



ANNUAL REPORT 2013

ACCELERATING SOLUTIONS TO CLIMATE CHANGE AND AIR POLLUTION

TORONTO.CA/TAF

MESSAGE FROM THE CEO

Cities are on the front lines in the fight against climate change. As citizens living in Canada's largest city, we play a role on the global stage in contributing to warming and at the same time generating solutions to the greatest environmental threat to the health of our planet. To put this in context, cities consume over two-thirds of the world's energy and account for more than 70% of global CO₂ emissions.

The UN Inter-governmental Panel on Climate Change (IPCC) report, *Climate Change 2014: Impacts, Adaptation, and Vulnerability* confirmed the devastation that climate change has wrought so far. Glaciers are shrinking, wildlife migratory patterns and ranges are shifting, rises in water temperatures are increasing the presence of water-borne diseases, and we are experiencing more climate-related extremes such as droughts, floods, and cyclones.



“As the first and largest funder of the campaign to end coal-fired electricity in Ontario, TAF played an important role in achieving the single biggest climate action in North America.”

Julia Langer
Chief Executive Officer

While governments are integrating adaptation measures into development plans with increasing frequency, there is no substitute for mitigation. As the IPCC report notes, “Since mitigation reduces the rate as well as the magnitude of warming, it also increases the time available for adaptation.”

Toronto Atmospheric Fund is in the business of mitigating the impacts of climate change. As the first and largest funder of the campaign to end coal-fired electricity in Ontario, we were instrumental in the single biggest climate action taken in North America. Closing the coal plants allowed the City of Toronto to exceed its Kyoto target, lowering greenhouse gas emissions by 15% compared to 1990 levels.

We are now halfway to meeting the City's 2020 target of reducing emissions by 30%. To reach this goal, we must address two key sources of GHG emissions and air pollution: emissions generated by the energy used in buildings, and those emitted from transportation – a source of greenhouse gas and air pollution that continues to grow. On the transportation front, our collaboration with the Move the GTHA initiative has produced a strong case for increased investment in public transit and active transportation. As well, the Pembina Institute has released a report funded by TAF outlining how to reduce truck emissions that contribute disproportionately to local air pollution.

On the buildings front, we will continue to seek ways to significantly reduce the amount of energy used in Toronto's building stock. Our Energy Savings Performance Agreement demonstrates that investment in energy efficient retrofits across the City is a profitable pursuit. TAF advanced changes to the Toronto Green Standard which ensure that new buildings are 15% more energy efficient than required in the provincial building code, and we are advocating for an Energy Reporting Requirement that could achieve GHG reductions of 350,000 tonnes annually by 2020.

The IPCC report is but one reminder that we face the climate challenge together. We hope that you join us in moving forward, inspired by the progress made so far, to realize a better city in a more sustainable world.

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FINANCIAL REPORT

TAF's two global equity managers with Environmental, Social and Governance (ESG) mandates achieved exceptional results in 2013, both delivering returns in the 36% range. These results, combined with fixed income returns, provided a 24.3% return on TAF's marketable securities portfolio for the year. Our overall four-year return of 10.5% places TAF's portfolio in the top quartile of performance. Consequently, \$3.4M has been transferred to our Stabilization Fund.

TAF's direct investments in low-carbon projects yielded a 6% return on a portfolio totalling \$2.3M at year-end. TAF advanced financing for two energy efficiency retrofit projects totalling \$690K through our Energy Savings Performance Agreement. The organization's emphasis on financing energy efficiency measures is in keeping with revisions to our investment policy that allow TAF to invest up to 60% of its endowment in ventures that yield a double bottom line: a financial ROI and emissions reduction.

As always, TAF's net cost to the City of Toronto in 2013 was zero, as all costs are covered by investment and fundraising revenue. The organization's budget for 2013 was \$2.1M with 19.2% for administrative costs. Grants to community and City projects totalled \$329K, lower than in recent years as the granting program was under review during 2013. The re-structured granting program will launch in June, 2014. Fundraising revenue recognized for 2013 totalled \$358K. TAF is carrying forward \$667K in deferred revenue for future project implementation.

TAF IS GRATEFUL TO ITS 2013 FINANCIAL SUPPORTERS

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| Canadian Condominium Institute | Grant Thornton LLP |
| Carthy Foundation | Metrolinx |
| City of Guelph | Natural Resources Canada |
| City of Hamilton | Ontario Ministry of Energy |
| City of London | Ontario Ministry of Transportation |
| City of Toronto - Economic Development & Culture | Ontario Power Authority |
| City of Toronto - Environment & Energy Division | Royal Bank of Canada (RBC) |
| Enbridge Gas Distribution Inc. | Region of Durham |
| Federation of Canadian Municipalities | The Donner Canadian Foundation |
| Gardiner Roberts LLP | Hydro One |

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The City of Toronto has reduced GHG emissions by 15%, exceeding its 2012 target of a 6% reduction compared to 1990 levels.

The next challenge is achieving the City's target of 30% emissions reduction by 2020.

TAF has invested approximately \$60 million in local solutions to climate change and air pollution.

2013 EXTERNAL GRANTS

Organization	Project Name	Description	Amount
City of Toronto Environment & Energy Division	LiveGreen Toronto EcoEnergy Pilot	Local Improvement Charge (LIC) pilot program for single and multi-family residential properties.	\$200,000
Clean Air Partnership and Toronto Centre for Active Transportation	Support Active Transportation Components of the Big Move.	The other 25%: A strategic campaign for dedicated investment in active transportation. Examination of opportunities to work across the Toronto Region to improve investment in active transportation.	\$10,000
Evergreen City Works	Move the GTHA - Phase II	A public engagement campaign undertaken by a multi-stakeholder group to promote the benefits of increased public investment in transportation infrastructure.	\$90,000

2013 PROJECT ALLOCATIONS

Project Name	Description	Amount
Special Communications Support for Move the GTHA	Professional communications consulting for Move the GTHA member groups.	\$5,000
Toronto Community Housing Retrofit Delivery Approach	Designing a project delivery approach for seven retrofits, selecting engineering firm(s) to oversee them, and adapting the principles of Integrated Design to the retrofit context.	\$25,000
Toronto Green Standard Implementation	Delivery of specialized training to support stakeholders affected by changes to the Toronto Green Standard.	\$20,000

2013 LOANS

Organization	Project Name	Description	Amount
Canada's National Ballet School	ESPA	Financing for energy performance upgrades to buildings.	\$1,000,000
Victoria-Shuter Non-Profit Housing Corporation	ESPA	Financing for energy performance upgrades to buildings.	\$367,000
Chadwick Non-Profit Housing Corporation	ESPA	Financing for energy performance upgrades to buildings.	\$275,087
Ajax Municipal Housing Corporation	ESPA	Financing for energy performance upgrades to buildings.	\$737,798
Bellamy Housing Co-operative Inc.	ESPA	Financing for energy performance upgrades to buildings.	\$281,250
Investeco Capital Corp.	Sustainable Food Fund	Private Equity Investment in sustainable and low-carbon food initiatives.	\$200,000

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