

Chief Executive Officer's Report

Date: April 11, 2025
To: Board of Directors of the Toronto Atmospheric Fund
From: Chief Executive Officer

GOVERNANCE MATTERS

Board and Committees

Please join me in thanking Nicola Crawhall, who has resigned from Grants & Programs Committee, contribution over for five years, including diligent evaluation of dozens of grant applications bringing perspectives from provincial and regional government and work with a range of government, quasi-government and non-profit organizations.

Risk Register

Senior management regularly assesses risks and develops mitigation strategies and actions guided by the ten elements of TAF's Risk Register. The most notable risks for TAF in this period pertain to the imposition of tariffs by the US on Canada and other countries and the implications of this for economic conditions including short- and medium-term impact on public markets and private investment, the 'cost of everything' and recession.

TAF has not been immune from the equity market fluctuations - Q1 saw a 1% decline in the value of public equity holdings while fixed income investment value increased 1%. TAF's preparedness for a market downturn has been in the works for several years through a coordinated effort of analysis, diversification and re-balancing designed to improve return and impact and reduce potential volatility from exposure to the public equities markets. The result of this multi-phased rebalancing was recently presented to the Investment Committee and is paraphrased here: Fixed Income holdings have been diversified and now include three managers; the target for investment in Alternatives (Infrastructure funds) has been achieved; Public Equities holdings have been reduced to a more defensive level of 39% and the allocation to each of the four Public Equity managers is being equalized over time to reduce concentration; and the allocation to Direct Investments has been increased to 10% mainly drawing down the Public Equities (with an additional 13% approved but not yet advanced). Our portfolio contains an immaterial (1%) exposure in the Canadian equity market which mitigates against the impact of a Canadian recession, but a significant exposure to the US market; this could insulate our portfolio if the US avoids a recession, but predictions are challenging. Many analysts are noting that public markets have been buffeted by many crises however the long-term trend has been growth. TAF is a long-term investor and will weather market

volatility through prudent, steady management and oversight from our fiduciaries and advisors, and a defensive and diversified portfolio.

Recognizing that a significant portion of TAF's budget is provided through government contribution agreements, proactive engagement and stewardship will be undertaken to demonstrate the value proposition of the programs and outcomes delivered.

In tandem to the focus on economic issues, there are both passive and active efforts undermining the importance of and action to advance climate solutions. Further, there is intensive advocacy for increased fossil fuel production and transportation which is contrary to and undermining of a vision for a low-carbon future. TAF's primary mechanism to address this challenge is a commitment to multi-solving and demonstrating the value proposition of local climate solutions including for economic development and security/sovereignty, affordability, and quality of life. TAF is dedicated to working with a wide range of stakeholders in a non-partisan manner which ensures our sensitivity to the challenges they face as we design and deliver TAF programs and undertake policy advocacy.

There is no material non-compliance in respect of The Atmospheric Fund's (TAF) legislative, regulatory or contractual obligations of which I am aware.

ON/TAF/TO Transfer Payment Agreement (TPA)

The 2024 annual report will be submitted on April 30, 2025 to the Ontario Ministry of Municipal Affairs and Housing outlining TAF's financial performance, programmatic highlights, and compliance with the terms of the TPA. To the best of my knowledge, this confirms that TAF is in compliance with the terms of the TPA.

FCM/TAF/TO Funding Agreement (FA)

In February, TAF, the City of Toronto, and FCM jointly executed an amended funding agreement which contained minor updates to the original tripartite agreement from 2020.

STAFF AND OPERATIONAL MATTERS

Building on the success and value of having interns join the TAF team, we're pleased to welcome five interns from May to August. They will contribute to the Policy, Campaigns & Communications, Impact Investing, Clean Electrification and Research & Innovation teams while gaining hands-on experience in the climate sector. Over 500 applications were received for these positions and we were impressed by the skills, fresh perspectives, and strong commitment demonstrated by candidates eager to start their careers in the low-carbon economy.

TAF's commitment to Indigenous reconciliation includes an ongoing effort to build knowledge and skills that will allow us to proactively and appropriately engage with Indigenous peoples and organizations. TAF staff and Board Chair participated in a half-day training focused on Indigenous recruitment and retention, which provided useful

insights and practical guidance for recruitment and retention of Board members, Committee members and staff. The Research & Innovation team is taking a course on First Nations Ownership Control Access and Possessions (OCAP) to learn best practices around data collection, use and interpretation that support First Nations data sovereignty.

STRATEGIC PROGRAMS

Retrofit Accelerator

TAF is making significant headway on deep retrofits of multi-residential buildings, with 35 projects in progress in different phases of the retrofit project life cycle. These include social housing, condominiums, co-ops, apartments, and one Indigenous-owned housing complex. All include electric heat pump technologies of different shapes, types, and sizes and range in ambition from 40% to 85% emission reduction.

The Enhanced Reserve Fund Study (ERFS) developed by TAF, which creates a decarbonization plan for buildings as part of the standard reserve fund study process, is getting attention in the market. Six of these studies are underway in condominiums and co-ops, and TAF is encouraging wider uptake with [marketing materials](#) that promote TAF support for these studies and their value proposition for the building owners. TAF has also presented on this topic to numerous condominiums and co-ops in the GTHA, including on a panel for a recent Co-operative Housing Federation of Canada event focused on saving energy.

TAF helped secure funding from CMHC and NRCan for one of our most ambitious projects to date - the retrofit of a 22-storey tower owned by WoodGreen that provides 160 affordable homes to seniors. It will feature the use of prefabricated overcladding panels and full electrification of the space and water heating systems resulting in a building that is near-zero carbon, comfortable, and future-ready. It is the second retrofit supported by TAF that includes prefabricated overcladding, but certainly not the last; three additional projects are in the works that are targeting use of this innovative technology.

Electrification of Transportation

In March, TAF was awarded \$2.45M for a project to demonstrate the technical and financial viability of comprehensive EV-ready retrofits in multi-family buildings (i.e., where every resident parking space has an energized outlet to support the future installation of Level 2 chargers). This public funding will be matched with a TAF investment approved by the Board on November 21, 2024. The initiative will install 100% EV-ready infrastructure and 490 Level 2 chargers across 10 participating multi-family buildings throughout the GTHA. Next steps include launching procurements for project contractors and finalizing legal agreements with building owners.

In response to [a request by Toronto City Council from October 2024](#) TAF will lead development of an action plan to accelerate the strategic rollout of public EV charging in Toronto. The plan will leverage the input and commitments of public and private players and will focus on public EV charging that complements the City of Toronto-operated network of chargers on its own property. A [request for proposals](#) has been issued for a consultant to lead the development of the action plan. TAF has secured \$300K of external funding to support this project.

Accelerating Clean Electrification

Activity is underway to advance the launch of TAF's residential solar and storage concierge including brand development, message testing (including some fun, virtual meetings to ensure the offering resonates with customers), cultivation of partners for marketing and implementation support, and modelling to evaluate how to best utilize the incentives and financing available from various sources. A procurement will be in-market soon to secure customer service capacity which is essential to address the many barriers homeowners face in navigating complexities of getting a solar system installed. \$300K has been secured and fundraising is underway to support program operations out to 2026.

Climate Policy

TAF is working closely and collaboratively with several municipalities to support development and adoption of key policies. MOUs have been signed with Newmarket and Oakville with an initial focus on advancing their Green Development Standards (GDS).

Recommendations related to decarbonizing buildings, transportation and the electricity grid were provided to all parties represented in Ontario's Legislature in advance of the provincial election and all parties that operated nationally in the House of Commons in advance of the federal election underway; see [federal climate policy recommendations](#). These briefs were informed by internal teams and a wide range of stakeholders. Both documents will support engagement in the new parliamentary sessions at both levels of government.

A multi-team effort is underway to secure a fair and effective Building Emissions Performance Standards (BEPS) by-law in Toronto. TAF chairs a multi-sectoral steering committee focused on mobilizing stakeholder participation and support, recognizing that the industry – both building owners and the suppliers of goods, services and capital – need clarity and certainty in order to implement and comply with the first set of targets. The [website](#) and email campaign have promoted events, news, and [perspectives](#) from influential stakeholders, and we're facilitating industry consensus around key by-law design questions such as timelines, reporting metrics, and affordability. TAF has developed and shared recommendations for by-law design with the City's advisory committee and other stakeholders related to the size and types of buildings that should

be subject (ie: not single-family), the types of performance metrics which should be included, and alternative compliance pathways.

Research & Innovation

To maximize the usefulness of TAF's Carbon Emissions Inventory and strengthen relationship with municipalities throughout the GTHA, briefings have been provided for climate change and sustainable development staff of eight municipalities: Clarington, Pickering, Whitby, Brampton, Aurora, East Gwillimbury, Newmarket and Richmond Hill. The sessions focused on emission trends, the impact of specific actions including green development standards and retrofit programs, and policy recommendations specific to each jurisdiction.

TAF presented key insights from our inventory at the 2025 Sustainable Engineers Association conference, one of the largest sustainability themed conferences at the University of Toronto and participated in the Buildings Show and the Reimagine Buildings: Biomaterials Conference.

For TAF's first grants round in 2025, the R&I team evaluated the carbon reduction potential of 17 expressions of interest and four applications. Additionally, carbon quantification assessments were completed for two potential impact investment opportunities and to support a pre-application to the Green Municipal Fund regarding an EV-ready multi-family buildings pilot.

Campaigns & Communications

Thought-leadership blogs on [investing in electric fleets](#), reducing [climate red tape](#), [speeding up retrofits](#), Toronto's [BEPS metric](#), [championing](#) the Toronto Green Standard, [financing](#) for retrofits, and Toronto's [carbon budget](#) are reaching key audiences. A [blog post](#) by Investment Committee member Simon Segal which outlined the importance of securing both financial and environmental impact across all asset classes, including fixed income, received significant attention, as did the public announcements of three investments approved by the Board: [7Gen](#), [AlphaFixe/ RPIA](#), and [PaceZero](#).

Media coverage in the past few months includes interviews in the [National Observer](#) on building policy, [The Pointer](#) on EV policy, [The Spec](#) on our retrofit project with CityHousing Hamilton, the [Energy Mix](#) on our federal policy recommendations, and [Environmental Finance](#) on our recent divestment.

Impact Investing

Work continues to bring the allocation of Direct Investments closer to the 30% target. Currently ~\$8.5 million has been advanced and ~\$14.1 has been approved or initiated but not yet advanced, bringing the combined total to ~\$22.6 million or ~23% of TAF's total portfolio. Should the Board approve the direct investment request included as Item

TA10.5 the allocation to direct investments would be ~27% of TAF's total portfolio; the Statement of Investment Objectives and Principles (SIOP) allows up to 60%. Since the last report, 37 potential investment opportunities were reviewed and declined due to lack of fit with TAF's investment thesis or misaligned investment timelines. The pipeline of potential direct investment opportunities remains strong with 11 active leads.

Implementation of the Investment Committee's re-balancing guidance continues, including preferential redemption of equities and re-balancing between the four equities managers. Between December 31, 2023 and the end of March 2025 the investment in public equities has declined from 52% to 39% while increasing alternatives, fixed income and direct investments resulting in a more defensive, less volatile portfolio.

Grants, including summary of completed Grants

The Grants and Programs Committee's recommendations from the first grants intake of 2025 are included in Item TA 10.9. The second grants intake of 2025 is currently underway, with proposals due May 16.

A summary of two recently completed grants is provided below.

Electric Mobility Canada (EMC) – Policy Advocacy to Accelerate EV Adoption in Canada through an Electric Mobility Strategy for Canada *\$250,000 over 24 months, approved November 2021*

The objective of this project was for EMC and project partners to develop and advocate for best practice policies, programs, and infrastructure investments to enable a transition to 100% zero emission vehicle (ZEV) sales in Canada by 2030. This grant supported development of a national electric mobility strategy, titled [2030 EV Action Plan \(EVAP\)](#), which consists of multiple policy recommendations across six pillars of action. EMC launched a member-designed and endorsed public advocacy campaign based on the 2030 EVAP to work towards securing key elements of a national electric mobility strategy. Over 70 different organizations have signed on to support the plan: <https://2030evactionplan.ca/our-supporters/>.

Over the course of this grant, EMC made important contributions to the public policy debate around how and why to move forward with Canada's electrification commitments in the transportation sector. They engaged numerous stakeholders across government to build support for the 2030 EVAP and advocate for the policy recommendations outlined in this plan. EMC also worked to build public support for ZEV acceleration. They developed and distributed a document titled [Top 12 reasons why Canada needs a ZEV mandate](#) and a series of 17 short videos in collaboration with Clean Energy Canada addressing different topics related to ZEV sales regulations. Through public communications including op-eds, interviews, and social media posts, EMC worked to secure public support by promoting the necessity and the advantages of ZEV sales

regulations for Canada and countering negative narratives in the media and from organizations opposing regulations.

EMC's work confirmed the importance of a unified industry voice to ensure that electrification policies and programs are well-defined and timely. By working collaboratively with its members and likeminded stakeholders to advise governments on important steps to accelerate EV adoption, they presented a valuable industry perspective and helped government representatives understand the challenges to be overcome to accelerate the EV transition, develop Canada's economy with clean jobs, and achieve GHG emission reduction targets.

Efficiency Canada (EC) – Advancing Heat Pump Policy in Canada

\$300,000 over 24 months, approved November 2022

The project goals were to promote priority actions and policy changes required to enable the adoption of energy efficient heat pumps and move heat pumps from pilot project stage to mass market deployment across the country. An additional goal was to introduce mandatory regulations to make all space and water heating equipment 100% efficient. EC produced several research reports and communications products in support of the grant's goals including [*Canadian Heat Pump Myth Buster*](#), [*Advancing Canadian Appliance and Equipment Standards*](#), [*How to Modernize Canada's Energy Efficiency Act*](#), [*The Cool Way to Heat Homes*](#), and [*A Review of Recent Heat Pump Research and Initiatives for Canadian Policymakers*](#). These products were utilized to engage and mobilize stakeholders and advocate to government representatives on a range of issues including policy priorities for the federal Green Building Strategy and updates to Amendments 18 & 19 of the federal Energy Efficiency regulations. EC employed several tactics throughout the project including collaboration with international and Canadian partners to identify best practices and recommendations, support for communities of practice, targeted engagement and advocacy to federal ministers and policymakers, communications and knowledge dissemination of publications, and engagement in federal and provincial policy and regulatory processes.

The project had ambitious goals in a politically turbulent time that included cost-of-living concerns, retreat from the carbon tax, and the lead up to prorogation of Parliament. The grantee sought to engage opportunistically and adapt according to the conditions but had difficulty advancing the development of regulations and other formal mechanisms for requiring efficient and decarbonized heating systems. Nevertheless, its work garnered significant media attention and the policy briefs and reports were used effectively for advocacy and public communications.

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SIGNATURE

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