Realize Capital Partners

IMPACT INVESTING CONVENING SERIES

From permission to practice

Insights from the Impact Investing Convening Series

Program designed and facilitated, and report authored, by Millani Inc., in partnership with Realize Capital Partners.

SEPTEMBER 2026

FOREWORD

A message from Realize Capital Partners

Achievement of scale and long-term sustainability in the Canadian impact investing market will require the active participation of institutional investors. Many institutions are interested in investing for positive impact alongside financial returns, but turning that interest into practice requires them to work through questions of mandate, governance, organizational alignment, investment process and capacity.

The industry has devoted considerable attention to understanding what may be holding institutional investors back. The Canadian Impact Investing Working Group, for example, has documented common barriers and put forward several solutions to move institutions forward. Realize Capital Partners sought to build on that foundation by moving from research toward action: testing whether a focused, practical and peer-led experience could help institutional investors advance their impact ambitions.

With a particular focus on mid-sized institutions, the Impact Investing Convening Series brought participants together to learn from peers, examine real-world experience and work through applied scenarios. The initiative was designed to assess the operational barriers institutions encounter, explore practical responses and help participants identify a pathway appropriate to their own organizations. It was not intended as a research exercise, but as a practical and hands on opportunity to test different ways of supporting institutional action through shared experience, candid dialogue and case-based learning.

This work forms part of the broader market-building mandate of Realize Capital Partners as a wholesaler of Canada's Social Finance Fund. That mandate includes strengthening investment readiness and organizational capacity for emerging fund managers, advancing impact measurement and management practices across the sector, supporting new product development and pursuing other initiatives that contribute to a stronger impact investing ecosystem.

This report, authored by our project partner Millani, captures what participants shared throughout the series: the questions they raised, the challenges they encountered and the practical insights that emerged from their discussions. The themes surfaced are not new to Realize Capital Partners. Rather, they reinforce what we have consistently heard through our broader engagement with institutional investors. Their recurrence matters: it points to persistent challenges that the market must continue to address and provides a useful window into how institutions themselves understand and navigate those challenges.

We acknowledge that this was a small pilot cohort representing a range of institutional types, mandates and stages of practice. Its perspectives should not be taken as representative of all institutional investors or suggest that this diverse segment of the market speaks with one voice.

We were encouraged by the openness and engagement of the participating institutions. We hope this report allows others to benefit from that exchange and serves as a practical peer-to-peer resource, particularly for institutions that are in the earlier stages of translating impact intention into action.

Institutions interested in learning more about the series or exploring similar support are invited to contact Realize Capital Partners or Millani.

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SECTION 01

About this report

Over three sessions in spring 2026, a cohort of Canadian institutional investors came together in a virtual classroom setting through the Impact Investing Convening Series to explore what it takes to move impact investing from intention to action. Millani Inc. designed and facilitated the series in partnership with Realize Capital Partners, a subsidiary of Rally Assets and one of three wholesalers for Canada's Social Finance Fund.

The series was conceived as a pilot, built to test whether a different format could spur action more effectively than a paper or a traditional conference panel. Its design was deliberate in several respects. It was structured as an ongoing program rather than a one-time event, and as a cohesive, modular experience in which each session built on the one before rather than being separate, siloed sessions. It drew on the expertise of invited third-party specialists, including legal experts, asset owners, and investment committee members, while placing peer-to-peer learning at its centre, so that participants could learn directly from others already navigating the same questions. Rather than leveraging a purely theory-based approach, the sessions used a fictious case study and applied scenarios to keep the focus on practice and on spurring action. The objective throughout was practical: to help participants better understand what is possible within their mandates, learn from the experience of their peers, and identify approaches they could apply within their own institutions.

This report, prepared by Millani, documents that process. It captures the questions, insights, and challenges that emerged throughout the cohort's discussions, and is intended as a practical resource that organizations can use to inform their own path toward impact investing. Its findings are drawn from candid discussion and shared experience rather than from formal statistical research and are offered in the same spirit the program was built on: to help institutions learn from one another and to foster lasting community connections that practitioners can return to for support as they continue this work.

All contributions are presented under Chatham House rules. All quotations and questions come from session participants and invited contributors and are attributed by role to preserve anonymity.

How the report is organized

The report follows the progression of this cohort’s experience across four chapters. The first explores whether impact investing is permissible within an institution’s mandate. The second examines the barriers that arise once that question has been addressed. The third focuses on the practical work of due diligence and governance. Lastly, the fourth considers one of the most challenging aspects of implementation:

building support within an institution. Each chapter provides an overview of the session content and key themes that emerged. Building on the learnings gained from this cohort journey, it concludes with a roadmap other organizations can leverage to advance their own impact ambitions.

SECTION 02

The cohort

The series brought together approximately a dozen institutions and eighteen participants. The cohort was drawn from across Canada and consisted primarily of mid-sized asset owners, ranging from approximately $1B to $20B in AUM, with a small number of larger insurers extending well beyond that. They represented a range of institution types, including defined benefit pension plans, dual-mandate pension plans, life insurers, university endowments, and private and community foundations. While the diversity of mandates and governance structures enriched discussions, participants were united by the practical realities faced by mid-sized organizations, which often operate without dedicated impact investing teams or extensive internal research capacity.

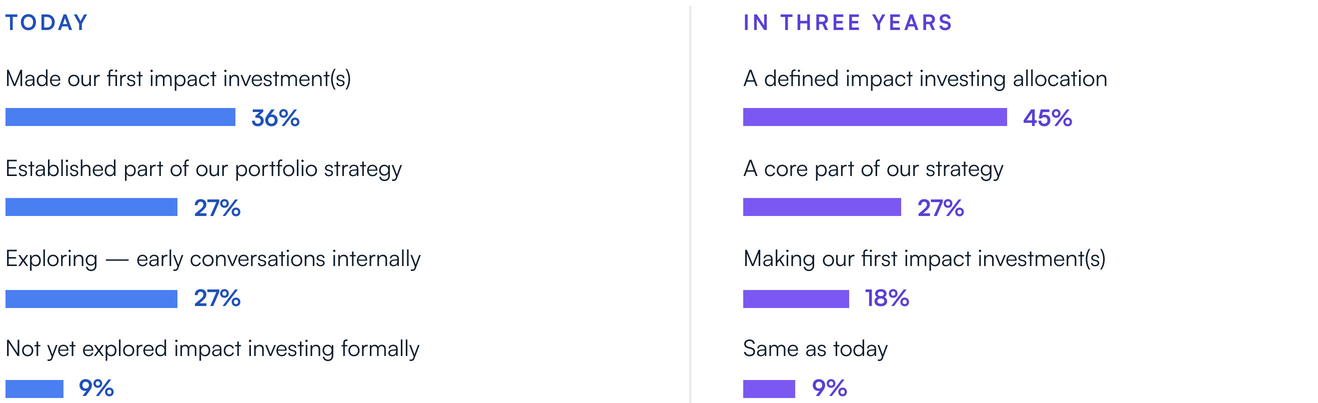
Several practitioners and subject-matter experts were invited to share their expertise and insights throughout the series, each bringing a distinct perspective. The opening session featured two Canadian legal experts, one focused on pension and institutional mandates and the other on charities and foundations. They were followed by a panel that combined Canadian and international experience: the investment director of a conservation-focused family foundation; a senior advisor at one of Europe's largest pension asset managers, who shared lessons from a more mature impact investing organization and provided a global perspective relative to the Canadian context; and the CEO of a Canadian asset manager with experience working alongside a wide range of institutional investors exploring impact investing. The second session featured a practitioner whose lean team manages both a pension plan and a university endowment and has an active impact investing program. The final session brought together two experienced investment committee members, one from the public equity and pension industry and the other from the venture capital and impact investing community. Both provided candid perspectives on how investment decisions are evaluated, debated, and ultimately approved in practice.

Where they started

Polling conducted during the opening session showed that participants spanned the full spectrum of impact investing experience. Just over a third had already made their first impact investment, while slightly more than a quarter described impact investing as an established part of their portfolio strategy. Another quarter were still in the early stages of internal discussions, and a small share had not yet formally explored the approach.

FIGURE 1 — OPENING SESSION POLL

Where the cohort sits today, and where it wants to be in three years



Two separate questions asked of the same group

When asked how long they had been formally engaged with impact investing, nearly half reported more than three years of experience and another quarter reported between one and three years. The remaining quarter were still in the exploration phase.

Participants' ambitions generally exceeded their current level of implementation. Asked where they wanted to be within three years, nearly half indicated that they aimed to have a defined impact investing allocation, while a further quarter hoped impact investing would become a core part of their investment strategy. Few expected to remain at their current stage.

How they think about impact

Impact investing is commonly defined, following the Global Impact Investing Network (GIIN)'s own definition, as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. This definition rests on three core elements: intentionality, meaning the investor deliberately sets out to create a positive social or environmental benefit; measurability, meaning that impact is quantified, tracked, and reported using credible metrics; and financial return, meaning the investment is expected to generate a return, distinguishing it from philanthropy, with expectations that can range from below-market to market-rate.

A further concept, additionality, is often discussed by some as another important consideration. It asks whether the impact would have occurred without the investment. This was a point of active discussion within the cohort: roughly three-quarters of participants believed that intentionality combined with measurement is sufficient to establish impact, rather than requiring the investor to demonstrate direct causality or additionality. A similar share agreed that impact can be achieved in public markets, provided certain conditions are met, rather than viewing it as the exclusive domain of private capital.

RETURN AND IMPACT INVESTING

On returns, initial polling found that most participants believed that impact investments should generate market-rate returns, while most of the remainder indicated that expectations depend on the strategy. Only a small minority were prepared to accept some degree of concessionary return. The tensions around this topic are more deeply explored in session discussions (see Chapter 2).

SECTION 03

Four institutional archetypes

Participants were recruited by design or intentionally through individual outreach, deliberately targeting the institutional archetypes around which this report is organized, including pension funds, insurers, foundations, and university endowments. Each is shaped by a distinct mandate and set of constraints. These archetypes are used throughout the report as a reference point. Where a finding (i.e. an insight from either expert guests or cohort participant) is specific to one institution type, it is identified with the relevant archetype, and where a finding applies across all four, it carries the universal marker ("[ALL]").

ARCHETYPE	MANDATE ANCHOR	CONSTRAINTS
Pension fund	The financial best interests of plan members under fiduciary duty, pursued over a long-term, liability-driven horizon.	Any investment case must meet a risk-adjusted return threshold and be documented as prudent. As a result, impact considerations often need to be framed through financial risks and opportunities rather than be considered on their own terms.
Insurer	Matching assets to liabilities while maintaining sufficient liquidity to meet policyholder claims.	Regulatory capital charges on illiquid alternatives increase the effective cost of allocations and reduce net returns. Duration-matching requirements also limit the ability to commit to long lock-up periods. In many cases, the constraint is driven by capital requirements rather than institutional appetite.
Foundation	Advancing a charitable purpose in perpetuity while preserving capital in real terms and funding annual grant-making.	Spending policy constraints, limited internal resources, and consensus-driven governance can slow decision-making. Below-market returns may be permissible, but typically only as a deliberate and clearly classified choice. Outside Ontario, no statutory social-investment route exists.
University endowment	Funding distributions for scholarships and programs while preserving capital across generations and responding to a broad stakeholder community.	Multi-layered governance structures often seeking a framework before approving commitments. Smaller investment teams may rely on an outsourced chief investment officer (OCIO) or consultant to screen opportunities before they reach decision-makers. Gift-agreement language can also shape what is permissible.

CHAPTER 1

Fiduciary duty: Constraints and misconceptions

In general, what tends to stand between Canadian institutional investors and their first impact investment is the mandate to maintain fiduciary duty — and the perception that they may have to give up returns to meet that duty, which also comes before concerns about liquidity, track record, or fees. The series began here for a simple reason: until this legal question is addressed, it seems that little else can move forward.

The first part of the session invited insights from two Canadian legal experts, one focused on pension and institutional mandates and the other on foundations and charities. They were then followed by asset owners who have built impact allocations within fiduciary constraints. Following these discussions, a clear consensus had emerged. For most participants, the legal question had effectively been resolved: impact investing is permissible.

The duty, precisely

Fiduciary duty rests on two obligations: the duty of prudence, which governs how decisions are made, and the duty of loyalty, which governs whose interests those decisions serve. For a pension plan administrator, a classic fiduciary, loyalty means acting in the financial best interests of plan members. A long-standing English case (Cowan v. Scargill, [1985] Ch 270) continues to influence how that principle is interpreted in Canada. As the pension promise is fundamentally financial in nature, the financial interests of members remain the governing consideration.

PENSION INSURER Under current Canadian case law, impact and environmental, social and governance (ESG) considerations can be incorporated through their financial implications. When an ESG factor carries financial consequences, it is not a departure from the duty of prudence; it is in fact an expression of that duty. This pathway is available to asset owners today without requiring any change in the legal framework.

For some pension plans, the analysis can extend further. A minority operate under a dual mandate, where a secondary objective, such as regional economic development, exists alongside the return objective and broadens the factors a fiduciary may legitimately consider. In addition, an investment fund may be selected for more than its expected return. For example, the relationships, networks, and future opportunities it creates can also support a plan's long-term financial interests.

Interestingly, an important nuance emerged during the discussion: under the duty of prudence, decisions are not required to be correct. Prudence is a standard of process, not a guarantee of outcome. The duty requires a reasonable and well-documented decision-making process.

The misconception worth dispelling

FOUNDATION ENDOWMENT For foundations and charities, one of the most persistent misconceptions is that fiduciary duty requires pursuing the highest possible financial return.

> *Canadian law does not require charities to pursue the highest possible financial return in every circumstance.*
>
> LEGAL EXPERT, CHARITIES AND FOUNDATIONS

The duty of a charity is to advance its charitable purpose on a sustainable basis. This requires balancing financial return, the organization's time horizon, liquidity needs, and the relationship between an investment and its charitable mission. These considerations are integrated, not competing.

Participants highlighted that one of the most practical challenges they face is correcting this misconception and the difficulty they have in communicating that argument to boards and decision-makers.

Where jurisdiction matters

FOUNDATION ENDOWMENT For foundations and endowments, jurisdiction matters. While every charity is subject to the prudent investor standard under the applicable provincial Trustee Act, Ontario has additional provisions, as outlined below.

> ONTARIO IN BRIEF
>
> In Ontario, an impact investment can be held within a diversified portfolio or structured as a social investment under the Charities Accounting Act, which provides more flexible rules. To qualify as a social investment, the recipient must be a registered charity and the investment must further the charity’s purpose.
>
> For endowment capital, the language of the original gift agreement can also influence what is permissible. Many older agreements do not contemplate social investments, making it worthwhile to review the language used in new gift and endowment agreements.

Outside Ontario, no equivalent statutory framework exists for social investments held separately from a diversified portfolio. Impact investments are therefore treated as ordinary investments and remain subject to the relevant Trustee Act.

It is therefore important to understand the requirements of your jurisdiction before assuming a legal constraint exists.

Duty as a support, not only a gate

During the discussions, foundation and endowment representatives began to see how fiduciary duty could be framed not as a barrier, but as a starting point.

Where mission alignment forms part of an institution's purpose, fiduciary duty can create space for the conversation rather than restrict it. In these cases, considering the relationship between investments and mission is part of fulfilling the duty itself. Impact investing can complement traditional grant-making. Rather than representing a departure from a charity's purpose, it can serve as an additional way to advance it.

This perspective provides an important counterweight to the assumption that fiduciary duty only serves as a constraint. It also highlights that the same legal concept can lead to different outcomes depending on the mandate and obligations of the institution applying it.

IMPACT INVESTING AND CHARITABLE PURPOSE

Grant-making and impact investing draw on different capital and work in different ways. A grant is a donation, typically focused on the near-term amelioration of underlying issues. An impact investment deploys investment capital from the asset base, is expected to generate returns, and tends to focus on longer-term, systemic issues. The two are complementary: one supports through philanthropic capital, while the other allocates investment capital toward outcomes that align with the organization's purpose.

ADDITIONAL QUESTIONS & INSIGHTS

The questions below were raised directly by participants during the session and reflect the issues institutions are actively working through.

- **Does gathering stakeholder feedback reduce legal exposure?** Participants explored whether stakeholder consultation could mitigate fiduciary risk. The discussion suggested that while consultation may reduce litigation risk, it does not necessarily reduce legal risk, as individual beneficiaries may still challenge decisions.
- **Should an impact investment be a one-off decision or part of a broader strategy?** Guidance from the legal panelists consistently pointed toward embedding impact investing within the investment policy and overall portfolio strategy, rather than treating individual impact investments as exceptions.
- **Is the duty of loyalty to pension beneficiaries limited to financial returns, or does it also encompass ESG considerations and broader impacts?** If retirement outcomes are influenced by environmental and social conditions, why is the duty primarily framed in financial terms? Under current case law, unless a plan operates under a dual mandate, the answer remains focused on the financial best interests of beneficiaries, with impact considerations entering the analysis through their financial implications.

CHAPTER 2

Barriers and enablers: What the market is working through

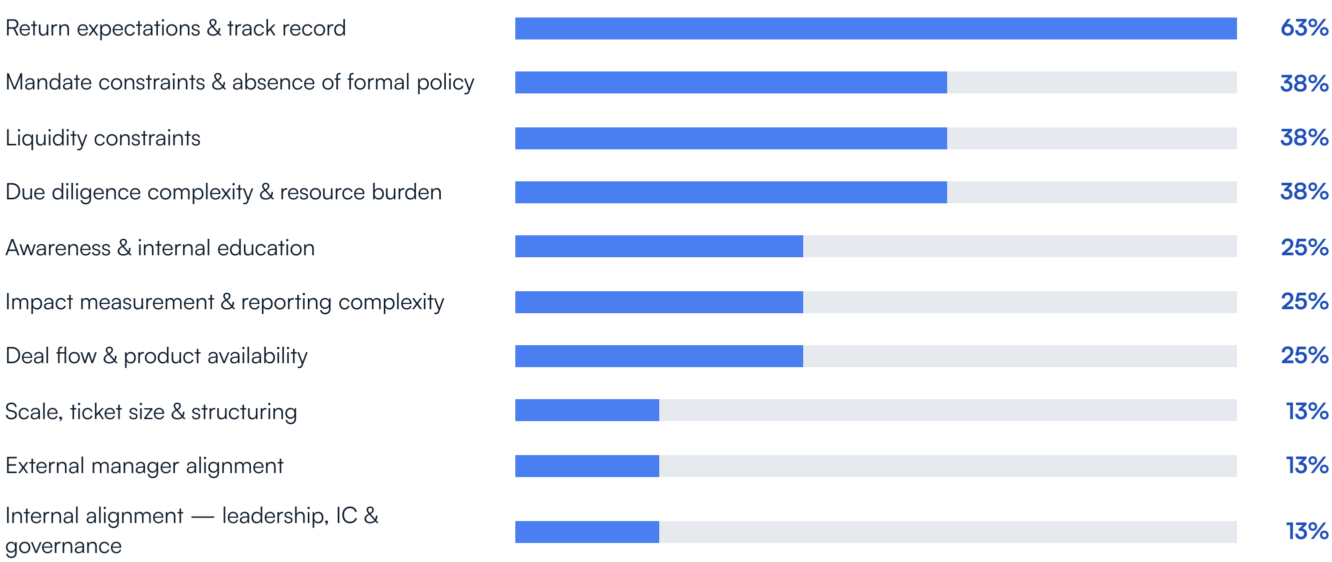
If the law permits impact investing, why does it remain difficult to get started? The cohort participants suggested that the primary constraints are organizational rather than legal. This is when the series shifted from asking permission - "Can we do this?" - to asking, "How can we do this and how do we get our institution to act?"

The structure of this portion of the session (part two of session one) incorporated live polling, breakout discussions, and a panel of asset owners who have navigated these challenges within their own organizations. The result was a candid inventory of the obstacles institutions encounter, alongside the strategies that can help overcome them.

When polled, nearly two-thirds of participants cited return expectations and track record as their top barriers. Mandate constraints and the absence of a formal policy, liquidity considerations, and the resource demands of due diligence followed, each selected by well over a third of the cohort.

FIGURE 2 — OPENING SESSION POLL

Top three barriers to impact investing



Multiple-answer poll: each respondent selected up to three barriers, so shares total more than 100%. Two options drew no votes and are not shown: fiduciary duty uncertainty, and ESG vs impact confusion.

Notably, uncertainty around fiduciary duty received no votes as a top barrier. This is striking given how often legal uncertainty is cited as the primary obstacle to impact investing, and the timing of this question may help explain why. The polling followed the session with legal experts, suggesting that a focused discussion on fiduciary duty was enough to move it, for this cohort, from a perceived barrier to a largely settled question.

While this finding is specific to the cohort, it offers an encouraging signal: one of the most commonly cited barriers to impact investing may also be among the most readily addressed through targeted legal education and discussion.

Barriers shared across the cohort

Several barriers nonetheless emerged across all breakout groups, regardless of institution type. These are challenges that the broader market continues to work through collectively.

- **Return expectation and limited track records.** The perception that impact investing necessarily involves concessionary returns remains widespread, including among stakeholders who have limited exposure to the field. Participants noted that addressing this perception internally often requires significant effort and can become a barrier in itself. As well, many impact funds have not yet established long-term track records — and building them takes time. As one group observed, early adopters play an important role in helping develop the market, but the availability of opportunities with enough (market-rate) performance history for investors to take that leap is viewed to be limited. This perceived scarcity and market maturity mindset were identified by participants as hurdles their organizations grapple with.
- **Awareness and education gaps across boards, investment committees, and investment teams.** Limited familiarity with impact investing, often combined with preconceived views, was the barrier participants raised most frequently, particularly among institutions that were earlier on in their impact investing journey. However, it was also identified to be the most easily addressable, if given the time and resources to do so.
- **Applying impact across asset classes.** Developing a consistent approach across asset classes remains challenging. Concepts such as additionality do not translate uniformly across investment strategies, and impact measurement approaches often need to be adapted to the characteristics of each asset class.
- **Fund size, ticket size, and investment structure.** Participants identified fund size as an important consideration. Implementing impact strategies in public markets was also cited as a structural challenge.
- **Data availability and quality.** Limited or inconsistent data can make it more difficult to evaluate opportunities, build internal support, and substantiate impact claims. Participants noted that data challenges become more acute as stakeholder expectations for evidence and accountability continue to increase.

- **The absence of a Canadian taxonomy and shared definitions.** Organizations often define impact investing differently, making it difficult to compare opportunities and establish a common understanding. Participants noted that this challenge is particularly relevant in public markets, where consistent definitions can help support investment analysis and decision-making.

Barriers specific to particular institutions

Other barriers are more closely tied to institutional structure and mandate. Unlike education and awareness gaps, these constraints are often inherent to how the specific institutions operate.

- INSURER **Liquidity and asset-liability matching.** For federally regulated insurers, liquidity requirements can make long-duration, illiquid impact vehicles difficult to consider. Asset-liability matching requirements, including the need to align duration, currency, and risk characteristics, further narrow the range of eligible investments.
- PENSION **Mandate and dedicated-capital constraints.** One pension participant described having identified a fund that met impact criteria within a broader investment portfolio but operating without a dedicated impact allocation. Given organizational culture and fiduciary considerations, there was little appetite for what were perceived as concessionary investments. Without a formal allocation, impact opportunities must compete individually against all other investment opportunities.
- FOUNDATION ENDOWMENT **Reliance on external advisors.** Smaller institutions often depend on investment consultants or outsourced chief investment officers (OCIOs). Where these advisors have limited experience with impact investing, they can become a constraint rather than a source of support. Foundation participants also noted a distinction between capital managed through external advisors and working capital managed internally, with the latter often being easier to deploy toward impact opportunities.
- PENSION INSURER **Manager engagement.** Building informed discussions with external portfolio managers can also be difficult when managers lack impact investing experience or when relationships are still developing. Participants noted that this can make it harder to build an internal investment case and evaluate opportunities with confidence.

The enablers, which often mirror the barriers

One of the clearest themes from the discussions was that barriers and enablers often represent opposite sides of the same issue. A lack of education can slow progress; greater understanding can accelerate it. Limited track records create hesitation; successful early adopters help build the evidence base that others can follow.

- **Education that shapes culture.** Increasing familiarity with impact investing among investment committees, exposing decision-makers to specific strategies, and equipping investment teams to communicate effectively with non-specialists (such as board members, trustees, or finance staff without an impact or sustainability background) can increase confidence and support more informed decision-making. Several participants noted that greater awareness is itself a catalyst for organizational change.

- **Framing opportunities through risk and return.** Participants emphasized the importance of presenting impact opportunities using the same analytical lens applied to the rest of the portfolio. Framing opportunities around financial outcomes and systemic risks, such as climate change, can help position the discussion within existing investment processes. Several groups noted that language matters; the way an opportunity is described can influence how it is received.

- **Blended finance and first-loss capital.** Participants pointed to examples where governments or other stakeholders assume a larger share of the risk or accept lower returns, making participation more attractive for other investors.

- **A growing track record.** As more impact funds establish performance histories, it becomes easier for institutions to evaluate opportunities and build confidence in the market. Participants noted that early adopters play an important role in creating the evidence base that supports broader adoption over time.

- **Negotiating from a Limited Partner position.** Where a fund lacks an established track record, investors may be able to offset some of the associated risk through negotiated governance rights. Participants highlighted the value of representation on a fund's limited partner advisory committee (LPAC), which can provide greater visibility into fund operations and a degree of influence over governance matters. At the same time, participants noted that making effective use of these rights requires internal resources and expertise.

- **Partnerships.** Partnerships were repeatedly identified as an important enabler, particularly in situations where no single institution is positioned to independently support an impact strategy or fund.

- **Commitments embedded in policy.** Incorporating impact investing commitments into governance documents, including the investment policy statement, provides organizational clarity and creates a reference point that extends beyond individual investment decisions.

- **Aligning incentives.** Linking compensation to sustainability and impact-related objectives was identified as one way to better align incentive structures with institutional priorities.

- **External pressure.** Participants observed that progress often accelerates when expectations are reinforced by beneficiaries, boards, clients, or other stakeholders. External pressure can help create momentum and sustain attention on implementation efforts.

- FOUNDATION ENDOWMENT **Building internal capability.** For these two specific archetypes, participants emphasized the importance of developing internal expertise over time. Drawing on the work of academics, external specialists, and internal staff can help institutions build knowledge and reduce reliance on consultants.

Starting imperfectly, and reframing what impact is

Beyond the barriers and enablers identified in the breakout discussions, two messages emerged clearly from the asset owner panel. The first was the importance of acting before conditions are perfect.

> ***Stay flexible. This is new for every one of us. We are not going to get this 100% perfect from the get-go. Let us just get started, and we will learn along the way.***
>
> ASSET OWNER, PRACTITIONER PANEL

The second message was a reframing of what impact investing is. Rather than viewing impact as a separate asset class or something confined to private markets, one panelist described it as a lens that can be applied across asset classes, including cash, fixed income, public equities, and private alternatives. This distinction matters because it helps address a challenge raised in several breakout groups. Building a consistent approach across asset classes becomes more manageable when impact is treated as an investment lens rather than a standalone category.

Participants also highlighted the importance of how institutions take their first steps. Rather than searching immediately for new products, several described working with existing managers, establishing targeted mandates, or identifying holdings already contributing to impact objectives. In many cases, the lowest-friction starting point is the portfolio an institution already owns.

Bringing the investment teams along

If boards and investment committees represent one dimension of institutional buy-in, investment teams represent another. In several breakout discussions, resistance was described as coming from investment teams rather than leadership.

One group suggested that investment committees and investment teams need to meet each other halfway; more advanced participants emphasized the importance of bringing teams into the conversation rather than imposing new impact requirements on top of existing responsibilities. Building understanding, ownership, and engagement within investment teams was seen as more effective than relying solely on top-down direction.

> ***Take [investment teams] along on the journey. Look at your mandates, what can you do, what do you need from us or from the board to make those impact investments happen.***
>
> ASSET OWNER, PRACTITIONER PANEL

Participants distinguished between two approaches. One is to revisit the mandate so that impact considerations are incorporated within the institution's core objectives. The other is to leave the mandate unchanged and add impact as a separate requirement layered onto existing processes. Participants generally favoured the former, viewing impact as more durable and easier to implement when it is embedded within the mandate itself. Several observed that it may be more practical to establish a dedicated allocation within the asset mix than to evaluate impact opportunities as isolated exceptions on a case-by-case basis. Over time, this can be reinforced through the incentive alignment identified in the breakout discussions, helping ensure that organizational objectives, decision-making processes, and performance expectations evolve together.

ADDITIONAL QUESTIONS & INSIGHTS

- **How do mandates shape investment priorities in impact investing?** Institutions approach impact investments through the lens of their mandates and fiduciary obligations. For some, impact objectives are integrated into the core investment strategy, while for others, financial considerations define the primary starting point. Unlike how it is often perceived, this distinction relates to decision-making priorities rather than differences in expected investment performance, particularly where market-rate returns are targeted. A dual-mandate institution may place greater emphasis on impact objectives alongside financial returns, while a pension plan operating under a financial-best-interests standard will generally prioritize the financial case within its investment process. The discussion also highlighted that some institutions may choose to play a catalytic role by providing early or strategic capital that helps funds or markets attract additional investment and achieve scale.
- **How do you apply an impact lens in public markets?** Participants discussed several approaches, including assessing sources of revenue and profitability, using alignment metrics, and engaging with issuers to improve disclosures and practices. They also acknowledged that public markets generally offer less influence and less granular information than private markets. Even so, most participants believed that impact can be achieved in public markets, provided appropriate conditions and approaches are in place.

CHAPTER 3

Due diligence and governance: Turning intent into process

If Chapter 1 addressed whether an institution can invest and Chapter 2 examined the barriers to doing so, this chapter focuses on readiness. The second session of the series shifted the discussion from whether to invest to how to invest, with a particular focus on due diligence and governance. Participants heard from a practitioner responsible for due diligence across both pension and university endowment mandates, who walked through their internally developed framework to assess impact and ESG investments. Then followed a hands-on practical simulation of working through a shared investment case (see Appendix B for the revised version used by the groups in the final session). In breakout groups, each institutional archetype evaluated the same fund through the lens of its own constraints and requirements.

Three themes emerged throughout the discussion. First, for most of this cohort, impact investments are subject to the same diligence standards as any other investment, with intentionality and additionality serving as additional considerations rather than substitutes for analysis. Second, participants suggested that capacity, more than analytical capability, is often the binding constraint. Third, governance sequencing matters. Institutions that establish frameworks, build committee understanding, and clarify decision-making processes before evaluating specific opportunities are generally better positioned to act than those attempting to address governance questions alongside a live investment decision.

The same rigour, applied to impact

To ground the discussion in practice, the session began with another guest practitioner — whose Canadian-based institution is active in impact investing — detailing their approach to manager due diligence as an organization managing both an endowment and a pension plan. The practitioner described an internally developed due diligence framework built around three layers: investment, operational, and ESG. The ESG component assesses five dimensions: the firm and its culture, ESG integration within the investment process, sustainability risk management, stewardship and engagement, and reporting.

For this institution, impact investments are generally evaluated using the same framework as any other investment. There is no separate or less stringent diligence standard applied to their mission-related investments, which are those investments that align with at least one of its thematic priorities. However, impact intentionality and additionality are key considerations when evaluating these types of opportunities.

> *Intentionality is very important; we have to prove that. There are funds that sell a sustainable product, but when we do the due diligence, we realize there is no intentionality. They are reporting it [as a sustainable product] because investors are asking, rather than investing because they want to make a change.*
>
> SUSTAINABLE INVESTMENT ADVISOR, ENDOWMENT & PENSION PLAN

Capacity is the binding constraint

Across institution types, the constraint raised most frequently was capacity. Conducting rigorous due diligence requires significant time and resources. Participants described processes that include ongoing meetings throughout the year and annual questionnaires, often managed by small teams and, in some cases, a single sustainability professional. Lean teams are frequently responsible for a broad range of organizational priorities in addition to overseeing the investment portfolio. As a result, the limiting factor is often not the availability of frameworks or analytical tools, but the capacity required to apply them consistently.

The discussion also highlighted the tension that rigorous due diligence can create for managers. Comprehensive reviews often require extensive information sharing, including investment memoranda and other materials that managers may not always be comfortable disclosing. Participants noted that managers can invest significant time in due diligence processes without ultimately being selected, making the process resource-intensive on both sides.

The collective cohort response was not to lower diligence standards, but to manage the workload more deliberately. One example discussed was concentrating due diligence and monitoring activities into dedicated periods throughout the year, allowing teams to maintain rigorous oversight while preserving time for other responsibilities.

Build it internally, or outsource it?

One of the most active discussions during this session focused on whether due diligence should be conducted internally or outsourced. The question was raised by a participating institution that was transitioning from an outsourced model to an internal approach following the appointment of a new Chief Investment Officer.

Some participants shared that the model they employ is hybrid — relying on external consultants to help source opportunities and narrow a broad universe of managers, while retaining responsibility for final due diligence and investment decisions internally. Participants viewed this approach as a way to benefit from external expertise and market coverage while maintaining internal ownership of investment decisions.

The simulation: One fund, four institutions, four sets of constraints

The centrepiece of the session was a simulation in which each institutional archetype evaluated a clean energy infrastructure fund through the lens of its own mandate and constraints. The fund, a first-time vehicle managed by an emerging firm and focused on renewable energy projects in remote communities, was intentionally designed to present trade-offs rather than an obvious investment decision. Its full parameters are outlined in Appendix B. The insights below, and those in Chapter 4, draws on the case throughout.

After discussing the case study in breakout rooms, none of the groups chose to commit to the fund at that stage. This was the intended outcome. The value of the exercise did not lie in reaching a positive investment decision. Rather, it lay in understanding the reason why each group reached its respective conclusions. The discussion highlighted how the same opportunity is interpreted depending on the institution assessing it and the constraints under which it operates.

PENSION

Participants focused on the challenges associated with a first-time fund, the risk-adjusted return relative to the obligation to meet future benefit payments, the long investment horizon, and the resource demands of conducting due diligence on a new manager. Several indicated that they would be more likely to proceed with a manager they already knew and had previously assessed.

INSURER

Participants highlighted asset-liability misalignment, liquidity requirements, and reputational risk as hurdles for this investment opportunity. These considerations were compounded by internal knowledge gaps that could make it difficult to have a confident discussion at the committee level.

FOUNDATION

Participants noted that the projected return only marginally exceeded spending-policy requirements, leaving limited flexibility. They also questioned the long lock-up period relative to the expected return and identified a significant gap between the target fund size and the manager's demonstrated project experience. Additional areas of interest included the financing structure and the manager's approach to engaging with Indigenous communities.

ENDOWMENT

Participants focused on governance sequencing and whether an impact framework should be established before any commitment is considered. They expressed skepticism about proceeding without external advisor review and emphasized the need to withstand scrutiny from students, faculty, donors, and the broader university community. One participant noted that they would not bring the opportunity to a committee before the appropriate framework was in place.

Despite differences in the four institutional lenses, participants identified a common set of recurring themes: the manager's reputation, the risks associated with a first-time fund, Indigenous community engagement as both an opportunity and a potential source of reputational risk if not undertaken appropriately, return expectations, and gaps in education and awareness across investment teams and committees.

In a callback to earlier discussions, the concerns around resource demands were again raised in relation to conducting due diligence on new opportunities such as the one outlined in the case study, further underscoring the importance of using consultants strategically while continuing to build internal capability. Participants also noted that when both an institution's internal experience and a manager's track record are limited, it can be helpful to understand which other investors are evaluating or considering anchoring the fund. Comparing perspectives and sharing insights with peers can help strengthen decision-making and reduce some of the diligence burden associated with assessing emerging managers or first-time funds.

ADDITIONAL QUESTIONS & INSIGHTS

- **Where does the tension with managers come from, and how should asset owners manage it?** Participants discussed the burden placed on asset managers created by extensive and often non-standardized due diligence requests, including requests for sensitive information. This challenge can be particularly acute for managers responding to multiple investors simultaneously and investing significant time in diligence processes without any assurance of securing a mandate. In the absence of common industry standards, participants suggested that asset owners should aim for consistency and communicate expectations clearly.
- **How to make manager meetings more substantive?** One practical recommendation was to provide questions in advance. While the presenting manager may not have every answer immediately available, advance notice allows them to consult internal colleagues, gather relevant information, and contribute to a more productive discussion.

Making the case: Investment committee realities

The final session positioned participants to present an investment recommendation to a mock investment committee. Working from a revised version of the case study (see Appendix B), which was assumed to have already passed due diligence, groups prepared an investment committee pitch and presented it to two guests who serve on investment committees in practice.

How the cohort pitched it

When the cohort pitched the investment case to guest committee members, the recommendation to invest was uniformly conditional: groups wanted a responsible investment framework in place before committing, looked for validation from other institutional investors, and weighed the manager's limited track record against the protective features of the structure (e.g. first-loss capital). The feedback and insights offered by committee members focused less on the investment itself and more on the process of building support for a decision.

Strategy beats transaction

The clearest feedback from committee members listening to groups pitch their case was about framing: a strong impact thesis rarely carries a decision on its own. Investment committees are persuaded first by the strength of the investment case, and impact considerations land best as part of that broader rationale.

Committee members also emphasized the importance of positioning opportunities within an institution’s existing strategy and portfolio construction framework, rather than presenting them as transactions in isolation. Mission alignment was viewed as particularly valuable when an investment encounters challenges, providing additional context and support for the original decision.

When a committee has already explored an emerging theme as part of its strategic planning process, a related investment opportunity is evaluated within a familiar context. By contrast, an opportunity introduced without prior discussion often requires the committee to assess both the strategy and the transaction at the same time, making approval more difficult.

> *The worst investment thesis for anything is the fear of missing out, or "we have got to be there". It really should not be transaction-led. That is not the right way to structure an overall portfolio for any fund, but specifically a pension fund.*
>
> INVESTMENT COMMITTEE MEMBER

Using the case study's focus on infrastructure as reference, one committee member described their experience of how a process typically unfolds. On a regular basis, an infrastructure team presents both performance results and its strategic outlook to the relevant board subcommittee, highlighting themes and trends that may become important in the future. A sustainability team may also contribute, identifying areas of potential interest, such as investment opportunities related to underserved Indigenous communities. When a specific transaction is eventually brought forward to the investment committee, it can be linked back to a strategic discussion that took place months earlier. The opportunity is therefore considered within the context of an established portfolio strategy rather than as a standalone proposal.

Committee members emphasized that there is a meaningful difference between being familiar with a topic and being prepared to approve a specific investment. Bridging that gap requires strategy development, education, and ongoing dialogue well before a transaction reaches the committee.

A clear framework matters

This discussion also reinforced the importance of having a clear framework in place. Participants noted that impact investing can carry heightened reputational considerations and often involves a broad set of stakeholders. This can be particularly relevant for institutions such as universities, where students, faculty, donors, and external stakeholders may all have an interest in investment decisions.

Committee members were candid that not every investment will unfold exactly as planned. Delays, implementation challenges, and unexpected outcomes can occur. In those situations, a clear and documented connection between the investment and the institution's mandate provides an important foundation for explaining and defending the decision-making process.

> *It all comes back to mission alignment, because it is going to go wrong. When it does, you have to be able to say this was done in accordance with our mandate. If you do not have the mission backing you up, it is really tough.*
>
> INVESTMENT COMMITTEE MEMBER

A framework is therefore more than an administrative exercise. It provides a clear basis for decision-making when investments come under scrutiny and allows institutions to address difficult questions before a specific opportunity creates time pressure.

The manager is a partner

Committee members emphasized that, in an illiquid fund with a multi-year lock-up period, as was the parameters of the case study, the manager should be viewed as a long-term partner rather than a service provider. In alternative investments, the first consideration is often who the institutional partner is, and whether there is comfort in being associated with that individual or firm over the life of the investment. In the case study under review, this perspective placed the manager at the centre of the risk assessment. An emerging manager with only two prior realizations, a team of approximately six people, and projects spread across remote communities raised questions about whether available resources matched the scale of the proposed strategy.

The importance of soft skills

One of the most frequently repeated pieces of advice from the guest committee members had little to do with the investment itself. Instead, it focused on the people involved in the decision-making process.

> ***Find an executive ally. You cannot know your investment committee well enough. Find out who the opinion leaders are, go to them early, educate them, answer their concerns. There should be no surprises.***
>
> INVESTMENT COMMITTEE MEMBER

On consensus-driven boards, participants noted that understanding the dynamics of the decision-making process can be as important as the quality of the investment itself. Committee members emphasized the value of identifying key influencers early, sharing information in advance, and addressing questions before a proposal is formally presented. By the time a recommendation reaches the committee, some members may already have a clear understanding of the opportunity and be prepared to support it.

Several participants described a "no surprises" approach, where influential committee members are briefed ahead of time and given an opportunity to raise concerns before the formal discussion. This was viewed as an important part of effective governance and one factor that can influence whether a sound investment proceeds smoothly or encounters resistance.

By establishing expectations, decision criteria, and governance processes in advance, institutions are better positioned to evaluate opportunities consistently and respond confidently when challenges arise. This is why many participants viewed building buy-in and alignment before a transaction emerges as an important part of the process.

ADDITIONAL QUESTIONS & INSIGHTS

- **Can a pension fund use fiduciary duty to support building relationships with Indigenous communities and other stakeholders?** Generally speaking, the value of relationships with Indigenous communities and other stakeholders may strengthen the overall case and increase comfort with future opportunities in a given region, but it does not replace the requirement to demonstrate a sound investment rationale first.

  That said, regarding the case study specifically, committee members viewed the fund manager's relationship with Indigenous communities as indeed a central aspect of the opportunity. Successfully navigating relationships across Indigenous, municipal, provincial, and federal stakeholders, while applying a meaningful truth and reconciliation lens in practice, was described as a specialized capability. If demonstrated, it could strengthen the investment case. If unproven, it represented a material execution and reputational risk.

- While the first-loss buffer included in the case study structure was viewed as an important component of the investment's risk-return profile, committee members cautioned against assuming that the protection operates uniformly for all investors. They noted that an investor's position within a first-loss structure can depend on the timing and terms of their commitment. As a result, structures that appear straightforward at first glance may require careful review to fully understand how risks are allocated.

CONCLUSION

From permission to practice

The series followed the journey from permission (fiduciary duty) to practice (due diligence and investment pitch). For this cohort, the legal pathway to impact investing was clearer than commonly assumed. The challenge that remained was identifying the implementation pathway most appropriate for the institution.

Leveraging the insights surfaced from this cohort program, below outlines a practical roadmap organizations can follow as they embark on their own impact journeys.

STEP 1 Establishing permission

- **Establish permission before debating individual opportunities.** For most Canadian institutions, impact investing is already permissible within their mandate. Confirming this early helps prevent the legal question from resurfacing throughout the decision-making process.
- **Embed impact investing within the investment policy statement.** Integrating impact into policy and governance frameworks is generally more effective than treating impact investments as isolated exceptions.
- **Align legal clarity with institutional ownership.** Acquire legal clearance with both an internal champion and a board-level sponsor. Institutional momentum typically requires both leadership support and operational ownership.
- **Understand your jurisdictional context.** Review the applicable legal framework, explore the social investment route where available, and assess the language of existing gift and endowment agreements.

STEP 2 Working through barriers

- **Differentiate market-wide barriers from institution-specific constraints.** Identify which challenges are shared across the market (such as limited track records, education gaps, the absence of shared definitions, or limited deal opportunities in some asset classes) and which stem from your mandate, governance structure, or operating model. Distinguish genuine constraints from inherited assumptions.
- **Lead with a risk-and-return framing.** Present impact opportunities using the same financial lens applied to other investments and connect them to relevant systemic risks where appropriate. This can help position the discussion within existing investment decision-making processes.
- **Start small and build experience over time.** Early implementation can generate practical learning, help refine investment theses, and create the foundation for larger commitments in the future.
- **Look first at the portfolio you already hold.** Existing managers, targeted mandates, and holdings that already contribute to impact objectives may provide a lower-friction starting point than sourcing entirely new products.
- **Bring investment teams into the process.** Build support through engagement rather than imposing additional requirements alone. Revisit existing mandates where appropriate, align incentives where possible, and embed commitments within policy and governance frameworks.

STEP 3 Building readiness

- **Apply the same diligence standards to impact investments as to any other investment.** Impact objectives should not alter the level of scrutiny applied to investment decisions or weaken existing governance and risk-management processes.
- **Incorporating impact criteria into investment decisions.** Establish clear criteria before evaluating opportunities and treat mission alignment and other impact considerations such as intentionality and additionality as supplementary rather than qualifying factors on their own.
- **Choose a due diligence model deliberately.** Where internal capacity is limited, consultants can help source and screen opportunities. At the same time, institutions may benefit from gradually building internal capability and ownership of the diligence process.
- **Establish governance before evaluating opportunities.** Put frameworks, decision-making processes, and committee education in place before a specific investment reaches the agenda. Governance questions are generally easier to address outside the context of a live investment decision.
- **Prepare for manager meetings in advance.** Sharing questions beforehand allows managers to gather relevant information and involve the appropriate internal experts, resulting in more substantive and productive discussions.

STEP 4 Making the case

- **Lead with the investment case and then layer in the impact rationale.** For pension funds in particular, begin with risk-adjusted return, fiduciary considerations, and the overall investment thesis before discussing impact outcomes.
- **Connect the opportunity to an established strategy.** Position the investment within a broader portfolio approach and strategic direction that the committee has already discussed, rather than presenting it as a standalone transaction.
- **Build support before the formal decision process begins.** Identify executive sponsors and influential stakeholders, engage them early, and address questions in advance. Participants repeatedly highlighted the value of a "no surprises" approach when bringing opportunities to committees and boards.

About the program

The Impact Investing Convening Series was a pilot program designed and facilitated by Millani Inc. in partnership with Realize Capital Partners. It was conceived as a practical, incremental learning experience for Canadian institutional investors, grounded in peer exchange and focused on implementation. The objective was to help participants better understand what is possible within their mandates, learn from the experience of their peers, and identify practical approaches they could apply within their own institutions.

In post-session feedback surveys, participants deeply valued the opportunity to learn from peers already engaged in the work, compare approaches, discuss challenges, and build relationships with others facing similar decisions.

Expanding and sustaining these networks may be one of the most practical contributions the market can make. Shared learning can reduce duplication of effort, accelerate institutional confidence, and help organizations build on existing experience rather than starting on their own. We are grateful to the participants whose openness and engagement shaped the discussions throughout the series. We also thank the legal experts, practitioners, and investment committee members who generously shared their time, experience, and perspectives.

Realize Capital Partners

ABOUT REALIZE CAPITAL PARTNERS

Realize Capital Partners, a subsidiary of Rally Assets, is one of three wholesalers for Canada's Social Finance Fund and has a market-building mandate alongside its management of Realize Fund I.

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ABOUT MILLANI INC.

Millani provides responsible investing and corporate sustainability advisory services, including ESG integration and impact investing support, to investors and companies.

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APPENDIX A

Useful resources

A Legal Framework For Impact (Canada), PRI, February 2023.

Definitions for Responsible Investment Approaches, CFA Institute, GSIA, PRI, November 2023.

Enhancing Community and Social Benefit by Investing for Impact: A Guidebook for Canadian Foundations, Rally Assets, March 2023.

Impact Investing Due Diligence Guide Part 1, McConnell Foundation, 2017.

Impact Investing: The State of Market Institutionalization, ILPA & Tideline & Campbell Lutyens, January 2026.

Provincial trust laws, Federal tax law, and in Ontario the Charities Accounting Act provisions on social investments.

Scaling Impact Investing In Canada Through Mobilizing Asset Owners, The Canadian Impact Investing Working Group, May 2024.

Scaling Impact Investing In Canada Through Mobilizing Asset Owners, BlueMark, 2023.

The LP Impact Primer, ILPA, October 2025.

The State of Private Impact Investing in Canada, Rally Assets & Institute for Sustainable Finance, March 2026.

The simulation case in brief

The simulation at the centre of Sessions 2 and 3 used a single fictitious investment case that each institutional archetype evaluated through the lens of its own mandate and constraints. It is summarized here to provide context for the insights discussed throughout Chapters 3 and 4. The case was designed as a discussion tool rather than a representation of an actual fund and was intentionally constructed to present trade-offs rather than an obvious investment decision.

The opportunity

A Canadian manager was raising its first institutional fund focused on clean energy infrastructure in remote and underserved communities where diesel generation remains the primary energy source. High energy costs in these communities can constrain economic development, and the fund's thesis was that projects of this size and complexity are often overlooked by traditional infrastructure investors. A portion of the pipeline involved projects in or adjacent to Indigenous communities.

Fund parameters

The proposed fund targeted $500 million in commitments, with a minimum commitment of $5 million and a 1.5% management fee on committed capital during the investment period. The manager targeted a net internal rate of return (IRR) of 8% to 10% over a seven-year term, with a two-year extension option and quarterly distributions beginning in Year 2.

The manager had deployed approximately $60 million at the project level and completed two realized exits that generated a 9.2% net return. However, it had no prior institutional limited partner reporting history. Projects ranged in size from $3 million to $15 million and were located across Northern Ontario, Northern Quebec, rural Alberta, remote British Columbia, and coastal communities in Atlantic Canada.

A federal clean energy access facility had indicated its willingness to provide a $50 million first-loss tranche that would absorb initial losses before institutional limited partner capital was exposed.

Impact thesis

The investment case rested on three impact objectives:

> **Greenhouse gas displacement:** a target of 180,000 tonnes of CO_2-equivalent emissions avoided over the life of the fund.

Energy affordability: reductions in energy costs of 35% to 55% for communities currently paying three to five times the national average.

Local economic resilience: community benefit agreements, local hiring, and a target of 120 direct jobs created or sustained.

The four lenses

Each institutional archetype approached the opportunity through a different set of constraints and considerations.

- **Pension fund:** Consideration of how to justify any return below benchmark expectations, the implications of illiquidity given a maturing liability profile, and a need for additional committee education.
- **Insurer:** Assessment of asset-liability matching, regulatory capital treatment under OSFI requirements, and liquidity considerations.
- **Foundation:** Spending-policy constraints, consensus-driven governance, mission alignment considerations, and reliance on external advisors with limited impact investing experience.
- **University endowment:** Spending-policy requirements, OCIO and board governance dynamics, governance sequencing, and the need to explain and defend the investment to students, faculty, donors, and other stakeholders.

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