

Rally Inclusive Impact Methodology

An Overview



Contents

Rally Inclusive Impact Methodology	p3
RIIM Runs throughout the Investment Process	p4
RIIM = Assessment + Measurement	p5
Assessment: A Systems Approach	p6
System Levers	p6
System Roles	p7
UN Sustainable Development Goals	p8
Assessment of Operational Practices	p10
Measurement: Impact Performance Score	p11
Measurement: The Results Chain	p12
Rally Funds' Systemic Themes	p15
Appendix A: Frameworks	p16
Appendix: B Primer on Impact Investing	p18

About Rally Assets

Rally Assets is an impact investment management firm. The firm helps investors generate positive social and environmental impact alongside a financial return. Rally creates impact funds and other portfolios to enable foundations, other institutional investors, family offices and individual accredited investors to invest in alignment with their values. Through its joint venture in Realize Capital Partners, Rally is a fund-of-funds manager for the Government of Canada's Social Finance Fund.

Rally is a Portfolio Manager and Exempt Market Dealer registered in Alberta, British Columbia, Ontario and Quebec with the respective provincial securities commissions.

Rally is a certified B Corporation. Certified B Corporations meet the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose.

317 Adelaide Street West, Toronto ON M5V 1P9
rallyassets.com



Signatory of:



Rally Inclusive Impact Methodology

At the heart of impact investing is intentionality. But good intentions are not enough. Without a methodology to measure and manage impact, we would not be able to call ourselves impact investors. Rally Inclusive Impact Methodology (RIIM) is our methodology.

RIIM is a sophisticated, dynamic methodology designed to assess, measure and manage the impact generated through our investment strategy.

RIIM was first developed several years ago, as we began building our first impact fund, through deep research, methodological construction, iteration and testing. It has been expanded and refined since then to incorporate changes to external impact measurement practices as well as our deeper knowledge. With this document, we introduce you to the latest iteration of RIIM.

Rally:

- Our own methodology, built from our deep understanding of impact investing and impact investments, while incorporating global and commonly used frameworks that help conceptualize impact, assess it and then, measure, manage and report on it
- Consistent yet evolving. Solid approach developed over years that is able to incorporate evolving practices and perspectives in the sector

Inclusive:

- Deep and wide multi-faceted examination of the impact of an investment product
- A multi-asset class methodology, applicable for public and private investments

Impact Methodology:

- Integral to all aspects of our investment process from due diligence to investment decision-making, active management, reporting and exit
- Evidence-based, fundamental view of impact
- Informed by systems thinking and aiming for systemic impact
- Progress and performance towards measurable impact



RIIM enables us to target and track great social and environmental benefit.

RIIM Runs throughout the Investment Process

While a traditional investment process is focused on financial aspects, an **impact investment** process examines finance and impact concurrently. As a result, RIIM is embedded through the whole investment process.

INVESTMENT PROCESS	RIIM INVOLVEMENT
1. Articulate desired systemic impact	<p>We're trying to have systemic impact. Rather than investing in a 'good company within a bad system', we're trying to invest in companies that will help improve systems. We're trying to transform the conditions that hold a system in place: policies, practices, resources, relationships, power dynamics and mental models. And so we start by asking questions that enable us to articulate the desired impact for a portfolio: for example, What is the systems-level impact we are trying to achieve? What is our thesis for how that change could happen — what are the challenges to change and also the levers? What areas of the economy, value chains and investments could positively support that change, and in what way?</p> <p>RIIM has been intentionally constructed to methodically answer these systems questions, through evidence-based analysis.</p>
2. Define the investment universe and identify opportunities	<p>While a client's investment universe may be defined by traditional aspects like asset class or region, RIIM components such as SDG contribution and thematic areas of interest are also factored in. Our understanding of systems levers is put to use at this stage to help identify opportunities.</p>
3. Undertake preliminary research and initial screening	<p>RIIM initial screening can include investigating ESG data (for public investments), examining a private fund managers impact strategy and reviewing a product's impact goals. The RIIM process focuses the team on identifying products that align most with our desired material outcomes. By the end of this stage, an impact thesis has been created for a product and a full impact assessment started. We use an equity lens throughout our investment process.</p>
4. Undertake due diligence	<p>RIIM enables an extensive examination of impact intention at the due diligence stage to support investment decision-making. Research and analysis of qualitative and quantitative data points enable evaluation of the investment product's current and future impact, focusing on the significance of the issues addressed, impact performance and risks; the additionality of the fund manager's and our investment's contributions; the materiality of impact-focused activity; and the commitment to sustainable and inclusive practices. At the end of this stage, the impact assessment has been completed and data is in place to enable measurement.</p>
5. Build the portfolio - with investment decisions based on due diligence	<p>RIIM supports portfolio impact goals by having created clear understanding of an investment product's area of impact, SDG contribution, targeted stakeholders, targeted impact and more.</p>
6. Monitor, engage, report	<p>This is the stage when the impact chains and impact performance scores are in use, enabling measurement, management and reporting. Throughout the investment cycle, we continuously monitor the impact of our investments and engage with product issuers, and regularly update our impact assessments for each investment.</p>
7. Exit	<p>RIIM process includes a post-exit impact analysis.</p>

RIIM = Assessment + Measurement

RIIM has assessment and measurement processes that together enable impact management:

- The RIIM **assessment of impact** covers a great number of data points and analysis to enable understanding of a product's impact intention, as well as the depth, quality and context of its impact
- The RIIM **measurement of impact** is the measurement of progress towards a product's impact goals (and therefore the portfolio's impact goals)

Assessment requires evidence, deep analysis, judgment and close monitoring and tracking. It is a critical, necessary part of our methodology. While assessment may not be the measurement towards a specific impact goal it *enables* measurement. For example, we use metrics as part of our process to measure impact progress, but without the wider assessment we wouldn't be able to determine a good metric in the first place or come to a conclusion about the rate and nature of progress on a goal.

RIIM Assessment in Brief:

- Assessment of **the system** the product could or is impacting, including the scale of the impact challenge being tackled, importance of the outcomes to stakeholders, the degree of stakeholder vulnerability, the systems-change potential and the role the product is playing in a system
- Creation of an evidence-based **impact thesis** (which comes out of systemic understanding outlined above as well as analysis of the product's contribution to impact and how significantly it is focused on contributing to positive impact)
- An extensive examination of a product issuer's **operational practices**
- Examination of whether and to what extent the company or product issuer is contributing to impact through **additional activity** in support of impact performance, such as fund managers providing impact management and measurement (IMM) support or mentorship programs to underlying holdings
- Assessment to determine the often-overlooked **potential negative impacts**
- Assessment of how **we as investors** are contributing towards a product's impact

RIIM Measurement in Brief:

- A measurement of the product's impact performance and our **scoring of its impact performance**, examining impact risk and impact return
- A measurement of progress towards the impact goals, as shown in a **results chain**. The results chains allow us not only to measure impacts against our targeted outcomes but also to aggregate and disclose these impacts coherently, including at a portfolio level

Reassessment and remeasurement occur regularly. We regularly update impact assessments so they remain current and reflective of the actual impact. In addition to formal annual impact performance updates, quarterly impact monitoring is conducted based on fund manager reports, discussions, investor calls, proxy voting, our proactive outreach and more.

RIIM is an iterative process of building and refining, where learning builds assessment and new learning and measurement brings reassessment.

Assessment
builds impact
understanding.
It's forward
looking.

Measurement
builds impact
accountability.
It's backwards
looking.

Both processes
build upon each
other; impact
management
is the continual
active iteration
of both
processes.

Assessment: A Systems Approach

While we are individuals with agency and autonomy, we all live within systems that greatly affect us — healthcare systems, government systems, banking systems, school systems and many more. Broadly, a system is simply a group of rules, norms, procedures and elements that work together for a common purpose. The way they operate can favour some people over others and the nature of a system itself means the consequences beyond a system's purpose usually get ignored as externalities.

The big problems in the world — like hunger and climate change — can't be addressed by fixing one piece of the problem in isolation. For lasting positive change, one must improve systems.

That's what we work to do. With this portfolio, and all our portfolios, our investment approach is systems focused. We seek investments that will transform conditions that hold a system in place — mindsets, policies, practices, resources, relationships, power dynamics — in order to improve systems.

Work of impact investors like us is just one part of the solution. We understand that to have lasting systemic change, financial interventions need to be combined with non-financial interventions, such as policy shifts, new and updated regulations, and advancements in education and research. These efforts typically require collaboration between many groups.

System Levers

Changing mindsets and other big systemic conditions seems like a daunting goal of an investment portfolio! But, really, big change can come about **once you find a powerful lever**.

RIIM's Lever Assessment

When we invest with a systems thinking approach, we first work to understand the system and why it is as it is. Exploring what the desired outcomes are for a better functioning system, we are then able to express what needs to change so a system is more beneficial to people and the planet. We examine what areas of the economy or value chains present investment opportunities, and within them what investments could act as levers to shift behaviours and improve the system, by, for example:

- Shifting consumer behaviour
- Creating a positive change that advances and reinforces more positive changes
- Changing who has access to information
- Reducing barriers to accessing capital, services, products or information

RIIM's lever assessment is a fundamental assessment based on our deep knowledge of products, systems and value chains. We use levers to help us identify areas of investment and to help us assess the change potential of a product.

This portfolio is not a collection of investments. It's a multi-pronged approach to improving systems!

System Roles

We see there as being five key roles that investment products can play in propelling systems change and positive outcomes; we have developed these roles into what we call our **IDEAS Framework**. We use the framework to support our analysis of the role each investment product has in driving systemic impact and supporting positive outcomes over the long term; the framework also helps us see the interconnected, multifaceted approach a portfolio is having on systems. Ultimately driving positive and inclusive systems change requires new solutions and processes that reinforce one another to address shortcomings in current systems. We apply the framework in our approach to selecting investment products. Specifically, we look for investment products that fit the IDEAS Framework, with solutions that will innovate, disrupt, equalize, adopt or scale within systems to improve them.

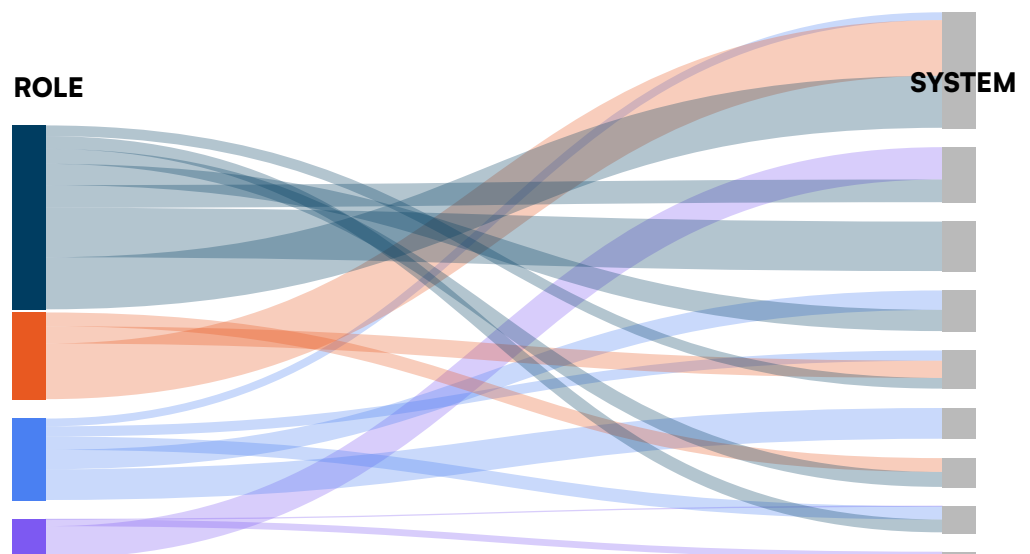
We invest in products with big ideas...

Rally Assets' IDEAS Framework ROLE

Innovate	Create and develop transformative solutions including new technologies, processes, and practices.
Disrupt	Offer products or solutions that positively change or displace low impact incumbents and behaviours.
Equalize	Extend the reach, relevance, and long-term viability of existing impact solutions to help maximize accessibility and positive outcomes.
Adopt	Integrate positive impact generating technologies, methodologies, and processes into their existing products, services, and operations
Scale	Support the transition of innovative concepts into commercially viable solutions by increasing production capacity and distribution, developing critical infrastructure, and customizing positive impact products or solutions for use in new markets and verticals.

IDEAS Framework in Action

In this sample portfolio, investments are playing four roles within nine systems, with most systems being affected in more than one way, demonstrating how taking a systems lens to investment selection can result in a portfolio having multifaceted systemic impact.



UN Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) is a globally recognized framework that supports systems thinking. There are 17 goals and 169 targets within those goals. The SDGs are a shared blueprint for all sectors of society to use to end poverty, protect the planet and ensure prosperity for all. They help investors identify areas where capital is needed to address the world's biggest problems.

RIIM's SDG Assessment investigates how a product is contributing to one or more SDG goals and to targets within goals.

Having developed an investment thesis, we can begin to tie the thesis to the SDGs. If an investment product contributes to more than one SDG, we assign a primary SDG and up to three secondary SDGs, based on fundamental research and analysis around the significance of activities — such as different revenue streams in a public company or the portfolio investment decisions for a private fund.

SDG alignment is different from SDG contribution. We consider alignment to be a conceptual starting point. The SDGs are phrased broadly and a high-level alignment to an SDG is insufficient for impact management; we dig deeper in order to make an evidence-based conclusion around contribution that we can track. If you consider SDG 5: Gender Equality, so many products could be said to be aligning to this important goal. By examining SDG targets we're able to understand better how a product is actually contributing to an SDG. For public investments, we examine operational practices and revenue streams. For private funds, we examine the underlying holdings to determine the fund's ultimate SDG contribution. Our conclusions around SDG contribution may differ from what the product issuer or company has provided. Within Rally Total Impact Fund, CBIV Women's and Children's Health Technology Fund is contributing to Target 5.6 (Ensure universal access to sexual and reproductive health and reproductive rights) and Deetken Ilu Women's Empowerment Fund to Target 5.5 (Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life).

SDG contribution can change. For example, when a private fund is still fundraising or still deploying capital, the fund manager will often note SDG alignment as part of its impact intention. At that early stage, this is almost all that can be said. But as a fund manager begins to deploy capital, a fuller understanding starts to build about actual SDG contribution. In addition, SDG contribution can change due to quarterly and annual reviews of products.

Reporting on SDG Contribution: When plotting a portfolio view of SDG contribution, mathematically, the SDGs in a product add up to 100% and in a portfolio to 100% of AUM. There is certainly an argument for acknowledging the leveraging of SDGs that happens — a product that is 100% focused on providing education to girls could be said to be 100% contributing to SDG 5 and also 100% contributing to SDG 4. While this may be the case, there is a risk that presenting leveraged SDG contribution could result in an interpretation of inflated portfolio impact. We therefore choose to split SDG contributions and have them sum to 100%.

Understanding the deeply interconnected nature of the SDGs, we do not have portfolio SDG contribution targets for Rally Funds, such as a specific percentage of AUM in any one SDG. **Instead, we are aiming for a portfolio that contributes to all SDGs.**

The SDGs are deeply interconnected — a lack of progress on one goal hinders progress on others.

RIIM In Action

One Investment But Several SDGs

Some products are so specialized and narrowly focused that everything they do falls within one SDG. But not usually. Let’s take Iberdrola, an electric utility company, as an example. We see Iberdrola’s primary SDG contribution to be to SDG 7: Affordable and Clean Energy and SDG target 7.2: “By 2030, increase substantially the share of renewable energy in the global energy mix.”

But SDG 7 is not the only SDG it contributes to. The RIIM assessment showed clear contribution to three secondary SDGs for Iberdrola:

- SDG 12: Responsible Consumption and Production, linked to more efficient use of infrastructure
- SDG 9: Industry, Innovation and Infrastructure, because of its expanding renewables and commitment to green hydrogen and related R&D projects
- SDG 13: Climate Action, due to contribution around strengthening resilience and adaptive capacity

Examining Targets Offers Deeper Understanding

Products in a portfolio may contribute to the same SDG but in different ways. For example, three companies in RGEIF have SDG 9: Industry, Innovation and Infrastructure as their primary SDG. When we look at the deeper SDG targets, we see that the three companies are supporting four different targets:

- 9.1, focused on quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being
- 9.4, focused on upgrading infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
- 9.c, focused on increasing access to information and communications technology

- SDG 1: No Poverty
- SDG 2: Zero Hunger
- SDG 3: Good Health and Well-Being
- SDG 4: Quality Education
- SDG 5: Gender Equality
- SDG 6: Clean Water and Sanitation
- SDG 7: Affordable and Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 9: Industry, Innovation and Infrastructure
- SDG 10: Reduced Inequality
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action
- SDG 14: Life Below Water
- SDG 15: Life on Land
- SDG 16: Peace, Justice and Strong Institutions
- SDG 17: Partnerships to Achieve the Goals



Assessment of Operational Practices

Organizations have an impact not just through their outcomes but also through their operational practices. And so with RIIM we examine how companies and product issuers operate, build their teams and manage their products.

For **public equities**, we use the materiality map from the Sustainability Accounting Standards Board (SASB) and Bloomberg’s ESG scores to supplement research. SASB’s materiality map identifies likely material sustainability issues on an industry-by-industry basis. Bloomberg provides a rating for Environment, Social and Governance practices of publicly listed companies using its proprietary framework. Bloomberg picks the most critical aspects under each pillar to score companies, and classifies companies as ‘leading or ‘lagging’ compared to peers (for E and S the peer is sector specific, for G it is country specific). We aim for a portfolio that is leading its peers.

For **private products**, we use in-house assessment tools to collect, analyze and monitor practices. We examine each private product issuer’s operations (reported across dozens of data points) across our five key dimensions:

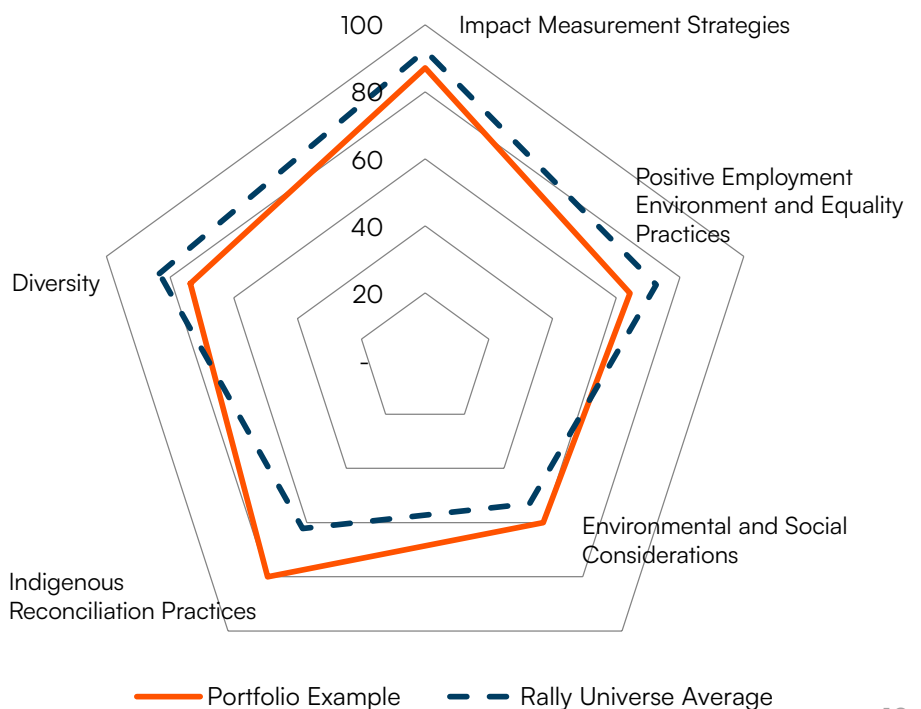
- Impact Measurement Strategies
- Diversity
- Positive Employment Environment and Equality Practices
- Environmental and Social Considerations
- Indigenous Reconciliation Practices

Examining positive and negative operational practices is critical for a full understanding of impact. We understand that operational practices are not perfect. At the same time, imperfection is not an excuse for ignoring this important issue. We believe operational practices are a fundamental aspect of systems change and opportunity for positive impact.

Benefitting from the volume of our deal flow and extensive network, we are able to generate insights about common operational practices in the sector, which helps us to identify potential engagement areas with individual product issuers.

Striving to improve gender equality can happen with a company’s product but also with the makeup of its board of directors.

Sample graph of operational practices for a portfolio of private holdings.



Measurement: Impact Performance Score

Our analysis of impact risk and returns results in an impact performance score. A post-investment tool, this scoring methodology assesses progress on impact performance.

Impact Risk

As Impact Frontiers (which builds on the work done through the Impact Management Project) has made clear, there are many types of impact risk. At the moment RIIM primarily evaluates evidence risk, “the probability that insufficient high-quality data exists to know what impact is occurring” and risk mitigation. Higher evidence risk is closely tied to performance, since a high evidence risk reduces our ability to monitor impact returns. Impact risk can be mitigated internally through the publication of robust data or operational efficiencies and externally through factors like a supportive regulatory market. For example, RIIM risk evaluation includes whether the company provides an impact, ESG or sustainability report annually with data relevant to our impact thesis and whether the company has at least three years of historical data for the core metrics we have selected.

Impact Return

To assess impact returns, we identify annual performance based on yearly change and as compared to targets and baselines. Also, we closely monitor the investment product’s actual investment performance as aligned to our original impact thesis and adjust impact scores accordingly. Evaluation includes whether the company’s annual business prospects were aligned with the initial impact thesis focus and whether the yearly performance progress toward impact targets was reasonable.

Scores and Classifications

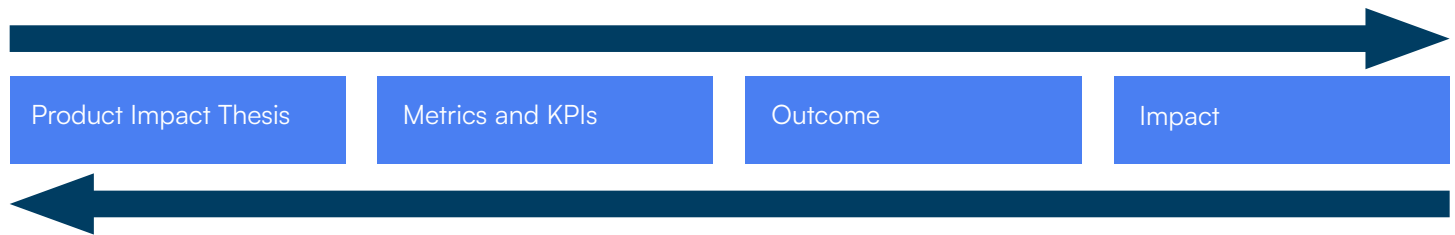
The multi-faceted analysis concludes with scores, which are classified as shown in the table below. We consider this classification to be applicable to all investments. With our extensive product knowledge of Canadian impact investments, we’ve scored dozens of products and are confident these are reasonable classifications, although with greater scoring experience over time the classification may change. The impact performance of traditional investments would score zero, or very close to zero.

The ‘Very High’ is a high bar, as it should be. Very High indicates that the company is providing annual impact progress data that enables us to assess the yearly performance change, progress compared to a baseline or threshold and progress towards a target, while also mitigating impact risks. On the other hand, a company demonstrating strong alignment to our impact thesis, providing strong yearly progress but not disclosing a baseline and target may be classified as “Good” or “High” depending on its impact risk mitigation performance.

As investors, we look at risk and return. As *impact* investors, we also look at impact risk and return.

PERFORMANCE SCORE	CLASSIFICATION
0-10	Very Low
11-40	Low
41-70	Good
71-90	High
91-100	Very High

Measurement: The Results Chain



Through the RIIM results chain we determine and evaluate an impact pathway connecting investment to real-world impact and can measure progress towards that impact.

The results chains allow us not only to measure impacts against our targeted outcomes but also to aggregate and disclose these impacts coherently, including at a portfolio level.

Results Chain Development is both Bottom Up and Top Down

The results chain is developed through two parallel processes:

- **Bottom-Up Analysis:** This logic starts with the product. We start with the impact thesis we've developed and select key metrics the product issuer reports on that are closely tied to our impact thesis. To understand how these metrics will lead to desired outcomes, we conduct secondary research
- **Top-Down Analysis:** This logic starts with the overall desired impact we're trying to achieve through our four themes. Through research and analysis of systemic challenges, levers and solutions, we identify the outcomes we believe to be most material to achieving that impact

Chain Element: Impact Thesis

We develop an impact thesis as we conduct a full impact assessment on a product. The impact thesis crystallizes our key reason for investing in a product. Think of it not as 'the impact' of a product; but as 'the impact we can track.' Our full assessment contains many additional data points and research and the continual updating and reassessment enables evolution of that thesis, if warranted by new company-reported metrics or new understanding.

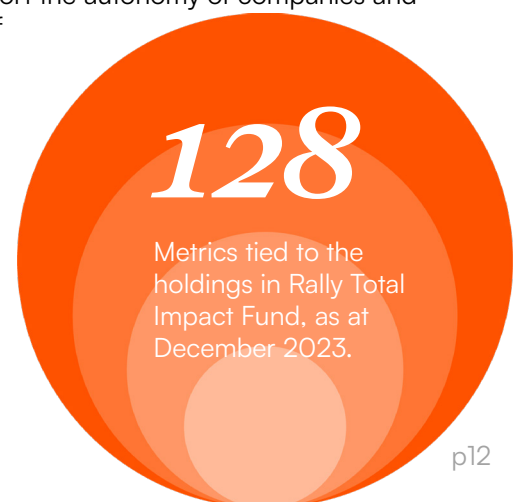
Chain Element: Metrics

For each product, we meticulously review metrics that have been chosen by companies or product issuers and find one or more directly and meaningfully connected to the impact thesis that we can track year over year. There are a variety of metrics in use and they may measure outputs or outcomes. We assess whether these metrics lead to the outcomes and impacts our investments are targeting, including through the use of third-party evidence.

We have no control over metrics. We don't dictate metrics to a private product issuer as a condition of investment and certainly don't have the power to do so with a publicly traded company! We support the autonomy of companies and product issuers to use data that is meaningful to their work, avoiding the pitfalls of conforming to generic metrics imposed by investors.

Chain Element: Key Performance Indicators

After selecting metrics, we link them to Key Performance Indicators (KPIs) we've carefully crafted. In our approach, we analyze metrics from multiple companies that are conceptually measuring the same output, outcomes or impacts. We make use of the sector-leading [construct-based equivalence approach to impact measurement](#) that was developed by Common Approach to Impact Measurement. This allows us to develop KPIs that encapsulate the essence of these diverse metrics. This construct-equivalence approach is complemented by



the concept of ‘bounded flexibility,’ which safeguards the integrity of our KPIs by setting limits on what can be considered conceptually the same. This delicate balance between uniformity and relevance ensures that our measurement and aggregation of data is both meaningful and faithfully represented.

We don’t aggregate a metric into a KPI where we believe it cannot be faithfully represented or could lead to a material misstatement. This provides us the permission to aggregate in a conservative fashion, and to rate our confidence in those measures. This evidence-based approach is fundamental to our commitment to accuracy and reliability in impact measurement, ensuring that our reported impacts are both credible and verifiable.

Chain Element: Outcomes

We attempt to understand what are the most important outcomes to stakeholders, the natural environment and our clients. Due to our limited proximity of the impact, this involves use of third-party research, taxonomies and also product issuers’ engagement with stakeholders. We rigorously evaluate the quality of evidence to ensure that the company’s reported outputs and outcomes genuinely lead to the reported impact. This approach is grounded in an evidence-based assessment. This process involves a thorough analysis of the causal relationship and measurement uncertainty between activities and their impacts, rather than solely relying on the reported impact data. By doing so, we maintain the integrity of our KPIs and results chains, ensuring that we do not overstate impacts.

The Results Chain: Investment-Level Examples

Product Impact Thesis	Metrics and KPIs	Outcomes	Impact
<p>HASI Invests in real assets that facilitate the energy transition to contribute to climate action, reduce carbon emissions and its regulatory and social costs. One of its business lines is focused on decentralization and digitalization of energy assets, a critical component of green and just transition.</p>	<p>Tonnes of CO₂e avoided annually with real asset services</p> <p>Sustain Zero Scope 1 and Scope 2 emissions (market based)</p> <p>Renewable MW capacity additions</p>	<p>Mitigating climate change through clean electricity and heat production</p>	<p>The economy is resilient and low carbon, thereby addressing climate change.</p>
<p>Alante Capital Investment Fund I Invests in early-stage startups working to reduce the environmental impact of apparel, footwear, outdoor gear and home goods industries, to create jobs in ‘the circular economy’ and to increase consumer consciousness.</p>	<p>Emission Reduction (kg of CO₂e)</p> <p>Pounds of cellulosic material recycled</p> <p>Pounds of plastic recycled and upcycled</p> <p>Number of retail returns avoided</p> <p>Number of people enabled to buy resale and rental service</p> <p>Number of jobs created in circular economy</p>	<p>Mitigating climate change through sustainable manufacturing</p> <p>Reducing waste generation through sustainable manufacturing</p> <p>Mitigating climate change through digital infrastructure</p> <p>Supporting decent jobs and fostering economic development</p>	<p>The economy is resilient and low carbon, thereby addressing climate change.</p>

The Results Chain: Portfolio-Level Examples

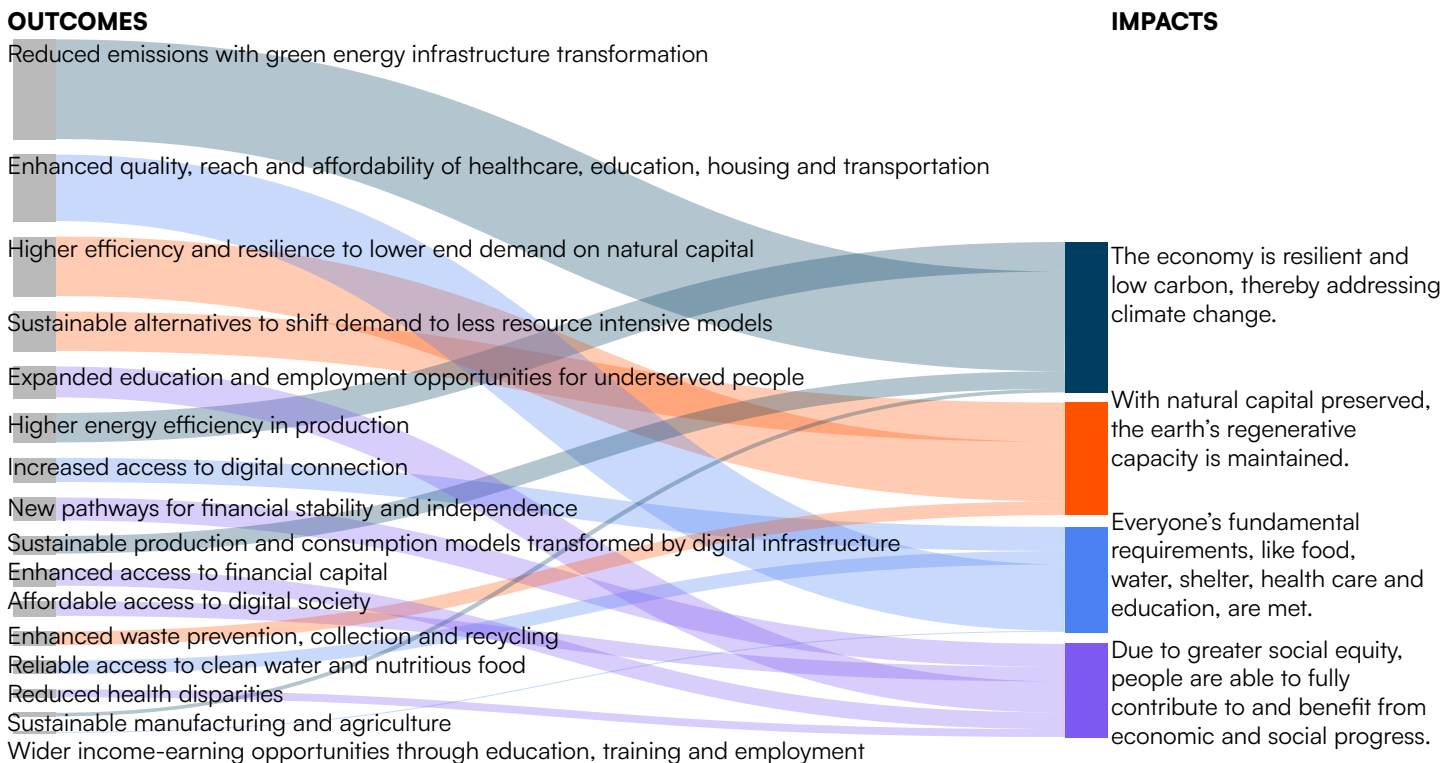
Individual Metrics to Portfolio KPIs: The table below illustrates how we aggregate metrics into KPIs, taking metrics reported by some holdings in Rally Total Impact Fund, both private and public investments.

The metrics are similar, but not identical. They are all attempting to improve healthcare access but in a way that is unique and context specific. We are able to bring together ‘similar but not identical’ metrics due to construct-based equivalence.

To be aggregated into the KPI, we must be confident a metric is in fact linked to the KPI. We conduct a good deal of research to determine how confident we are that a metric will lead to the KPI. In this example, we required a moderate-to-high degree of evidence that the metric would improve healthcare access and accounted for context, such as location, population demographics and existing barriers to healthcare. We are able to aggregate the actual annual metric results to arrive at a strong understanding of portfolio-level impact performance.

METRICS REPORTED BY HOLDINGS	EVIDENCE BASIS TO LINK TO KPI	KPI
Number of patient encounters with interpreters	High	Number of patient interactions that improve healthcare access
Number of healthcare services provided to low-income borrowers	Moderate	
Number of annual visits delivered to people who otherwise wouldn't have sought treatment	High	

Individual Outcomes to Portfolio Impact: In this chart, outcomes that the individual holdings in Rally Global Equities Impact Fund are contributing to have been linked to the fund's four target impacts, enabling us to have a portfolio-level view on contribution to impacts. *Weighted results, Q1 2024.*



Rally Funds' Systemic Themes

We're working to shift systems so that they sustainably meet basic needs, advance social equity, preserve and restore natural capital and address climate change.

Despite being presented as four separate boxes below, the themes for Rally Total Impact Fund and Rally Global Equities Impact Fund are deeply interconnected and reinforcing.

SUSTAINABLY MEETING BASIC NEEDS

In this theme we focus on investments that create a foundation upon which people can build a stable life.

Targeted Impact

Everyone's fundamental requirements, like food, water, shelter, health care and education, are met.

Targeted Outcomes

- Enhanced quality, reach and affordability of health care, education, housing and transportation services and facilities
- Reliable access to clean water and nutritious food
- Wider income-earning opportunities through education, training and employment
- Improved market access for small producers and local goods
- Increased development of affordable housing and inclusive urban planning
- Increased access to digital connection

ADVANCING SOCIAL EQUITY

In this theme we focus on investments that dismantle the barriers hindering full and equitable participation in society's economic, social and political spheres.

Targeted Impact

Due to greater social equity, people are able to fully contribute to and benefit from economic and social progress.

Targeted Outcomes

- Expanded education and employment opportunities for underserved people
- Reduced health disparities
- New pathways for financial stability and independence
- Enhanced access to financial capital
- Strengthened preservation and celebration of diverse cultural identities, alongside enhanced community-led initiatives and self-advocacy
- Affordable access to digital society

PRESERVING AND RESTORING NATURAL CAPITAL

In this theme we seek investments that help to lower demand on natural capital. We seek various positive and transformative shifts across different industries and scales.

Targeted Impact

With natural capital preserved, the earth's regenerative capacity is maintained.

Targeted Outcomes

- Higher efficiency and resilience to lower end demand on natural capital
- Sustainable alternatives to shift demand to less resource intensive production and consumption models
- Enhanced waste prevention, collection and recycling practices

ADDRESSING CLIMATE CHANGE

In this theme, we seek investments with a direct and strong influence on lowering carbon emissions at different scales.

Targeted Impact

The economy is resilient and low carbon, thereby addressing climate change.

Targeted Outcomes

- Higher energy efficiency in production
- Reduced emissions with green energy infrastructure transformation
- Sustainable manufacturing and agriculture
- Expanded financial supports and climate adaptation mechanisms
- Sustainable production and consumption models transformed by digital infrastructure

Appendix A: Frameworks

RIIM incorporates global and commonly used frameworks that help conceptualize impact, assess it and then, measure, manage and report on it.

Why?

Adopting commonly used frameworks allows us to leverage and contribute to the work of the global impact practitioner community and ever-evolving practices. In addition, these frameworks allow us to report using terminology and results that can be more widely understood and are more comparable with other impact products than if we had restricted ourselves to just Rally-created frameworks.

How?

- Impact Management Norms, Operating Principles for Impact Investing and Principles for Responsible Investment are about process. These influence how we've built RIIM
- IRIS+, UN Sustainable Development Goals, UN Declaration on the Rights of Indigenous Peoples and The GRI Standards are more about content. They are some of the key content-building impact lenses that support assessment
- Common Approach supports reporting, as well as portfolio-wide aggregation and assessment. When reporting on impact we may also use terms from the Impact Management Norms, IRIS+, SDGs and more.

Our measurement of impact, as seen in the impact performance scores and the results chains, relies less on common frameworks. While the methodology for measuring is supported by common frameworks, the measurement **results** rely on product-specific data, third-party research and our own fundamental analysis to determine if and how well impact intention is being met.

Process Framework	How Used
<p>Impact Management Norms The 'norms' — key building blocks for methodology building, really — are globally derived and used, having been, and continue to be, developed by an active global community of IMM practitioners. The norms include five dimensions of impact, three enterprise-level impact intensions, four investor contribution strategies, guidelines for an investment classification system and strategies for integrating impact into investment decision-making.</p>	<p>All the Impact Management Norms are used extensively in RIIM to support clear and fulsome assessments of impact and logical, defensible decisions at all stages in the investment process.</p>
<p>Operating Principles for Impact Management The nine principles are a framework for investors to use to design and implement impact management systems so that impact considerations are integrated throughout the investment life cycle. The principles have been adopted by almost 200 impact investing organizations in 40 countries.</p>	<p>Intending to become a signatory to the Operating Principles, we have built RIIM to align with the principles and hold ourselves accountable to them.</p>
<p>UN Principles for Responsible Investment The six Principles for Responsible Investment outline actions for incorporating ESG issues into investment practice. They have attracted a global signatory base representing a majority of the world's professionally managed investments.</p>	<p>As a signatory to the UN PRI, our implementation of the principles includes assessing and monitoring investments' ESG factors.</p>

Content Framework	How Used
<p>IRIS+ IRIS+ is an impact measurement and management system developed by the Global Impact Investing Network, used by tens of thousands of practitioners round the world.</p>	<p>RIIM incorporates IRIS+ metrics, outcomes and impact areas extensively but not exclusively.</p>
<p>United Nations' Sustainable Development Goals The SDGs are a shared blueprint for all sectors of society to use to end poverty, protect the planet and ensure prosperity for all. They help investors identify areas where capital is needed to address the world's biggest problems. The SDGs are used globally as a framework of impact investing. There are 17 interconnected goals, and 169 underlying targets.</p>	<p>RIIM includes investigation into how a product contributes to SDGs and SDG targets, in agreement with our impact thesis on a product.</p>
<p>The GRI Standards The GRI (Global Reporting Institute) Standards help organizations understand their impacts on the economy, environment and society - including those on human rights.</p>	<p>Our assessment of a public holding's reporting includes checking if it discloses in alignment to GRI standards.</p>
<p>UNDRIP The United Nations Declaration on the Rights of Indigenous Peoples, passed by the UN in 2007, delineates and defines Indigenous peoples' collective and individual rights.</p>	<p>Our assessment includes examining product alignment to UNDRIP.</p>
Reporting Framework	How Used
<p>Common Approach to Impact Measurement The Common Approach is made up of four impact-measurement standards developed by and for social purpose organizations and widely used in Canada. Common Foundations offer guidance for how to measure impact; the Common Form is a standardized way to represent organizational information: the Common Impact Data Standard is a system for organizing impact data and representing an impact model, and the Common Framework is a way to aggregate indicators.</p>	<p>The Common Framework is a key focus of how we examine and aggregate impact across asset classes. We are working on integrating the Common Impact Data Standard into our reporting.</p>

Appendix B: A Primer on Impact Investing

Four Characteristics

Impact investors invest “with the intention to generate positive, measurable social and environmental impact alongside a financial return.” Impact investing has four characteristics:

- **Intentionality.** Impact investments intentionally contribute to social and environmental solutions. This differentiates them from other strategies such as ESG investing.
- **Financial returns.** Impact investments seek a financial return on capital that can range from below market rate to risk-adjusted market rate.
- **Range of asset classes.** Impact investments can be made across asset classes.
- **Impact measurement.** A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance of underlying investments.

Source: thegiin.org/characteristics

Impact = Change

“Impact is a change in an outcome caused by an organization. An impact can be positive or negative, intended or unintended. An outcome is the level of well-being experienced by a group of people, or the condition of the natural environment, as a result of an event or action. Impact management is the process of identifying the positive and negative impacts that an enterprise has on people and the planet, and then reducing the negative and increasing the positive.”

Source: impactfrontiers.org/norms/

Five Dimensions of Impact

What tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders.

Who tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome.

How Much tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome.

Contribution tells us whether an enterprise’s and/or investor’s efforts resulted in outcomes that were likely better than what would have occurred otherwise.

Risk tells us the likelihood that impact will be different than expected.

Source: impactfrontiers.org/norms/five-dimensions-of-impact/

Operating Principles for Impact Management

- 1: Define strategic impact objective(s), consistent with the investment strategy.
- 2: Manage strategic impact on a portfolio basis.
- 3: Establish the Manager’s contribution to the achievement of impact.
- 4: Assess the expected impact of each investment, based on a systematic approach.
- 5: Assess, address, monitor, and manage potential negative impacts of each investment.
- 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
- 7: Conduct exits considering the effect on sustained impact.
- 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.
- 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

Source: impactprinciples.org/9-principles

Principles for Responsible Investment

- 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4: We will promote acceptance and implementation of the Principles within the investment industry.
- 5: We will work together to enhance our effectiveness in implementing the Principles.
- 6: We will each report on our activities and progress towards implementing the Principles.

Source: unpri.org/about-us/what-are-the-principles-for-responsible-investment

RIIM will continue to evolve. We welcome your feedback on this latest iteration.
info@rallyassets.com

Disclaimer

Rally Assets considers third-party information and data presented herein to be reliable but because it was prepared by a third-party, Rally Assets may have had to rely upon the work product of the third party to some extent, without being able to verify the accuracy of the information. Opinions expressed herein are current as of the date appearing on page 2 of this document and are subject to change without notice.

The information provided in this document is provided as a general source of information. While the information is considered to be true and correct at the date of publication, change in circumstances after the time of publication may impact the accuracy of the information. Rally Assets reserves the right to add, remove, vary or alter the information and materials contained in this document in its discretion.