IVEY FOUNDATION

CHAIR'S REPORT

I wrote last year in my Chair's Report that it would be the fourth and final installment of the Foundation's account of "activating" its endowment, structuring it to be a tool for making progress towards our mission and goals. Instead, I will return to that narrative one more time, but not before I comment on the more important "side" of the philanthropic ledger –grant-making as opposed to investing. The current Disbursement Quota for foundations as set by the Federal government is about to be re-evaluated as part of a broad reform agenda for the charitable sector. In 2005 the Federal government reduced the required foundation payout from 4.5% of assets to 3.5%, taking hundreds of millions of dollars out of the pockets of charities over the ensuing fifteen years, keeping them in the hands of foundations. I wrote of my surprise and disappointment around this poorly-consulted-on significant policy change in the 2004 Ivey Foundation Annual Report, noting that it was a mis-guided decision and would be politically difficult to ever reverse. That said, I am pleased the government is re-opening the conversation and can only hope that an accurate understanding of long-term asset accumulation by foundations will underpin a policy revision, and provide charities with much needed additional resources over the more immediate term.

Returning to the investment side of the ledger, last year I outlined the asset allocation changes made in our portfolio to date, and commented on the remarkable expansion and acceptance of the concept of sustainable investing in the asset management business, alongside an engaged and sophisticated institutional investor class. Finally, my mention of the retail investor now being the focus of a fervent marketing effort was a veiled cautionary note to beware the almost ubiquitous sustainable label for opportunities that may not live up to their promise.

While the chronicling has ended, the need to rigorously scrutinize the sustainable investing movement continues. We must assess it from a still-growing number of perspectives: including identifying best practice and how that is evolving; the proliferation of greenwashing and greenwishing rhetoric; to, what may be the elephant in the room, what is the actual impact being achieved for our society and the planet within this new paradigm.

But first we must not lose sight of "ground zero", what it is we are looking for, in a perfect world: investments in companies that prioritize sustainability as a core value, within the context of an acceptable definition and use of the word sustainable. In the course of any day you might encounter myriad interpretations of the word sustainable, from sustainable economic growth (is that an oxymoron?) sustainable strategies, to sustainable investment returns. And the word sustainable now seems to have an adopted twin: the term "ESG", which only serves to blur the picture. It's easy to be lured into a noble promise, it's a lot harder to the evaluate the results.

As we relentlessly investigate the labyrinth of players in the field of sustainable investing, trying to make the most impactful investment choices while considering the Foundation's operating history, limitations and resources, certain important understandings come to the forefront for me. With the risk of borrowing some language from others:

ESG is not a destination. There is no such thing as an ESG industry. ESG is not a proxy for sustainable investing. Better reporting is not a proxy for progress. An exponentially growing universe of funds with a sustainable label and rallying cry under an ESG umbrella has produced a paradox of choice with too many products touting too many meaningless metrics leading to "Sustainability Inc." (as Kenneth Pucker coins in his Harvard Business Review article entitled Overselling Sustainability Reporting). And the sad fact of the matter is that there is an ever-widening disconnect between the actions of investors and the impact they hope to achieve, and a gap between the actions of investors and any positive impact on the planet. The dangers of over-simplifying an incredibly complex landscape (read Tom Steffen of Osmosis Investment Management: ESG: A triumph of Form over Function) are real. Buyer beware.

Rosamond Ivey
Chair