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Attachment 1

PROCESS & OUTCOMES REPORT

MID-TERM REVIEW OF THE ATMOSPHERIC FUND (TAF)'S STRATEGIC DIRECTIONS

Prepared by Natalie Zend, Principal, ZENDialogue

February 7 2019

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1. Background

TAF undertook an extensive strategic planning process in 2014 to guide the development of its current Strategic Directions (for 2015 – 2020). In October 2018 TAF formed a working group and tasked them with undertaking a mid-term review and update of TAF's Strategic Directions in light of new factors, needs and opportunities.

2. Objective and outputs

The **objective** of the review was to receive strategic input and feedback from key stakeholders (Working Group members) that would constructively challenge TAF and provide fresh insights and ideas.

The **outputs** of this process are:
1. This summary report capturing a brief description of the process and synthesizing the process findings;
2. A refreshed set of Strategic Directions for consideration by the TAF Board of Directors.

3. Rationale

The **changing provincial and municipal political context** is one reason that the refresh is needed.

As well, since 2014, TAF has evolved in ways that lead to a "three-way stretch":

1. First, TAF has adopted a **co-benefits approach**, which is about positioning key climate actions in ways that address other high-priority urban concerns such as public health, social equity, local economic development and community resilience. The intention is to create climate actions and policies that are better designed, more innovative, and that will draw a broader constituency of support for deeper carbon reduction outcomes and increased political durability.
2. Second, with support from a new endowment fund provided by the Province of Ontario in 2016, TAF has expanded its **geographic scope** from Toronto to the Greater Toronto and Hamilton Area (GTHA).
3. Third, TAF developed a **Theory of Change** in 2018 that expands TAF's scope from a focus on incubating innovation, to growing proven solutions and building institutional and market readiness as well as political and public support, in order to deploy low-carbon solutions at scale.

This "three-way stretch" comes out of a broader systems outlook that is important to TAF's success in tackling the multi-faceted problem of climate change. At the same time, it potentially challenges TAF's organizational capacity and could pose risks to TAF's excellent reputation.

A refresh was needed to ensure that TAF has a Board-approved strategy to position it for best impact for the coming years.

4. Participants in the mid-term review

A working group was formed for this strategic planning process. Mary Pickering, VP, Programs and Partnership, and Julia Langer, CEO, led the process with the participation of TAF's staff leadership team. A professional facilitator guided the group's two strategic planning meetings, conducted interviews with advisors, and supported several meetings of the leadership team.

Working Group members

- Karim Bardeesy, TAF Board member and Co-Founder, Ryerson Leadership Lab Distinguished Visiting Professor and Special Adviser to the President, Ryerson University
- Chris Boivin, Managing Director, Green Municipal Fund, Federation of Canadian Municipalities
- Cherise Burda, Executive Director, City Building Institute, Ryerson University
- Terry Cooke, President & CEO, Hamilton Community Foundation
- Bill Crossland, TAF Investment Committee member and President & CEO, Thermal Energy
- Andrew Dooner, TAF Grants and Programs Committee member and Partner, Strategy&, PwC
- Pegi Dover, Executive Director, Canadian Environmental Grantmakers Network
- Seana Irvine, Chief Operating Officer, Centre for Social Innovation
- Sandra Odendahl, TAF Board Chair and President & CEO, CMC Research Institutes

TAF Staff members

- Julia Langer, CEO
- Mary Pickering, VP, Programs and Partnerships
- Julie Leach, Communications Manager
- Bryan Purcell, Director of Policy and Programs
- Ian Klesmer, Grants Manager and Policy Advisor
- Maryam Shekarrizfard, Carbon and Co-benefits Quantification Manager

Advisors interviewed:

- Rich Whate, Corporate Management and Policy Consultant, City Manager's Office, City of Toronto
- Linda Swanston, Program Manager, and Mark Bekkering, Manager, Environment and Energy Division, City of Toronto
- Fiona Oliver-Glasford, Director, Carbon Strategy and Integrated Resource Planning, Enbridge Gas Distribution
- Sasha Jacob, President and CEO, Jacob Capital Management Inc.
- Liz Weaver, Co-CEO, Tamarack & Strategic Lead, Tamarack Learning Centre

- Brian Shifman, CEO, Vaughan Chamber of Commerce

Facilitator:

- Natalie Zend, Principal, ZENDialogue, with design collaboration from Michael Hope-Simpson

5. Summary of activities

The process included the following elements:

- Two four-hour meetings with a Working Group;
- Interviews with external advisors;
- Preparation of inputs to the two meetings, including background briefs and summaries of themes emerging from Meeting #1 and interviews;
- Participation of TAF's leadership team in the Working Group meetings and team meetings to develop the revised strategic directions;
- Crafting of successive drafts by VP, Programs and Partnerships Mary Pickering in collaboration with CEO Julia Langer and based on verbal input and written feedback from the leadership team and the Working Group;
- Sharing of a later draft with the TAF team at a staff retreat.

Below is a more detailed timeline of activities:

Oct 10 2018	Process kick-off
Nov 2 2018	**Package of inputs to Working Group for meeting #1**: - Brief on TAF Strategic Directions 2015-2020: current state of play - Briefs on new factors/emerging context: 1) changing political landscape; 2) TAF's emerging co-benefits approach; 3) TAF's regional expansion - TAF's new Theory of Change (2018) - TAF's new Branding Framework and brochure
Nov 7	**Working Group meeting #1** (4 hours): - Objectives and meeting agenda - Progress assessment of TAF: achievements, challenges, learnings; implications for TAF's strategic direction - Assessment of new factors: political landscape, co-benefits approach, regional expansion. Issues, assets, risks, opportunities - Reflection on TAF strategic directions 2015-2020 in light of the progress assessment and assessment of new factors
Nov 23	**TAF leadership team meeting** (1.5 hours): - Preparation of draft revised Strategic Directions
Nov 26 – Dec 12	**Interviews with six external advisors** (by facilitator, 30 minutes each): - Comments on a synthesis of themes that emerged from the Nov 7 meeting of the Working Group? - Additional issues or opportunities for TAF to consider?

	- Most important challenge and opportunity that TAF will need to address over the next two years to advance its mandate? - How TAF can collaborate with or support advisor's organization/sector/area of work?
Dec 4	**Call with Working Group member Andrew Dooner**, Partner, Strategy&, PwC: Urges TAF to prioritize, focus and clarify TAF's role
Dec 11	**TAF leadership team meeting** (1.5 hour): - Discussion toward draft 2 of the revised Strategic Directions
Dec 14	**Package of inputs to Working Group for meeting #2**: - Objectives and meeting agenda - Distillation of key themes that emerged from strategic planning meeting #1 (and link to full meeting report) - Summary of ideas from interviews with external advisors - Draft revised strategic directions for discussion (consolidated by Mary Pickering, VP Programs and Partnerships and CEO Julia Langer), including a recapitulation of inputs
Dec 19	**Working Groupmeeting #2** (4 hours): - Review of strategic planning process and products to date - Presentation of and Working Group feedback on TAF's proposal for revised strategic directions - Roundtable of reflections on TAF strategic planning now and beyond the "refresh"
Dec 21	**TAF leadership team meeting** (2.5 hours): - reflection on Working Group feedback on TAF's draft revised strategic directions - discussion of next steps toward consolidating a new draft for Working Group feedback
Jan 11 2019	**TAF leadership team meeting** (3 hours): - Based on common guidelines/format, presentation by each of the team members of a proposal for revised strategic directions - Discussion of areas of convergence and divergence
Jan 11 – 18	**Consolidation of draft 3** by Mary Pickering and Julia Langer; - written feedback from leadership team - facilitator review to ensure responsiveness to Working Group and interviewee inputs
Jan 18	**Presentation of draft to full TAF staff team**
Jan 25	**Draft 4 shared with Working Group by e-mail**: - feedback by email or through short calls with CEO Julia Langer
Feb 7	**Submission** of Process and Outcomes Report and Recommended Strategic Directions to TAF Board of Directors
Feb 22	**Meeting of TAF Board of Directors** to discuss the recommended Strategic

Directions and consider their adoption

6. Synthesis of key insights and inputs

Detailed reports capture the raw data from both Working Group meetings, as well as complete notes and a distillation of key points from the advisor interviews. Below is a distillation of key messages, themes and insights from the two meetings and the interviews, prepared by Mary Pickering with the collaboration of Julia Langer and facilitator Natalie Zend.

6.1 Distillation of Key Themes from Working Group Meeting #1

1. Maintain a Leadership Position

What can only TAF do and how can we best leverage this unique offering? What is TAF's "secret sauce"? Where is TAF providing something distinct or playing a role that others cannot? We have expansion pressure on several fronts – geographically, thematically (co-benefits), programmatically (e.g. more pre-scaling work). How would we characterize our unique value and promote it to enhance TAF's value proposition and to help us focus our efforts in light of expansion pressures? Can we characterize our "special sauce" as our way of blending theory and practice, flexibly deploying different tools and lenses, creating examples of success and then strategically using these to accelerate carbon solutions? Can the new brand framework help articulate our unique offering?

How can we ensure we continue to be an innovative, learning and sharing organization? Is TAF properly harvesting lessons generated by its own work and the work of those it supports? Are we being transparent enough about TAF failures, and sharing the lessons of success and "fast failing"? Could this be done more collaboratively, with partners or third-party observers? Stable funding gives TAF an advantage when it comes to reflective practice, so it is an area where we are positioned to show leadership.

How can we continue the pace while also planning for uncertainty (risk management)? Is TAF facing a higher level of uncertainty than ever before?

For example:
- Changes in political leadership and structure are creating uncertainty about governments' approaches and capacities related to climate change solutions.
- Climate-related events that strike the GTHA might support a shift in public mood and political will.
- Government is taking notice of TAF's successes and models and asking TAF to do more, causing potential quick growth opportunities that would need to be carefully managed. But is this a Now or Never moment? If so, what stance should we be taking on increasing capacity for TAF – ie

drawing down our endowment – esp. if no extra federal funds are forthcoming in 2019 (i.e. the “plan b”).

2. Change the Channel on Today’s Climate Narrative

Given the urgency of the situation, should we be more fully leveraging communications for broader strategic purposes? We see that popular climate narrative is being used to downgrade climate action. Given that policy advocacy may not be effective in the next two years should we pivot to focus on understanding public opinion and re-creating a climate story in a way that conveys broad benefits? And in particular for government audiences - When should we be helpful and practical and when should we “punch them in the nose”?

More compelling narratives are needed, which means crafting stories that resonate with a variety of audiences, and engaging the right messengers to tell the stories to decision-makers.

For example:

- What is TAF’s value-add to City of Toronto and Province of Ontario?
- What messages will be resonant to key audiences like developers?
- How to (better) communicate the opportunities and risks of impact investments, which are not “concessionary financing” but may have higher risk or require innovative structuring?
- How to present City of Toronto’s globally relevant leadership in way that inspires region-wide action?
- How to deliver a positive, uplifting message to counter defeatism?
- How best to identify and use real successes as the basis for telling the story of what is possible?
- How to create a climate-positive narrative for the GTHA?

We need to ensure clearer understanding public opinion on urban climate action. Do need to support or invest in more intelligence gathering about public opinion? Is this our role, or should we partnering with others on this? What is a suitable role for TAF to play in using the upcoming federal election as an opportunity to reinforce to the public the importance of urban climate? Can TAF help to develop a non-partisan (politically “agnostic”) climate action narrative that addresses popular concerns and expresses the full value of urban climate action?

We need to find a careful balance in our co-benefits approach. TAF risks inadvertently supporting the externalization of social and environmental elements if, in our co-benefits approach, we focus mostly on economic benefits. How can we be practical (money talks) while also nudging changes in values; i.e. addressing short-termism and encouraging a commitment to non-monetary benefits like diversity, equity and inclusion? In taking the co-benefits approach, TAF should stay true to its mandate, and not "turn itself into a pretzel" to speak the language of economics.

3. Support Community and Institutional Capacity Building

What is the right balance between enhancing TAF's own work and building external capacity? To what extent should TAF continue/expand its own programmatic work, which has been very high-impact, versus building others' capacity and getting them to do the work, which may have a time-lag for impact? How can TAF do its work so that capacity is being built as a by-product?

How do we engage and mobilize key influencers? In the current context, who are the key players that need to be onside to achieve carbon reduction success?

For example:

- Can the City of Toronto influence other cities in the region, and are there other municipal leaders in the region who need to be supported to play this role?
- Can we tap into the leadership of municipal political and/or senior staff (e.g.: Chief Administrative Officers, CFOs) to activate their peers?
- Can private and community foundations be co-investors and advocates?

4. Mobilize Resources and Position for Scale-Up

How can we "industrialize" our relationship-building strategy? While we recognize the essential role of collaborations to mobilize resources and expand influence, we are also aware of the time and effort required to create and maintain high-value partnerships and a whole spectrum of other types of useful relationships. How do we systematize TAF's role in this sphere and our approach to stakeholder engagement and resource mobilization so that we can make the most of the knowledge and resources embedded in the community?

How do we accelerate the necessary investment to support low-carbon solutions? Can TAF play a bigger role in mobilizing impact investments – especially in energy efficiency – among Canadian foundations and others? Is there an opportunity for a specific partnership with community foundations? How can we better share the risk of impact investing with others?

What defines scaling up for TAF? Expanding TAF's services across the GTHA? Replicating local successes region-wide or nation-wide? Driving policy or institutional reforms locally, provincially or federally? Replicating the TAF model across Canada – and beyond? What lessons do our scaling-up experiences (both successes and failures) provide? How far does TAF's role extend towards supporting full scale readiness – or do we intervene at an earlier "pre-scaling" phase that simply prepares the ground for full-scale implementation, by mobilizing resources and champions, growing proven solutions and influencing decisions? If so, what does this work look like and what do we need to ensure we do it well? How do we accelerate impact and what are the implications with respect to taking smart risks? How do we avoid lock-in decisions that preclude reaching long-range GHG reduction goals? What are three main system barriers or decision points that should be prioritized?

6.2 Summary of key ideas from interviews with advisors

- **Lead on Engagement:** TAF's strength is that it can tell a positive, non-partisan climate action narrative; TAF could choose to make modelling of strategic engagement a priority; other collective impact initiatives look to TAF to provide leadership.

- **Leverage Key Partners:** The utilities are natural partners for TAF; what will TAF's relationship to the City of Toronto and other cities be in this new period; bring business onside by showing how climate action supports their interests – and watch the red tape.

- **Help Expand Resources:** A key role for TAF is mobilizing new resources; what is TAF's key purpose with respect to grant-making – it is able to fund differently than the City and that is valuable; TAF's stable funding gives them the luxury of pushing forward on a consistent agenda; On finance innovation – show rather than tell the government how to go about it.

- **Remain Nimble:** Things could shift quite radically – important to create enough nimbleness in the strategy to be able navigate these shifts; Could TAF use a rapid prototyping approach (e.g. 90-day cycle some organizations have used), so they could learn more quickly whether something is working or not?

- **Try Not to Do Too Much:** Reality check: Sometimes it seems like TAF is trying to touch everything; TAF has a long way to go if geographic expansion is the goal; focus on the most impactful, the best showcases – the ones that build partnerships.

- **Build capacity:** Share how you've done successful work, successes, failures, learnings, with the right people; spread Toronto's success across Canada and even internationally.

6.3 Distillation of Key Themes from Working Group Meeting #2

1. Focus efforts to increase impact

TAF's list of activities and approaches is too long – we need more focus. Prioritize. Some different ways TAF could focus (which are not necessarily mutually exclusive) include:

- focusing on 1-2 "big wins";
- identifying the next 1-2 "coal phase outs," then developing TAF's approach/strategy for achieving the desired change;
- Starting with some "whats," then refining the "how";
- identifying the most promising opportunities within the TAF portfolio, then picking two or three and try to advance them.

2. Clarify the objectives

Start with Theory of Change level three (scale) and work backwards – from Key Performance Indicators – what are the key objectives? Be bold – the next coal phase out. Focus on big wins, taking all the way to market validation, pre-scale phase (and beyond). Understand how the shift to the next level in the theory of change alters the goal posts for success.

3. Fully leverage TAF's prime assets

Understand what TAF is uniquely able to do. Understand the benefits the endowment fund offers – both for stability and flexibility and independence and staying in for the long game – and for more aggressive, intentional impact investment that helps pave the way for follow-on investors with deeper pockets. Acknowledge and fully utilize our key strengths and skill sets: our diverse network; our city and provincial relationships; our good governance; our collective skills – i.e. convening and partnership brokering; program design and evaluation; co-benefits insights; innovation and learning culture; as well as our tech, policy and finance expertise.

4. Tighten the framework and define the terminology

Get clearer on what constitutes "strategic directions". Retain the new focus on pre-scale/commercialization and the link with the theory of change. Consider the way the directions should be aligned – their inter-relationship and sequencing, the relative effort needed. For example, should we focus more on mobilizing and less on influencing decisions? Or is one the precursor of the other? Separate the "what" vs the "how" to remove the apples and oranges feel of the list and to build consistency and clarity. Be clear about separating the ends and the means. Create and share specific definitions of key terminology used, i.e. mobilization, commercialization, etc.

5. State our preferred strategies/areas of leadership

Reinforce the pre-scale/commercialization stance. Use innovation to address obstacles to scale-up. Align investment to places where we can make a difference – bring more intentional strategy to the finance work. Build partnerships to expand our impact so we don't have to rely on TAF's limited resources. Remain nimble enough to respond to emerging opportunities or threats. Build new skill sets necessary to support the shift to scale-up. Define and occupy our unique leadership space at municipal, provincial, national (and international?) levels.

6. Understand the implications of new directions

Have courage: don't be afraid of the changes new directions will create – recognize you're trying to shift so that it will have impacts on structure and that's not a bad thing. There will be needed changes but all organizations have to go through this. Think about the practical changes we may need to make and make a transition plan – or "on-ramp" strategy that can culminate at our next threshold or strategic planning point.