



IVEY FOUNDATION

ANNUAL REPORT

2016

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The Ivey Foundation is a private charitable foundation located in Toronto, Canada. It was incorporated as The Richard Ivey Foundation on 31 December 1947 by the late Richard G. Ivey, Q.C.,LL.D., and his son Richard M. Ivey, C.C.,Q.C.,LL.D. The mission of the Foundation is to improve the well-being of Canadians by focusing its resources on selected issues of significance. With a long history of supporting excellence and valuing transparency and accountability, the Foundation also embraces change as a necessary part of its evolution.

DIRECTORS & OFFICERS

Rosamond Ivey *Chair*
Suzanne Ivey Cook *Vice-Chair*
Richard W. Ivey *Secretary/Treasurer*
Jennifer Ivey Bannock
Bruce Lourie *President*

HONORARY DIRECTOR

Richard M. Ivey

STAFF

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Andrea Moffat *Vice-President*
Ashley Manson *Executive Assistant/Office Manager*
Faye Cao *Bookkeeper*

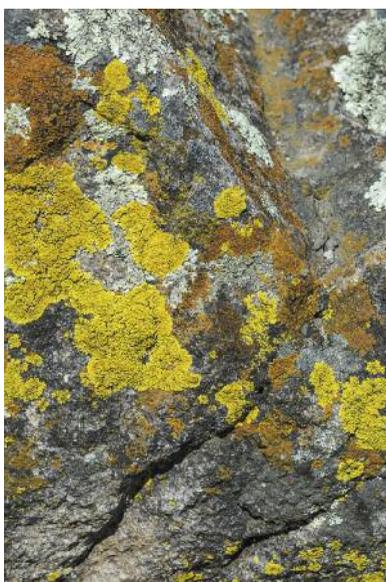
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Jennifer Ivey Bannock
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IVEY *foundation*

TORONTO ONTARIO CANADA 2017

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SUSTAINABLE INVESTING

Rosamond Ivey, *Chair*

The world of “sustainable investing” is advancing rapidly.

WHILE THE CONCEPT OF SUSTAINABLE INVESTING has been around for many years, the landscape of opportunity has broadened immeasurably. While this is good news, it makes navigating the myriad alternatives a challenge. Consensus is building around the language of sustainable investing, but it remains confusing at best; from making an impact to being responsible. There is, however, fairly broad agreement that a *multi-layered continuum* that captures the sustainable investing spectrum is available for foundations of all sizes to deliberately “activate” their portfolios.

At one end of the continuum are private investment opportunities designed to bring about or support a specific outcome, having a measurable impact on a defined goal. Let's call that an impact investment. At the other end is a traditional portfolio of publicly-traded stocks that screens out industries such as fossil fuels. In the centre is an investment portfolio that has been subject to a filter identifying companies operating sustainably, and/or producing products and services that benefit society, do no harm to the environment, while adhering to prudent and proven good governance practices. Let's call that ESG investing: incorporating Environment/Social/Governance factors into the investment decision-making process. The key feature of the continuum is the degree of measurable impact achieved, but once the decision is made to “activate,” there are variable investment strategies, approaches and practices to consider.

FOUNDATIONS HAVE TRADITIONALLY separated the financially-focused investment side of their operations — managing an endowment for financial return and growth — from the charitable side — making grants seeking impact on the achievement of socio/environmental goals. This has been the case at the Ivey Foundation throughout its history.

“New” thinking around this siloed model highlights a lost opportunity: if only 3.5% of an endowment’s assets (the charitable side) are directed annually toward achieving impact, what about the other 96.5%? If they were invested with the same mission in mind, the result could be a substantial increase in impact. Considering all a foundation's assets as a tool for making progress toward achieving impact can be referred to as *activating* the portfolio.

Ten years ago, the Ivey Foundation began activating its portfolio as investment opportunities presented themselves. The first steps took into consideration its investment history, the resources in terms of time and expertise of staff and board, as well as the alignment of mission and impact. A more recent decision to fully activate the portfolio for sustainable investing recognizes not only that opportunities are expanding rapidly, but also that we are now able to more easily choose the ESG investment practices that suit our values and operations.

ESG INVESTING ITSELF IS A CONTINUUM. At its core is the goal of building a portfolio for which a defined set of industry-relevant factors — those management and operational practices that meet a pre-defined standard — has been integrated into the investment analysis and subsequent decision to buy the portfolio or not. The filtering process seeks to determine the risks and opportunities of the companies in the portfolio, including financial performance and reputational risk, which could lead in turn to valuation (stock price) risk.

The value or quality of ESG practice is based on the degree to which ESG is incorporated into decision-making. While there is evolving thinking around what exactly is “quality” decision-making, assessing relevant ESG factors must be embedded in the investment analysis. It must be “baked-in” as opposed to “tacked-on.”

THE IVEY FOUNDATION’S CURRENT PORTFOLIO lands on multiple points along the sustainable investing continuum. The more recent decision to fully activate the portfolio begins a process which includes defining ESG factor preferences, examining the universe of ESG managers, determining the standard by which the Foundation will be satisfied that the integration process is sufficiently robust (and how do we define robust?), all the while continuing to learn about the rapidly evolving ESG “industry.” For example, as the green bond market has evolved in Canada, the Foundation requested its bond managers to add holdings of green bonds issued by provinces (Ontario and Quebec) and corporations (TD bank).

The Ivey Foundation is committed to achieving full activation through a phased-in approach that carves out funds from the existing portfolio recognizing the need to maintain traditional granting practices and, to make that possible, maintaining a healthy portfolio. Evaluation sophistication will be added over time.

WITHIN THE CONSIDERABLE UNCERTAINTY of ESG investing is a core truth: that there is no right way to *activate* a portfolio, no “one-size-fits all” approach. Each foundation’s history, operations, resources and goals should lead it toward the most appropriate investment approach. Most important is the choice to take the first step.

ECONOMY & ENVIRONMENT

STAND Boreal Forest Campaign 2016

CPAWS, STAND (formerly ForestEthics), Ottawa, \$75,000

Increasing engagement of forest companies in the Canadian Boreal Forest Agreement to provide both enhanced market recognition for progress under the Agreement and conservation science support in priority jurisdictions in Alberta and Manitoba. This grant is part of the Foundation's legacy granting for forest conservation priorities in Canada.

National Energy Efficiency Strategy and Energy Modelling

Clean Economy Fund, Toronto, \$108,900

A grant to support two specific initiatives. First, identifying high-impact opportunities and developing strategies for philanthropy to accelerate the adoption and implementation of ambitious but achievable energy efficiency targets in Canada. Second, supporting the launch and adoption of a comprehensive energy systems model that identifies the cost-effective pathways for Canada to achieve a low carbon economy including an operational plan for advancing energy modeling in Canada.

Scaling Up the Clean Economy Fund

Clean Economy Fund, Toronto, \$250,000

Strengthening philanthropic collaboration in support of a shared clean economy vision and leveraging new philanthropic dollars to increase the scale and effectiveness of philanthropic projects. The Clean Economy Fund is a new charitable organization co-founded by the Ivey Foundation along with a dozen other Canadian foundations.

Locking In a Clean Economy

Environmental Defence Canada, Toronto, \$75,000

Building public awareness around the introduction of Ontario's greenhouse gas cap and trade system and supporting the Ontario government's policies and investments such that climate change is taken into account in long-term planning.

Infrastructure Procurement Policy Project

Evergreen, Toronto, \$30,000

Developing recommendations for federal and provincial infrastructure procurement policies to catalyze momentum towards policies that consider carbon costs and the long term economic, social and environmental implications for Canada.

Market-based Instruments: Training for Senior Policy Makers (Phases 2 and 3)

McGill University, Canada's Ecofiscal Commission, Montreal, \$317,372

(over two years)

Drafting and delivering the training curriculum for professional development workshops on market-based policy instruments for senior policy makers within various levels of government to ensure that they are equipped to design and deliver market-based policies that support commitments to a low carbon economy.

Canada's Ecofiscal Commission

McGill University, Montreal, \$675,000 (over three years)

Renewing support to Canada's Ecofiscal Commission to advance research and education on environmental fiscal reform in Canada.

Capturing Western Canada's Energy Efficiency Potential

Pembina Foundation, Calgary, \$30,000

Supporting the development of energy efficiency programs and policies targeted toward buildings in Alberta and nationally to drive forward Canada's shift toward a low carbon economy.

Social Currents

Simon Fraser University, Beedie School of Business, Vancouver, \$300,000

(over two years)

Scaling up the development and delivery of communication and educational content using new media platforms and audience-based strategies to broaden and deepen the conversation around a sustainable economy.

Enviro ELP 2.0 (Phase 2)

Sustainability Network, Toronto, \$110,000 (over two years)

Building economic literacy, relationships and capacity in the environmental community by combining training, events and internships that support the shift to a sustainable economy.

Renewal: Communicating Progress in Advancing Ontario's Low Carbon Economy

Sustainability Network, Sustainability CoLab, Toronto, \$150,000 (over two years)

Communicating and sharing stories from Sustainability CoLab's business network of examples of small businesses that are reducing their greenhouse gas emissions while increasing their profitability and growing the low carbon economy.

SHIFT Initiative

Tides Canada, Vancouver, \$200,000 (over two years)

Engaging and educating pension fund beneficiaries so that they are equipped to understand and ask questions of their pension fund managers about how the funds are addressing climate change risk.

Building a Model for Sustainable Rural Economies and Achieving FSC Certification

TNC Canada, Toronto, \$75,000

Creating a transformational conservation project focused on sustainable forestry in North America's largest forest tenure in Northwest Manitoba through the integration of environmental, economic and social factors. This grant is part of the Foundation's legacy granting for forest conservation priorities in Canada.

Sustainable Finance Opportunities and Barriers in Canada

University of Waterloo, Centre for International Governance Innovation, Waterloo, \$50,000

Convening Canadian financial professionals to increase engagement on best practices in global sustainable finance policies and discussing opportunities for Canada.

Commonwealth Climate and Law Initiative (CCLI)

York University, Osgoode Hall Law School, Toronto, \$75,000

Advancing the understanding of climate change risks and opportunities within corporate governance practice by combining legal analysis with practical outreach on the relationship of climate change to fiduciary duty and corporate law.

DIRECTOR-INITIATED

The New Grange Park

Art Gallery of Ontario, Toronto, \$250,000 (over two years)

Last Mile Campaign

MaRS, Toronto, \$300,000 (over three years)

STRATEGIC OPPORTUNITIES

Moving Toward Sustainable Energy Symposium

Canadian Climate Forum, Ottawa, \$7,500

Sustaining Member and Low Carbon Economy Working Group

Canadian Environmental Grantmakers' Network, Toronto, \$35,000

Accelerating Climate Smart Policy Solutions, Storytelling and Communications

Ecotrust, Climate Smart, Vancouver, \$21,000

Federal Green Bank Briefing

Evergreen, Toronto, \$15,000

Sector Champions

Imagine Canada, Toronto, \$5,000

Measuring Sustainability and Climate Literacy

Learning for a Sustainable Future, Toronto, \$10,000

Market-based Instruments Training for Senior Policy Makers: Needs Assessment (Phase 1)

McGill University, Canada's Ecofiscal Commission, Montreal, \$30,000

Convening for Impact: Reducing Canada's Carbon Emissions from Buildings

Pembina Foundation, Calgary, \$20,000

Membership

Philanthropic Foundations Canada, Montreal, \$11,226

Building a Collective Strategy for a Toxic-Free Clean Economy

Tides Canada, Vancouver, \$20,000

Alberta ENGO Coalition

Tomorrow Foundation for a Sustainable Future, Edmonton, \$7,500

CBFA Highlight Report

University of Ottawa, Smart Prosperity, Ottawa, \$10,990

Eco-Summit 2017

University of Ottawa, Institute of the Environment, Ottawa, \$10,000

Environmental Finance Advisory Committee Sponsorship

University of Toronto, School of the Environment, Toronto, \$5,000

Research Internship

University of Toronto, Rotman School of Management, Toronto, \$10,000

Food Security in a Low Carbon Economy

USC Canada, Ottawa, \$17,500

2017 Ontario Climate Symposium

York University, Faculty of Environmental Studies, Toronto, \$10,000

PAYMENTS ON PREVIOUS GRANT COMMITMENTS

ECONOMY & ENVIRONMENT

Canada's Ecofiscal Commission

McGill University, Montreal, \$100,000 (of \$450,000)

Setting Strong Carbon and Clean Energy Policy Precedents for Alberta and Ontario

Simon Fraser University, Clean Energy Canada, Vancouver, \$150,000 (of \$300,000)

SUMMARY OF GRANTS 1948-2016

	Environment & Conservation	General/Director- Initiated	Total Grants Approved	Program Expenses	Grants & Program Expenses Paid
1948-2013	\$ 28,963,911	\$ 49,727,213	\$ 78,691,124	\$ 2,845,680	\$ 81,026,801
2014	\$ 1,943,881	\$ 250,000	\$ 2,193,881	\$ 653,941	\$ 2,532,822
2015	\$ 1,960,893	\$ NIL	\$ 1,960,893	\$ 808,762	\$ 3,194,655
2016	\$ 2,768,988	\$ 560,000	\$ 3,328,988	\$ 730,826	\$ 2,699,014
	\$ 35,637,673	\$ 50,537,213	\$ 86,174,886	\$ 5,039,209	\$ 89,453,292

AUDITOR'S REPORT

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Members,
Ivey Foundation

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2016, and the summary statement of operations and net assets for the year then ended, are derived from the audited financial statements of Ivey Foundation for the year ended December 31, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated May 30, 2017. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Canadian accounting standards for not-for-profit organizations. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Ivey Foundation.

MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS Management is responsible for the preparation of a summary of the audited financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

AUDITOR'S RESPONSIBILITY Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

OPINION In our opinion, the summary financial statements derived from the audited financial statements of Ivey Foundation for the year ended December 31, 2016 are a fair summary of those financial statements, in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants
May 30, 2017
Toronto, Ontario

CRITERIA APPLIED IN THE PREPARATION OF THE SUMMARIZED FINANCIAL STATEMENTS

The criteria applied by management in the preparation of these summary financial statements are as follows:

a) The information in the summarized financial statements is in agreement with the related information in the complete financial statements; and b) The summarized financial statements contain all the information necessary to avoid distorting or obscuring matters disclosed in the complete financial statements, including the notes therein.

Management determined that the statement of changes in net assets and the statement of cash flows do not provide additional useful information, and as such has not included them as part of the summary financial statements.

IVEY FOUNDATION
SUMMARIZED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,783,956	\$ 6,357,979
Investments	91,309,811	85,353,458
Other assets	541,969	489,424
	<u>94,635,736</u>	<u>92,200,861</u>
LIABILITIES		
Accounts payable and accrued liabilities	194,764	167,006
Investment trades pending	—	1,630,558
Unpaid grants	1,760,800	400,000
	<u>1,955,564</u>	<u>2,197,564</u>
NET ASSETS		
Restricted	3,979,176	3,730,661
Unrestricted	88,700,996	86,272,636
	<u>92,680,172</u>	<u>90,003,297</u>
	<u>94,635,736</u>	<u>92,200,861</u>

SUMMARIZED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED 31 DECEMBER

	2016	2015
REVENUE		
Realized gain on sale of investments	\$ 3,477,850	\$ 4,654,707
Interest, dividends and other income	2,529,397	1,905,560
Change in unrealized gains (losses)	1,189,848	(1,305,347)
Total revenue	<u>7,197,095</u>	<u>5,254,920</u>
EXPENDITURES		
MANAGEMENT & ADMINISTRATION		
Investment management, custodian and audit fees	434,049	484,127
Other	213,435	216,783
Total management and administration	<u>647,484</u>	<u>700,910</u>
NET REVENUE BEFORE GRANTS & PROGRAM EXPENSES	<u>6,549,611</u>	<u>4,554,010</u>
GRANTS & PROGRAM EXPENSES		
Grants	3,328,988	1,960,893
Program expenses	730,826	808,762
Total grants and program expenses	<u>4,059,814</u>	<u>2,769,655</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>2,489,797</u>	<u>1,784,355</u>

