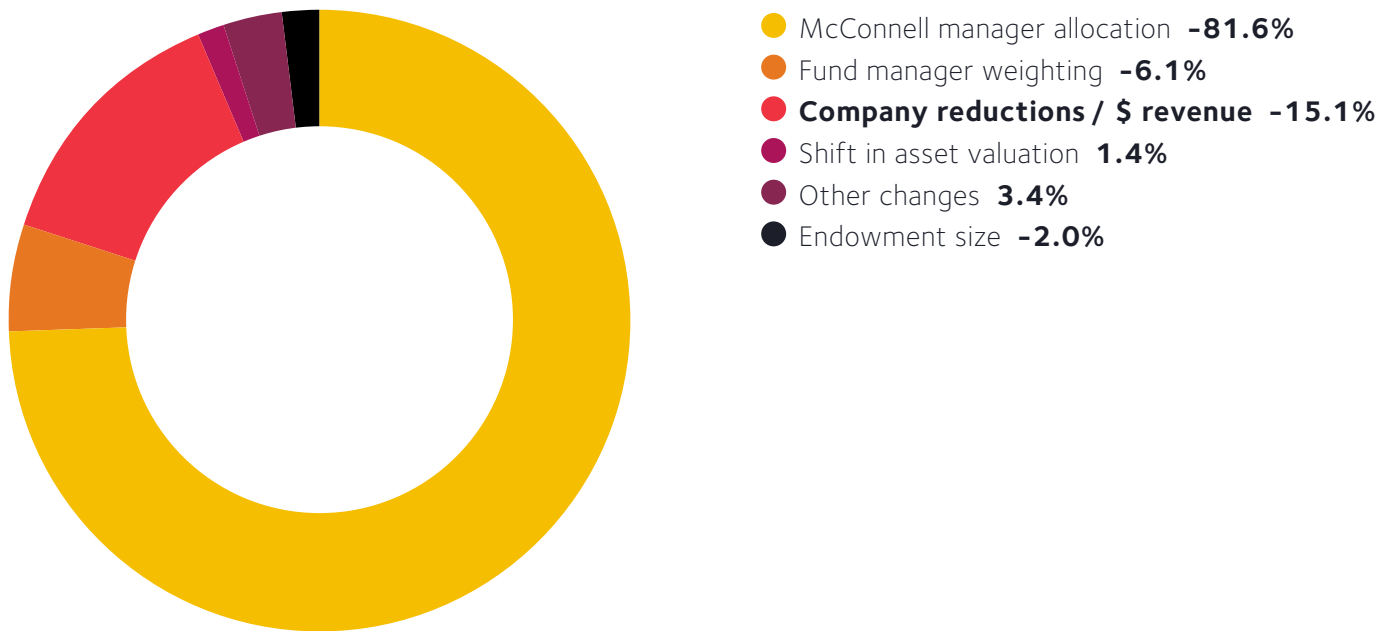


Closest proxy to
real-world
emissions reduction

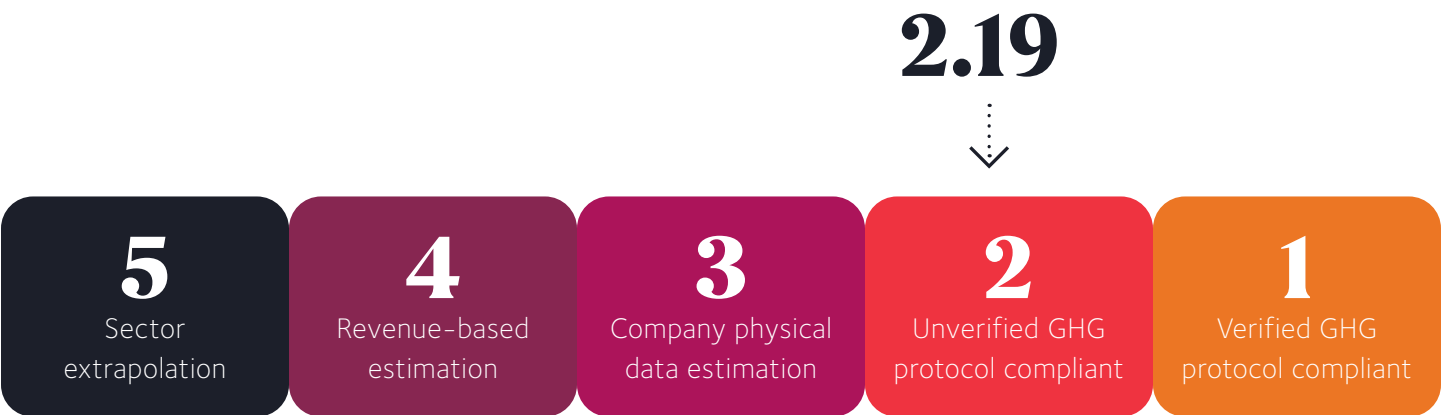
We track year-over-year emissions changes to assess whether real-world decarbonization is continuing. While cumulative emissions reductions remain important, they can mask recent shifts in portfolio

emissions. Monitoring annual increases and decreases helps identify whether progress is being sustained, where emissions are rising, and which exposures may require closer analysis or engagement.

Absolute Emissions Reduction Repartition
2020–2025



McConnell portfolio’s PCAF quality score



Key insights

The 20% year-over-year reduction in absolute financed emissions was mainly driven by McConnell manager allocation, which reflects portfolio construction decisions such as divestments from two higher-emitting, non-impact managers. A smaller, but meaningful, contribution

also came from changes in endowment size, while the reduction was partly offset by new investments, and a limited increase in real-world emissions by underlying portfolio companies (+0.6%). At the same time, emissions increases were highly concentrated, with

four incumbent managers: BGO, Beutel, Stonebrige and Jonathan Rose representing half of all contributing increases in absolute financed emissions, suggesting that year-over-year movements were driven by a small number of manager- and exposure-level changes rather than broad portfolio shifts. Overall, the attribution analysis indicates that the reduction mainly reflects portfolio construction choices rather than broad-based, real-world decarbonization across underlying holdings, creating a clear engagement opportunity to better understand emissions drivers and support stronger decarbonization outcomes over time.

Time and again, we realize that carbon accounting is not a perfect science, and financed emissions data should be interpreted with appropriate caution ([see Appendix for detailed methodology](#)). Year-over-year changes reflect not only changes in underlying portfolio emissions but also improvements in data quality, look-through analysis, and methodological precision. This year,

moving from broader sector-level assumptions to more granular, holding-specific inputs increased reported emissions, particularly in private market strategies where underlying assets span multiple sectors and are not all directly linked to renewable energy or climate solutions.

Conversely, more precise assumptions also reduced reported emissions where the updated methodology better reflects the specific asset class, location, or investment structure of the exposure. These examples highlight that a meaningful portion of year-over-year movement can be driven by refinements in how emissions are estimated, rather than by real changes in company-level emissions. As our data becomes more granular, short-term changes should therefore be viewed directionally, with the most important insight being the continued improvement in our ability to identify emissions drivers, strengthen manager engagement and support more credible decarbonization outcomes over time.

Fossil fuel divestment

In 2025, following discussions related to the Canadian Reconciliation context with Indigenous First Nations, Metis and Inuit communities, we clarified our *Standard of Investment Policies and Procedures* regarding our exclusion policy. The Foundation now requires that “our investment managers not invest in the shares or debt of companies that directly derive more than 10% of their revenues from upstream¹ and midstream² fossil fuel³ activities, including but not limited to: exploration, production, transportation (e.g., pipeline construction and/or management), and enabling

technologies. Investments in companies with indirect exposure to these activities will be evaluated on a case-by-case basis such that they contribute positively to decarbonization, energy transition, and/or the Foundation’s broader investment beliefs and impact goals.”

As of December 31, 2025, our exposure to fossil fuel represents less than 0.8% of the endowment in value, in majority from our legacy investments, which we expect to wind down over the next few years.

1. Upstream oil & gas activities: Bringing oil and gas to the surface through exploration, drilling, and production. (Canadian Association of Petroleum Producers [Link](#) – pg. 27)

2. Midstream oil & gas activities: Transporting, processing and storing of raw hydrocarbons from production facilities to refineries and distribution points. (Canadian Association of Petroleum Producers [Link](#) – pg. 27)

3. Fossil fuels: Carbon-based fuels from fossil hydrocarbon deposits, including coal, oil and natural gas. (IPCC [Link](#) – pg. 2230)

Impact Learnings

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Weaving impact into our strategic asset mix review

In 2025 we conducted our first asset mix study with an impact lens. Our goal was to update our asset allocation mix as we transition our portfolio to 100% impact investing over the next three years, maximizing positive environmental and social impacts while maintaining the long-term sustainability of our endowment.

We partnered with Sonen Capital, an investment advisor dedicated to impact investing. We aimed to make this an integrated exercise incorporating impact risk and opportunities alongside traditional asset mix considerations, which encompasses analyzing past financial performance, running scenario analyses and recommending new target returns and asset allocation exposures. The review considered our current impact investing strategy and 100% commitment, its risks and opportunities, and assessed asset classes and geographies for impact potential and availability.

Key learnings from the process (which are further detailed in a Stanford Social Innovation Review article) include:

- **Standard benchmarks and traditional financial assumptions do not account for impact, thus leading to bias.** We asked Sonen to recommend benchmarks that fit our portfolio given our 100% impact and net-zero strategies, which narrow our investable universe. Fossil fuel-free indices and impact-specific benchmarks remain limited in availability, track record and coverage. Sonen recommended credible, commercial benchmarks that best align with assets we can hold, but we hope genuinely aligned benchmarks evolve over time and become credible alternatives. In addition, given the lack of financial assumptions specific to impact (expected annual returns, standard deviations and correlations across asset classes), we decided to use the historical ones, almost entirely tracking traditional capital markets.
- **Running this asset allocation review with an impact lens surfaced governance and strategic adjustments.** For the next review, we will seek more granularity: analyzing impact and financial returns and risks at the sub asset class level and setting explicit impact targets linked to financial risk-return ones. Our governing bodies realized this review was not just a once-in-a-while analytical exercise: it serves as a cornerstone of how our investment committee and board fulfill their fiduciary responsibility by overseeing integrated performance, accounting for both impact and financial results in tandem rather than in parallel.
- **Impact potential varies by asset class and geography.** Not all asset classes or geographies are equally useful in delivering impact goals. Recognizing these nuances allowed us to rate each asset class by its impact potential and incorporate that rating into the portfolio optimization process, thus effectively proposing an asset allocation, optimizing for impact alignment.
- **Flexibility is required given the nascency of impact investing, especially in Canada.** Funds, strategies and asset managers have emerged regularly, and the quality, availability and depth of impact-aligned investments in any given asset class can shift meaningfully over a relatively short period. Rather than setting fixed allocation targets for each asset class, we have implemented ranges, to give the Foundation room to respond to new opportunities as they emerge.
- **There is an unavoidable tension between liquidity and impact.** Sonen ran an impact-first ideation exercise for our asset allocation: with no liquidity and yield constraints, our asset allocation would consist almost exclusively of private debt and private equity; asset classes that offer, in theory, the deepest impact alignment. The problem is that private investments are often illiquid: capital is locked up for years at a time and cannot easily be sold to help the foundation meet annual grant commitments.

We landed on a slight increase in private market exposure. The actual shift moved capital within the private allocation: reducing an over-allocated position in illiquid real assets and redirecting 8% toward private equity and private debt with deeper impact alignment, at a comparable liquidity profile. We are aware that more private market exposure doesn't automatically mean more impact. The work is optimizing within

private markets for the best combination of financial return, risk and impact while still meeting the foundation's liquidity needs.

Our impact asset mix review reinforced the feasibility of our strategy and helped us develop a more detailed plan to transition the remaining 45% of our portfolio over the next three years.

10-year of our impact portfolio: a first look at integrated performance

Although we made our first impact investment in 2010, it was in 2015 that we started having a material impact portfolio, crossing \$5M in value. This portfolio had been exclusively invested in Canadian early-stage venture capital, where market opportunities were strongest. We also felt we could have the deepest impact (developing the technologies of tomorrow) and highest additionality (being often in early vintages).

10 years later, we look back at some of the following integrated outcomes and lessons learnt across the impact-financial spectrum:

- All our fund managers still exist and have raised subsequent funds. Many now reach the often-assumed critical mass of \$50M assets under management or more. Our investments in these early-stage fund managers contributed to building the impact investing market in Canada.
- There have been a few winning companies, rewarding being early in technologies and trends that proved successful (AI, organic food brands), but an overarching picture of our early impact fund performance is still emerging. We hope to report on this beginning next year.
- Similar to what the wider global impact investing market experienced in the earlier years, we have seen slower deployment than the traditional 4–5 year

investment period (approximately 15–20% called annually) and the remaining 20% set in reserves and deployed over the subsequent 3–4 years.

- Several investments generated distributions and partial realizations; however none completed their full lifecycle and returned all capital to investors within their original target fund terms. This is not unique to impact investing. Across private markets, fund lives often extend beyond their original timelines as managers continue to manage, exit and realize remaining portfolio investments. This experience reinforced the importance of weighing the time and resources required to manage long-tail positions against their potential value.

Zooming out and looking at our peers for a fuller portfolio perspective: **Inspirit Foundation's 10 Years Later report** adds to a growing body of evidence that whole-portfolio impact investing can deliver on both financial and impact objectives. Over the decade ending in 2025, Inspirit reported outperforming its traditional benchmark by 0.7%, reduced portfolio emissions by approximately 80% and aligned all investments with the UN Sustainable Development Goals. Heron Foundation and the Nathan Cummings Foundation have similarly shared their results and lessons publicly, offering valuable evidence that a 100% impact commitment is both achievable and financially credible.

Aligning 100% of our Canadian fixed income portfolio to impact

Fixed income through Canadian nominal bonds represents 7% of our endowment. Fixed income plays a defensive role for our portfolio, ensuring capital preservation and downside protection. As a risk management tool, it acts as a shock absorber in drawdown periods and helps stabilize our endowment value thanks to traditionally lower volatility and more predictable returns. From time to time, it also provides liquidity to meet our granting and operating needs. Given our liabilities are in Canadian dollars, our fixed income portfolio is in our local currency (CAD).

We believe nominal bonds can drive impact by financing public and community infrastructure (federal, provincial, or Indigenous bonds financing schools, universities, community centres, hospitals, housing or transit authorities). They can also support the climate transition through green bonds that finance mitigation and adaptation projects, such as renewable energy and energy efficiency. Standards and certification developed by the [Climate Bonds Initiative](#) provide helpful guardrails around project eligibility, the use and management of proceeds, disclosure and reporting, strengthening the credibility and integrity of these investments.

As an investor in both public and private markets, we are also enthusiastic about the role bond markets can play in providing liquidity to impact private debt products once they reach a certain size. We see growing need and opportunities for community bonds (see below and our [2025 Year in Review](#) example featuring Addenda), and bonds that support affordable housing (see our 2024 Yänonhchia Housing Finance profile) and energy retrofits.

In 2025, we finalized building our fixed income portfolio around two complementary managers: upping our commitment across [Alphafixe](#)'s green bond strategy (in which we've invested since 2019) and Addenda's Impact bond strategy.

Key learnings from these allocations include:

- **The Canadian impact fixed income market is relatively nascent but growing steadily.** The first labelled green bond in Canada dates from 2014, while the first federal green bond was issued in 2022. While some may estimate the total Canadian impact bond market to represent about 6% of the FTSE universe, it is growing: labelled bonds' issuance represented 12% of total Canadian issuances in 2023¹. Engagement is key to further developing the market, alongside a functional taxonomy: so far, the focus of market growth has been about convincing issuers to come to market with underlying projects aligned with the Climate Bond Initiative, as the Canadian taxonomy is still under development².
- **Labels** — including green, social, sustainability and sustainability-linked designations — **are useful, but neither necessary nor sufficient indicators of impact.** Some unlabelled bonds may generate measurable, net-positive outcomes even when issuers lack the capacity or choose not to pursue formal labelling or certification. Conversely, a labelled bond may still raise impact or ESG concerns, particularly when the issuer's broader activities are misaligned with the bond's stated objectives.
- We believe **active management is key to driving both impact and alpha in fixed income markets**³. This is even more so the case in our portfolio given our commitment to divest from fossil fuels and the importance we place on seeking to drive measurable outcomes through active engagement (pre-issuance and during holding period) and security selection.

We look forward to seeing more Canadian market data to test the existence and persistence of a "greenium", an important assumption in our theory of change.

1. <https://www150.statcan.gc.ca/n1/daily-quotidien/240307/dq240307d-eng.htm>

2. <https://www.businessfuturepathways.ca/sustainable-investment-taxonomy>

3. We compared the performance of the FTSE ex-fossil fuel index against the FTSE Canada universe and found that over the past 6 years, the index excluding fossil fuels underperformed slightly the universe – by an annualized 0.1%.

Specifically, we would like to understand whether strong investor demand for labelled bonds enables issuers to access capital at a lower cost; that is, whether investors accept a higher price and lower yield for comparable labelled bonds. We also want to explore whether any yield differential reflects reduced financial risk, or represents a premium investors are willing to pay for the bond's environmental or social attributes. Recent Government of Canada consultations¹ suggest investors may now be less willing to pay a significant greenium at issuance, reinforcing the need for current, longitudinal evidence. We would welcome further Canadian data on:

- Yield differentials between comparable labelled and unlabelled bonds, in both primary and secondary markets, controlling for factors such as issuer, credit quality,

maturity, liquidity and bond structure. This would help establish whether a Canadian greenium exists, how large it is and whether it persists over time, and;

- Trends in labelled versus unlabelled corporate issuance, particularly among high-emitting issuers, and whether growth in labelled issuance is associated with credible, measurable decarbonization outcomes at the issuer level.

One substantive caution: we are not saying that a greenium necessarily reduces risk. The causal direction may in fact run the other way: lower perceived risk could partly explain a lower yield, or the greenium may persist after adjusting for risk. The data should test these competing explanations.

1. https://www.bankofcanada.ca/wp-content/uploads/2025/11/fall-2025-debt-management-strategy-consultations-summary.pdf?utm_source=openai



Developing a Canadian ecosystem to solve the affordable housing crisis

Canada is in a historic housing crisis, with the Canada Mortgage and Housing Corporation estimating a need for 3.5 million more homes by 2030 to restore price balance¹. The McConnell Foundation has played, and will continue to play, a role in helping to address the crisis, both as a grantor and an impact investor.

Canadian affordable housing investment is developing through acquisition funds, community bonds, social-finance intermediaries and partnerships between investors and community and nonprofit housing providers. These models demonstrate that affordable housing can support repayable investment while preserving or expanding affordability. However, the Canadian market remains fragmented: opportunities are often locally specific, transaction costs are high, and relatively few vehicles aggregate projects into portfolios of sufficient scale for larger investors.

The UK provides a useful comparison. Its more mature market (**6bn GBP by the end of 2024**) includes specialist funds and institutional investment vehicles that often pursue commercial returns while financing social and affordable housing. This experience demonstrates that impact and commercial performance are not inherently in conflict. Private equity investment has helped finance homes that might not otherwise have been developed, particularly as traditional housing providers have faced increasing constraints on their borrowing capacity. More recently, impact equity and partnerships with institutional investors have become an increasingly meaningful source of capital for expanding the supply of social and affordable homes (betersocietycapital.com).

However, the UK experience also shows that the source of capital matters less than how the investment model is structured and governed. The strongest models align returns with genuine additional housing supply and quality, distribute development and operating risks fairly, protect long-term affordability, and establish transparent accountability to housing providers and residents. The UK framework therefore evaluates investments not only by their ownership structure or financial returns, but by the fund's contribution, the risks it assumes and the impact it enables (thegoodeconomy.co.uk).

The opportunity for Canada is to strengthen the conditions that allow existing and emerging models to scale: investable pipelines, aggregation, capable intermediaries, consistent impact standards, appropriate risk allocation and credible long-term affordability protections.

Our learning: Canada already has promising models for attracting investment into affordable housing. The next step is to develop the infrastructure, partnerships and track record needed to move from individual initiatives toward a mature and scalable investment market — drawing on the UK's experience while responding to Canada's distinct housing system and regional contexts.

1. <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-research/research-reports/accelerate-supply/canadas-housing-supply-shortages-a-new-framework>

Impact Stories

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Unlocking Affordable Student Housing in Quebec: Ipso Facto Impact LP, in partnership with UTILE

Quebec's housing crisis acutely impacts students, who are often pushed into private rental markets already under pressure near campuses. A national UTILE survey recently found that students in Canada face a higher rental burden than the broader renter population, with median student rents 25% higher than those paid by other renter households. The same survey found that 7 in 10 students spent over 30% of their gross income on rent. In the absence of purpose-built student housing, students compete for units that could otherwise be available to other renters, compounding affordability pressures for the broader community. McConnell has partnered with UTILE and Ipso Facto to promote an ambitious initiative aiming to develop 800 purpose-built affordable student housing units per year.

UTILE's mission is to respond to the affordability gap by developing and managing non-profit student housing in Quebec. Since 2012, their model pairs affordability with student-focused design, locating homes near campuses, transit and essential services. Its residences are designed to offer students strong value for money while improving housing security and helping relieve pressure on surrounding rental markets. The non-profit nature of the projects allows rents to remain more insulated from market pressures, helping units become more affordable over time.

“Collaboration is essential in creating and maintaining an offering of abundant, affordable, and quality housing. The sharing of expertise and capital between governments, developers, investors, community initiatives, and motivated individuals results in continuously improving affordability initiatives and a secure housing market.”

— Jean-Philippe Dubé, Co-President, Ipso Facto

A real-world example illustrates the model in practice. In Quebec City, UTILE's Ardoise residence now houses 243 university students in 205 affordable apartments near Université Laval, with rents starting at \$606 per month, including hot water and internet. With under two years from provincial grant to tenant move-in, the project demonstrates how non-profit student housing can move quickly from financing to occupancy while improving affordability for students and easing pressure on nearby rental markets.

“To build the number of non-profit housing units we need to sustainably emerge from the housing crisis, we need to convince private investors to invest in our sector. Governments alone do not have the capacity to do it.”

— Gabriel Fournier Filion, CEO, UTILE

The challenge is that projects like Ardoise require significant work before construction can begin: securing land, completing planning and permitting, and preparing sites for development. This early stage is difficult for many non-profit developers to finance, even when community need and long-term demand are clear. Without sufficient and dependable pre-development capital, otherwise viable affordable housing projects risk being delayed or cancelled.

Ipso Facto Impact LP is an investment fund created to address this funding necessity. By combining UTILE's mission-driven housing model with Ipso Facto's institutional real estate expertise and capital partners, the vehicle gives UTILE greater security and access to capital to bring projects from conception to construction. In practical terms, the fund helps UTILE advance a pipeline of over 500 units already in advanced due diligence while supporting its broader ambition to develop approximately 800 affordable student housing units per year in Quebec.

For McConnell, the investment builds on a long-standing relationship with UTILE. McConnell first supported the organization as a granting partner and later through patient capital via program-related investments in Fiducie FILE and the Desjardins Garantie Solidaire program. It also reflects a continued relationship with Ipso Facto, a Quebec real estate platform in which McConnell has invested before. Together, these partnerships create a way to help a proven non-profit housing developer scale while staying anchored in affordability and long-term community benefit.

This partnership demonstrates how impact investing can help move a community-led model from individual projects toward a scalable pipeline. For students, that means more affordable homes close to school. For surrounding neighbourhoods, it helps ease demand on private rental stock. For McConnell, it is an opportunity to support two long-standing partners while demonstrating how non-profit housing models can attract institutional capital without losing sight of their public purpose.

Photo: UTILE & Ipso Facto Impact



Reimagining Capital for Northern Indigenous Entrepreneurs: EntrepreNorth Sinew Impact Fund

Across Northern Canada, Indigenous entrepreneurs are building businesses that strengthen community wellbeing, cultural continuity, food sovereignty, climate resilience, and local economic opportunity. These businesses are often deeply rooted in land, language, relationships and community priorities. Yet the capital systems available to them have not been designed around Northern Indigenous realities. Remote geographies, seasonal revenues, smaller markets and community-centred business models can make it difficult for entrepreneurs to access financing that fits their circumstances.

The result is a persistent gap between entrepreneurial potential and the resources needed to grow it. Nationally, Indigenous entrepreneurship is expanding, but Northern Indigenous entrepreneurs remain undercapitalized, with few investment products designed specifically for their communities, values, timelines or operating environments. In practice, this can mean businesses with strong social, cultural and environmental value struggle to thrive.

EntrepreNorth's Sinew Impact Fund was created to respond to this gap. The fund reimagines how capital flows to Northern Indigenous entrepreneurs by combining flexible investment with the relationship-based support EntrepreNorth has built over years of work in the North. Since 2018, EntrepreNorth has supported more than 400 Indigenous entrepreneurs across the Yukon, Northwest Territories, and Nunavut through culturally relevant business education, mentorship and network programming.

Sinew builds on that ecosystem. Its name refers to the natural tendon fibre traditionally harvested from animals such as moose or caribou by Indigenous peoples across the North. A single strand can break, but multiple strands twisted together become strong enough to hold. That idea of strength through connection reflects the fund's purpose: to help Indigenous entrepreneurs access capital, mentorship and relationships that allow community-rooted businesses to grow on their own terms.

The businesses Sinew is designed to support are not only commercial ventures. They can also be vehicles for food sovereignty, health, housing, climate resilience, poverty alleviation, cultural expression and local employment. Among the entrepreneurs in EntrepreNorth's ecosystem is Sheila Flaherty, an Inuk chef and founder of sijjakkut, an Indigenous food enterprise based in Iqaluit. Businesses like sijjakkut show how entrepreneurship in the North can keep more value circulating locally while strengthening culture, community, and self-determination.

“The entrepreneurs we work with aren’t lacking ambition or ideas. What they’ve been lacking is capital that was built for them. We got tired of trying to retrofit systems that were never designed with Indigenous communities in mind. So we built something different. Sinew is what happens when you ask a different question: what if community wellbeing was the return?”

— Kristin Richard, Managing Director & Co-Founder, Sinew Impact Fund

Sinew is also responding to a broader systems opportunity. As investment flows into Arctic sovereignty, infrastructure and Northern development, Indigenous-owned businesses are positioned to participate as contractors, suppliers, and local service providers if they have access to the capital needed to grow. Sinew creates that pathway, helping ensure the economic activity generated by major projects can take root in local communities rather than pass through them.

The fund's structure reflects a second, equally significant shift. Sinew is designed to centre Indigenous investors through first-priority repayment and preferred returns. This creates an opportunity for Indigenous communities to move from recipients of economic development to active investors in their own economies, marking a fundamental departure from how impact capital has historically operated in the North.

For the McConnell Foundation, the investment builds on a long-standing relationship with EntrepreNorth and aligns with the Foundation's Reconciliation focus area. McConnell has supported EntrepreNorth since 2020 through grants for entrepreneur programming, impact fund exploration, entrepreneur support resources and digital learning tools. The investment in Sinew extends that relationship from grant support into catalytic capital.

Sinew represents a practical expression of reconciliation through finance: not simply increasing the amount of capital available, but changing how that capital moves, who it centres, and what it is designed to support. By backing Indigenous entrepreneurs in the North, the fund helps strengthen local economies, build community wealth and advance Indigenous self-determination through businesses grounded in culture, place and collective wellbeing.

Photo: EntrepreNorth



Financing the Transition to Regenerative Agriculture: Mad Capital Perennial Fund II

Conventional agriculture has enabled major gains in food production, but often at significant environmental cost. According to the Food and Agriculture Organization of the United Nations, agriculture accounts for more than 70% of global freshwater withdrawals, while soil degradation undermines long-term productivity and contributes to climate change through the loss of land-based carbon stores. Regenerative agriculture is increasingly recognized as a systemic response to these challenges by prioritizing soil health, biodiversity, water retention and reduced chemical inputs. Farmers face barriers in adopting regenerative practices: transitioning takes time, carries higher costs, and frequently falls outside the risk appetite of conventional lenders.

Mad Capital addresses this financing gap directly. The fund provides tailored private credit to regenerative organic and transitioning farmers across the US, financing operating needs, land acquisition, equipment and infrastructure. Its model is designed to support farmers through the higher-cost transition period before they realize organic premiums, stronger margins and more resilient production systems.

Mad Capital's model combines sector expertise with credit discipline. Its underwriting process assesses traditional credit factors such as borrower capacity, collateral, repayment history and financial management, while also considering agriculture-specific factors such as crop type, market access, transition status, specialized equipment and farming practices. This allows Mad Capital to evaluate businesses that may not fit easily within conventional agricultural lending frameworks, particularly where the farmer's long-term economics depend on organic certification, regenerative practices or specialized markets.

Farmers also benefit from connections to the broader Mad network. Mad Agriculture, a nonprofit organization, provides farm business consulting, research and field-building support, while Mad Markets supports organic crop brokerage and supply chain development. Together,

this ecosystem creates a feedback loop: farmers gain access to practical support and market knowledge, while Mad Capital develops deeper insight into farmer needs and the conditions required to support a successful transition to regenerative organic agriculture.

“What we’re hearing in our initial conversations across Canada is strikingly consistent with what we’ve been seeing in the US — conventional lenders don’t really understand organic, and organic operations don’t fit neatly into traditional bank underwriting models. The transition period in particular is where support is most absent, and financing for land remains one of the hardest pieces of the puzzle to solve. It’s becoming clear that the gap isn’t just specific to the US, similar structural issues are the same in Canada.”

— Brandon Welch, Co-Founder & CEO, Mad Capital

In Colorado's water-stressed San Luis Valley, a \$225,000 operating loan to Jones Farms Organics supported rye and cover-crop systems that reduce erosion, conserve water, and protect the valley's aquifer. It also helps develop markets for regenerative grains that can encourage broader adoption by neighbouring farms. This example reflects a broader pattern seen in Mad Capital's portfolio: regenerative practices strengthen agricultural resilience under climate stress, but they require patient, informed capital for these benefits to take hold.

For McConnell, the investment in Mad Capital's Perennial Fund II represents a market-building opportunity. It supports a nature-based climate and biodiversity solution that complements our historical investments in

tech-enabled decarbonization. It also creates a learning platform with direct relevance for Canada, given the continuity between US and Canadian agricultural ecosystems and bioregions.

Canadian farmers are navigating similar dynamics. As climate shocks increase, farmers need tools that support adaptation and resilience without sacrificing productivity. Canadian Agri-Food Policy Institute research shows that insurance can help buffer these risks, but also that climate-related payouts are rising,

underscoring the need for proactive approaches that support resilient farm practices before losses occur. Early stakeholder feedback in Canada echoes what is already well documented in the US.

This investment offers a window into a more developed regenerative agriculture finance market, with the potential to bring lessons, practices and financing models to Canada. It reflects McConnell's interest in learning from tested models abroad to help advance systems change at home.

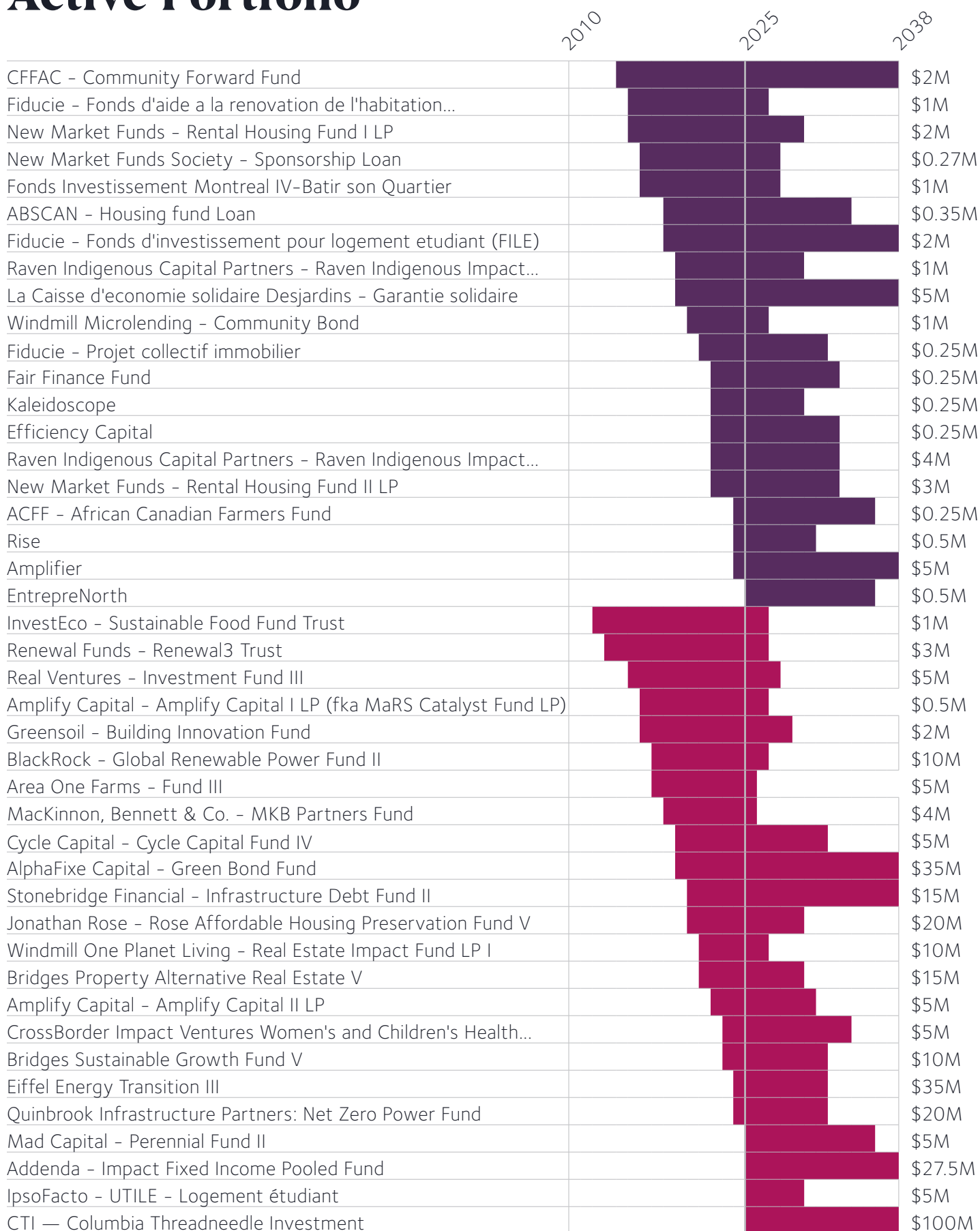


Impact Portfolio

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- 44 New 2025 investments

Active Portfolio



New 2025 investments

CTI — Sustainable Outcomes Global Equity

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors



Focus Area Impact Goal

Climate solutions and social outcomes: invest in listed companies whose products and services contribute to environmental sustainability, health, inclusion, and other measurable sustainable outcomes.

Committed amount

Target mandate size: CAD \$100M

Target financial return

Seeks to outperform MSCI ACWI over rolling five-year periods, net of fees

Fund size

Strategy AUM: approximately USD \$1B USD as of December 31, 2025

Asset class

Public equity

Investment type

MRI — Impact public equity

Investment timeline

Open-ended public-equity mandate

Fund Level Key Performance Indicators

Sustainable investments

99% of portfolio

- environmental allocation: 21%;
- social allocation: 78% (Q4 2025)

During 2025, there were

30 companies engaged

- 10 milestones achieved;
- themes included climate change, environmental stewardship, labour standards, human rights, business conduct and corporate governance
- Carbon profile vs. MSCI ACWI: carbon footprint of 14 tCO₂e/\$m invested for Scope 1 & 2 vs. 40 benchmark;
- 212 for Scope 1, 2 & 3 vs. 486 benchmark;
- Weighted average carbon intensity of 88 tCO₂e/\$m revenue for Scope 1 & 2 vs. 111 benchmark;
- 522 for Scope 1, 2 & 3 vs. 827 benchmark (Q4 2025)

Description

Columbia Threadneedle Investments' Sustainable Outcomes Global Equity strategy is a public equity impact mandate investing in companies aligned with positive environmental and social outcomes. The strategy provides liquid global equity exposure while integrating sustainability research, intentionality, and active ownership into security selection and portfolio monitoring.

Rationale

CTI aligns with McConnell's 100% impact portfolio strategy by adding a liquid public-equity sleeve focused on sustainable outcomes. It helps McConnell scale impact exposure in listed markets and provides a platform for learning on impact measurement in public equities.

Addenda Capital — Impact Fixed Income Pooled Fund

1 2 3

McConnell Investing Goals

- 1. Scale impact across domains and sectors
- 2. Build and influence the market



Focus Area Impact Goal

Climate and community resilience:

finance Canadian impact bonds and fixed-income instruments supporting climate solutions, affordable housing, education, health, water infrastructure and community development. Indigenous bond development is part of the broader manager relationship and market-building rationale.

Fund Level Key Performance Indicators

GHG emissions reduced/avoided (2024 data):

5,541,923 tCO₂e

Renewable energy generated:

297,207 GWh

Renewable energy installed capacity (2024 data):

187,055 MW

Affordable residential units maintained or in development (2025 data)

10,670 units

Committed amount

CAD \$27M

Target financial return

Target: 50 bps above the FTSE Canada Universe Bond Index

Fund size

AUM >\$750M at year-end 2025

Asset class

Fixed income

Investment type

MRI — fixed income impact strategy; market-building rationale

Investment timeline

Daily liquidity/open-ended pooled fund

Description

Addenda’s Impact Fixed Income Pooled Fund is an actively managed Canadian fixed-income strategy that invests in bonds and related instruments expected to generate measurable environmental or social impact alongside competitive financial returns. The portfolio includes green, social, sustainability and use-of-proceeds bonds across climate change, community development, education, health and wellness, water and Indigenous economic opportunity themes.

Rationale

Addenda aligns McConnell’s fixed-income allocation with its impact and net-zero objectives while supporting the growth of Canada’s impact bond market. The investment also builds a strategic relationship with a leading Canadian sustainable fixed-income manager and provides exposure to market-building themes such as Indigenous bond development and improved issuer impact reporting.

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors



Focus Area Impact Goal
Affordable housing: accelerate the development of affordable student housing in Quebec by giving UTILE more predictable pre-development financing through an institutional platform.

Fund Level Key Performance Indicators

Approximative number of affordable student housing units supported per year through pre-development financing

800

Rent at least 40% below market rate once built

40% below

Capital deployed to pre-development and land acquisition financing for UTILE projects

Committed amount

CAD \$5 million

Target financial return

13% gross IRR/11% net IRR

Fund size

CAD \$30 million

Asset class

Real estate — private debt

Investment type

MRI — Contribute to Solutions

Investment timeline

4-year term + 1-year extension

Description

SEC IpsosFacto UTILE is a private real estate debt vehicle dedicated to the pre-development financing of affordable student housing developed by nonprofit UTILE in Quebec. The fund provides land acquisition loans and mezzanine financing for pre-construction needs such as permitting, zoning, and decontamination, helping UTILE advance its pipeline toward construction financing while maintaining a focus on affordability and nonprofit ownership.

Rationale

The investment accelerates the development of affordable student housing in Quebec through a partnership with two long-standing McConnell partners: UTILE, previously supported through grants and PRI (Fiducie FILE, Desjardins Garantie Solidaire), and IpsosFacto, a Quebec real estate platform in which McConnell has invested before. It helps a nonprofit housing developer access institutional capital and scale a proven model.

Mad Capital — Perennial Fund II

1 2 3

McConnell Investing Goals

1. Scale impact across domains and sectors



Focus Area Impact Goal
Climate and biodiversity: support the transition from conventional agriculture to regenerative and organic practices that improve soil health, water retention, biodiversity, and climate resilience.

Fund Level Key Performance Indicators

Acres under regenerative and/or organic management
100,000+

Acres transitioned or transitioning to organic certification
25,000

Loans originated to regenerative and organic farm businesses
80

Committed amount

USD \$5 million

Target financial return

7.31% net IRR / 6% annual yield, Preferred Class

Fund size

USD \$50 million target

Asset class

Private debt

Investment type

MRI — Market-building

Investment timeline

10-year term

Description

Mad Capital Perennial Fund II provides debt financing to US-based farmers and ranchers actively involved in, or transitioning to, regenerative and organic agricultural practices. The fund lends to small- and medium-scale farm businesses for operating needs, land acquisition, equipment, and infrastructure, with typical loans ranging from \$250,000 to \$2.5 million and terms of 36 to 120 months. The strategy focuses on filling a capital gap for farmers who may not fit conventional agricultural lending frameworks during the higher-cost transition period.

Rationale

Mad Capital aligns with McConnell’s market-building impact investing strategy by supporting a specialized agricultural credit model for regenerative and organic farming. The investment offers exposure to a nature-based climate and biodiversity solution, helps fill a financing gap for rural farm businesses, and creates a learning opportunity that may inform similar financing approaches in Canada’s more nascent regenerative agriculture market.

1 2 3

McConnell Investing Goals

2. Advance reconciliation through Indigenous-led economic development



Focus Area Impact Goal

Reconciliation: close capital access gaps for Indigenous entrepreneurs in Northern Canada by supporting patient, flexible, culturally aligned capital that strengthens community wellbeing and economic sovereignty.

Committed amount

CAD \$500,000 initial commitment;
up to CAD \$1 million approved

Target financial return

0% interest loan/return of principal

Fund size

CAD \$10 million target

Asset class

Blended finance/private credit

Investment type

PRI — Catalytic/market-building

Investment timeline

10-year term

Fund Level Key Performance Indicators

Capital deployed to Indigenous entrepreneurs

Target number of Indigenous-led and/or owned businesses supported

45

Company-specific impact covenants
co-developed with entrepreneurs

Description

EntrepreNorth’s Sinew Impact Fund provides patient, flexible capital to Indigenous-led and owned businesses, social enterprises, cooperatives, and projects across Northern Canada. The fund uses a blended finance structure and can provide private credit, revenue-based financing, real estate debt, and selective equity, with financing ranging from approximately \$50,000 to \$1 million. The strategy focuses on closing capital access gaps for Northern Indigenous entrepreneurs while pairing financing with culturally relevant mentorship, business development, and ecosystem support.

Rationale

Sinew aligns with McConnell’s Reconciliation focus area by supporting Indigenous-led economic development and growing an undersupplied capital market in Northern Canada. The investment builds on a long-standing granting relationship with EntrepreNorth, provides catalytic and flexible capital to a first-time Indigenous-led fund manager, and supports a model designed to centre Indigenous investors, entrepreneurs, and community wellbeing.

Inclusive Prosperity — African Canadian Farmers Fund

1 2 3

McConnell Investing Goals

3. Strengthen the capacity of the community sector through new forms of finance



Communities and food sovereignty: increase farmland access, equity-building, and ownership pathways for African Canadian farmers through a rent-to-own farmland model.

Fund Level Key Performance Indicators

Number of African Canadian farmers supported during pilot

Average % equity ownership after 10 years (target 25%)

Committed amount

\$250,000 CAD loan PRI;

Target financial return

0% annual interest

Fund size

Pilot fund of CAD \$750,000

Asset class

PRI/community lending/farmland access

Investment type

PRI — Blended finance/systems-change pilot

Investment timeline

10 year

Description

The African Canadian Farmers Fund (ACFF) is a national rent-to-own farmland initiative led by Inclusive Prosperity to address systemic barriers to land ownership for farmers of African descent in Canada. During the pilot phase, the fund aims to acquire suitable farmland and lease it to selected farmers, allowing them to build equity over time and eventually purchase the farm through traditional financing.

Rationale

ACFF is McConnell's first blended-finance opportunity with the Communities focus area and supports a systems-change approach to land access, food sovereignty, and intergenerational wealth-building. The investment uses patient PRI capital to test a model that could later scale into a national fund supporting more African Canadian farmers across provinces.

Appendices

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Alignment of our practices with the Operating Principles for Impact Management (OPIM)

Developed by the International Finance Corporation (IFC), the 9 Operating Principles for Impact Management (OPIM) is a reference for integrating impact throughout the investment lifecycle. While we are not signatories, we report below how our practices align.

OPIM Principle	McConnell Foundation practices
1 Define strategic impact objectives	• Annual impact KPIs with 2030 targets • Theory of Change • NZAOA targets • 100% impact portfolio by 2028 commitment • Impact clauses included in our SIPP
2 Impact managed at portfolio level	• Portfolio level aggregated KPI monitoring • Impact-financial integration matrix • Asset mix review considering impact • NZAOA targets
3 Manager's contribution to impact	• Investor Contribution Framework • Catalytic/flexible capital through PRIs • Canadian ecosystem building
4 Systematically assess each investment's impact	• Impact assessment tool (IMP framework) • Two-level impact rating: Fund manager and beneficiary • Integrated impact terms in due diligence and memos
5 Assess, address, monitor, and manage each investment's potential negative impacts	• Comprehensive ESG due diligence • Exclusion and divestment policy • Just-transition, DEI and Do No Significant Harm (DNSH) considerations
6 Monitor impact achievement progress against targets and respond appropriately	• Annual impact reporting on KPIs vs. the 2030 target trajectory • Annual review of impact ratings • NZAOA engagement targets • Annual Financed emissions and attribution analysis
7 Conduct exits considering the effect on sustained impact	• Impact-continuation at exit check at due diligence • Duration dimension in impact rating tool • PRI graduation categories
8 Continuous improvement of processes	• Semi-annual Impact Advisory Committee meetings • "Impact Learnings" section in annual Impact Report • Year over year refinement of IMM tools
9 Public disclosure and regular independent verification of Impact Principles alignment	• Annual Impact Investing report, PRI transparency report, and NZAOA disclosure • Independent verification via BlueMark/EIB (2024 — Platinum; 100% Transparency pillar) • Published financed-emissions methodology (PCAF) • OPIM alignment statement

Impact Performance Reporting Norms - Index

This Impact Report has been prepared following guidance provided by the [Impact Performance Reporting Norms](#).

[Impact Performance Reporting Norms](#) (v1, 2024) set shared expectations for reporting impact results. As a Founding Adopter, the McConnell Foundation has

included in its 2025 Impact Report the table below to support transparency and make reports easier for readers to navigate.

If you are interested in following the Impact Performance Reporting Norms, suggested content for each topic may be found in [What to Report](#), alongside the [Guiding Principles](#).

Topic	Location in report (Section / Sub-section) and/or explanation(s)
1.1 Reporting entity and time period*	Executive Summary
1.2 Impact thesis*	Impact Strategy Update / Impact Investing Thesis
2.1 Impact management process, standards, and frameworks*	Impact Strategy Update Appendices / McConnell Impact Rating Assessment Tool
2.2 Stakeholder engagement and assessment of significance of impacts*	Net Zero Update / 2025 Financed Emissions Impact Performance Impact Learnings
2.3 Usage of data*	Impact Performance / Social Equity Lens Investing / Alignment of our practices with OPIM
3.1 Management commentary	Executive Summary Impact Strategy Update Impact Performance Impact Learnings
3.2 Impact performance	Impact Performance
3.3 Unintended and/or negative impacts	Impact Performance / Key Impact Risks
4.1 Impact governance*	Impact Strategy Update / Building 100% Impact continuum
4.2 Diversity, equity, and inclusion*	Impact Performance / Social equity lens investing
4.3 Parent/holding company governance (if relevant)*	N/A
5 Case studies	Impact Learnings Impact Stories Impact Stories
6 Independent review (if relevant)	N/A

*Evergreen content

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, December 31, 2024 as well as the [updates](#) published in December 2025. 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: Cash and cash equivalents remain outside the scope of the PCAF financed emissions methodology and are therefore excluded from financed emissions calculations. As a result, financed emissions coverage is less than 100% of assets under management.

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.

Sub-sovereign debt: Consistent with the 2025 PCAF update, provincial, state, municipal, and other sub-sovereign debt instruments are treated as a distinct asset class rather than being incorporated into sovereign debt calculations. Where available, financed emissions are calculated using borrower-specific Scope 1 emissions data, with Scope 2 and Scope 3 emissions reported when data quality permits.

Green bonds and use-of-proceeds instruments introduction: Green bonds continue to be attributed to the issuer in accordance with PCAF requirements. Where sufficient information exists regarding the allocation of proceeds to specific assets or projects, financed emissions may additionally be assessed using PCAF's 2025 Use-of-Proceeds methodology, which follows a "follow-the-money" approach linking emissions to financed assets rather than solely to the issuer.

Undrawn loan commitments: Under previous versions of the PCAF standard, financed emissions were generally calculated only for capital that had been deployed. The 2025 update introduces an optional methodology for reporting emissions associated with undrawn loan commitments, reflecting the potential future emissions exposure arising from committed but unused lending facilities. Where material and relevant, the Foundation may disclose these exposures separately from financed emissions associated with drawn capital.

We are pleased to observe that the Foundation's financed emissions decreased by 53% between 2020 and 2025, significantly exceeding the interim reduction target of 36% by 2025. The portfolio's carbon intensity also declined by more than 50%, reflecting a substantial improvement in its overall climate profile.

Attribution analysis indicates that this performance was driven primarily by the ongoing transformation of the portfolio and the reallocation of capital toward lower-carbon strategies, including the replacement of several legacy mandates with relatively high-carbon intensity. We also note that underlying portfolio companies continued to contribute to emissions reductions, although their contribution was less pronounced than in 2024. This trend suggests that future progress will depend not only on portfolio allocation decisions but

also on the ability of investee companies to continue reducing their emissions over time.

Going forward, monitoring changes in the emissions intensity of underlying companies will remain an important component of assessing the portfolio's contribution to emissions reductions in the real economy and its alignment with the Foundation's long-term net-zero objectives.

Criteria	Before (PCAF 2022)	PCAF 2025 Update	Impact
Sub-Sovereign Debt	Provincial and municipal bonds were treated as sovereign debt	Introduction of a dedicated methodology for provincial, regional, and municipal governments. Emissions are attributed based on the investor's share of outstanding debt	Improves methodological accuracy but is unlikely to materially affect total financed emissions
Green Bonds / Use-of-Proceeds (UoP)	Green bonds were treated like conventional bonds and attributed to the issuer's overall emissions	New methodology allowing emissions to be attributed to the underlying financed assets or projects when sufficient allocation data is available	May reduce attributed emissions for certain green bonds and better reflect transition-related investments
Securitization and Structured Products	No dedicated methodology	New methodology covering securitizations and structured finance products	Limited relevance unless the portfolio has meaningful exposure to these instruments
Undrawn Loan Commitments	Only deployed capital was included in financed emissions calculations	Optional methodology to disclose emissions associated with committed but undrawn lending facilities	Primarily relevant for banks, direct lenders, and private debt funds. Limited expected impact on the Foundation's portfolio
Year-over-Year Fluctuation Analysis	Not specifically recommended	New recommendation to explain year-over-year changes in financed emissions	(Better Transparency) — Helps distinguish between portfolio effects and real-world emissions reductions
Inflation-Adjusted Emissions Intensity Metrics	Not addressed	New recommendation to adjust economic emissions intensity factors for inflation where appropriate	Improves comparability of emissions intensity metrics over time

Criteria	Before (PCAF 2022)	PCAF 2025 Update	Impact
Financed Avoided Emissions (FAE)	No standardized methodology	New guidance for measuring and reporting avoided emissions associated with investments	Particularly relevant for climate, transition and impact investments
Expected Emissions Reductions (EER)	Not available	New forward-looking metric estimating future emissions reductions associated with financed activities	Can help demonstrate expected future climate impact
Expected Avoided Emissions (EAE)	Not available	New forward-looking metric estimating future avoided emissions from climate solution	Relevant for investments in clean technologies and climate solutions
Reporting and Disclosure Quality	Focused primarily on historical financed emissions reporting	Greater emphasis on transparency, data quality and supplementary forward-looking metrics	Better alignment with emerging investor expectations and IFRS S2-related disclosures

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.

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	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 and 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 marketplace.		5%
		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. ESG: 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? 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? 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? 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?	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. 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. 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. 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. 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.		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	How Much	DEI: 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? 2. DEI Metrics in Executive Performance and Compensation: Does the organization integrate DEI performance metrics into executives' performance reviews and/or compensation mechanisms? 3. Training on DEI: Does the firm provide regular DEI training to staff across all levels? 4. Engagement with Potential Investees on DEI: Does the firm engage with potential investees on DEI topics during pre-investment diligence and ongoing monitoring?			5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	How Much	Net-Zero: 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%
		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.	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.		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact	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. 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)? Assess investor-level counterfactual: What would the intermediary likely have done or accessed in the absence of our capital or engagement? Identify changes at the intermediary: What specific strategic, operational, or cultural shifts occurred at the intermediary as a result of our support? Assess intermediary-level counterfactual: Would these changes have occurred without our involvement? If not, how did our support accelerate, deepen or unlock them?	1-3: Does this investment contribute to a signaling 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		5%
		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.	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?		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
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 an enterprise's ability to deliver the intended 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 impacts do not endure and/or that negative impacts are no longer mitigated. 5. Efficiency risk: the probability that 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 do not result in the desired outcomes. 7. Alignment risk: the probability that impact is not locked into the enterprise's business model. 8. Unexpected impact risk: the probability that significant unexpected negative impact is experienced by people and/or the planet. 9. Endurance risk: The probability that the required activities are not delivered for a long enough period. 10. Inequity risk: The probability that even if a group of people experiences positive outcomes, inequities between subgroups persist/worsen.	Referring to the 10 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		5%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact of Financial Intermediary Investment	What	Core Concepts: What Change? What Need? What Importance? What Evidence? - 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)?	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. 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. 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. 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. 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.		10%
	Who	Core Concepts: Who is affected? Who matters most? Who is Vulnerable? Who benefits/is excluded? - 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?	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. 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. 6–5: Good General identification of stakeholder groups; basic consideration of vulnerable populations; limited stakeholder input; benefits not fully disaggregated but reasonably inclusive. 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. 2–1: Poor Stakeholders undefined or misaligned; vulnerable groups overlooked; no stakeholder engagement; unclear or inequitable distribution of outcomes.		10%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact of Financial Intermediary Investment	How Much	Scale (Reach and Coverage): - 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): - 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): - 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	Engage actively: All things being equal, we prefer investment managers who can bring the most additionality and value to assets /portfolio companies. Identify intermediary actions: What capital, expertise, or influence did the intermediary provide to the enterprise (e.g., flexible financing, technical assistance, ESG guidance)? Assess intermediary counterfactual: Would the enterprise have received similar support from another investor or source? Was the support unique, timely, or catalytic? Identify changes at the enterprise: What did the enterprise do differently because of the intermediary's support (e.g., expanded access, adopted ESG practices)? Assess enterprise-level counterfactual: Would those enterprise actions have happened anyway, or did the intermediary enable or accelerate them? 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. 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. 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. 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. 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.		10%

Dimension of Impact		Performance Data & Assumptions	Performance Rating Criteria	Score	Weight*
Impact of Financial Intermediary Investment	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 an enterprise’s ability to deliver the intended 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 impacts do not endure and/or that negative impacts are no longer mitigated. 5. Efficiency risk: the probability that 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 do not result in the desired outcomes. 7. Alignment risk: the probability that impact is not locked into the enterprise’s business model. 8. Unexpected impact risk: the probability that significant unexpected negative impact is experienced by people and/or the planet. 9. Endurance risk: The probability that the required activities are not delivered for a long enough period. 10. Inequity risk: The probability that even if a group of people experiences positive outcomes, inequities between subgroups persist / worsen.	Referring to the 10 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		5%
			Final Impact Rating /10		100%



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