

Ontario Teachers' Finance Trust External Review of Green Bond Report 2024

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This report was produced by Shades of Green using Shades of Green Methodology.
On December 1, 2022, S&P Global acquired Shades of Green from CICERO

S&P Global has reviewed Ontario Teachers' Finance Trust's ("OTFT") Green Bond Report 2024 ("Report"). We review assets in OTFT's portfolio of eligible green assets within its green bond register ("Portfolio") against Ontario Teachers' Green Bond Framework (dated November 2020, the "Framework")¹ criteria, and impact metrics for relevance and transparency.

We consider that the assets in the Portfolio align with the Framework and that the Report utilizes relevant and sufficiently transparent impact metrics. Moreover, we consider the Report aligns with the core principles and recommendations contained in ICMA's Handbook – Harmonized Framework for Impact Reporting (June 2023).²

Asset allocation

OTFT has issued four green bonds under the Framework, totaling around CAD 3.9 billion.³ Use of proceeds are reported as of December 31, 2023, at which point the Portfolio totaled circa CAD 7.5 billion.

OTFT has not added any new eligible green assets to the Portfolio, nor have any existing eligible green assets been removed from the Portfolio, since last year's Green Bond Report.⁴ In respect of eligible green assets in the Portfolio, OTFT's Green Bond Council undertakes periodic reviews to assess the continuing eligibility of such assets. The reviews undertaken since last year's Green Bond Report concluded that all green assets remain eligible. S&P Global welcomes OTFT's pro-active and structured approach to these reviews, noting these also comply with its commitments under the Management of Proceeds section of the Framework. As such, in respect of allocation, we consider the Report aligned with the Framework; for a more detailed review, see also Appendix 1.

The Framework was assigned an overall Dark Green in our Second Party Opinion, though proceeds could be used to finance expenditures of all Shades of Green.⁵ Overall, OTFT has allocated green bond proceeds to:

- Ten eligible green assets in the Dark Green renewable energy category (investments in (i) three electricity transmission and/or distribution companies, (ii) six renewable energy producers/developers/assets, and (iii) one energy storage company),
- One eligible green asset in the Medium Green energy efficiency category (investment in a smart metering and environmental efficiency consulting company), and

¹ [Ontario Teachers' Pension Plan \("OTPP"\) guarantees OTFT's issuances, and OTFT has adopted OTPP's Green Bond Framework. All outstanding green bonds are issued under the Framework, notwithstanding that OTFT introduced an updated framework in 2023.](#)

² [ICMA Handbook](#)

³ [The first, issued in November 2020, has a value of EUR 750 million \(circa CAD 1.16 billion\); the second, issued in November 2021, has a value of EUR 500 million \(circa CAD 710 million\); the third, issued in November 2022, has a value of CAD 1 billion; and the fourth, issued in March 2023, has a value of CAD 1 billion.](#)

⁴ [For a detailed review of eligible green assets included in the Portfolio in previous reporting years, see our previous Reporting Reviews: OTFT - Reporting Review \(2021\), OTFT - Reporting Review \(2022\), OTFT - Reporting Review \(2023\)](#)

⁵ [OTPP – Second Party Opinion \(SPO\)](#)

- One eligible green asset in the Dark Green climate change adaptation category (investment in a desalination plant).

Impact metrics

OTFT reports impacts for 2023 on an asset category level and reflecting OTPP's ownership as of 31 December 2023. It furthermore pro-rates impact according to the proportion of the Portfolio financed via proceeds under the Framework (52% as of December 31, 2023).

In respect of impacts, S&P Global considers that - overall - the Report utilizes relevant and transparent metrics (see also Appendix 1). The Report includes at least one relevant indicator for each asset category and each company reports on at least one indicator. In respect of transparency, OTFT includes certain relevant information on the methodologies and metrics applied and provides transparency on the use of ex post and ex ante calculations.⁶ Each company undertakes its own calculations and there is not therefore uniformity of measurement or methodology.

Terms

S&P Global provides a review of OTFT's annual reporting based on documentation provided by OTFT and OTPP and information gathered during teleconferences and e-mail correspondence with OTFT and OTPP. OTFT and OTPP are solely responsible for providing accurate information. All financial aspects of the sustainable finance reporting - including the financial performance of the bond and the value of any investments in the bond - are outside of our scope, as are general governance issues such as corruption and misuse of funds. S&P Global does not validate nor certify the existence of investments and does not validate nor certify the climate effects of investments. Our objective has been to provide an assessment of the extent to which the bond has met the allocation and reporting criteria established in OTPP's Green Bond framework. The review is intended to inform OTFT and OTPP management, investors and other interested stakeholders in the OTFT green bond and has been made based on the information provided to us. S&P Global cannot be held liable if estimates, findings, opinions or conclusions are incorrect. Our review does not follow verification or assurance standards and we can therefore not provide assurance that the information presented does not contain material discrepancies.

⁶ Ex post is used for operational assets, while ex-ante is used for assets which are not operational until 2024 or later. Where an asset has both ex ante and ex post metrics, only ex post metrics are reported.

Appendix 1 - Review of eligible green assets included in the Portfolio

Category	Description	Review against framework criteria	Impact Metrics	Relevance of metrics	Transparency considerations
Renewable Energy	<ol style="list-style-type: none"> Investment in three electricity transmission/distribution companies Investment in six owners/operators/assets of renewable energy assets Investment in one energy storage company 	<p>No discrepancies identified</p> <ul style="list-style-type: none"> No new eligible assets have been added to the Portfolio under this project category Based on our previous reviews of these assets' alignment with the Framework, as well as OTFT's periodic reviews of their ongoing eligibility, we consider the investments aligned with Framework criteria 	<ul style="list-style-type: none"> Renewable energy generated and/or transmitted per annum (GWh) Battery usable energy capacity (MWh) Avoided GHG emissions (tCO₂eq) 	<ul style="list-style-type: none"> ✓ Metrics are relevant, provide a good indication of impacts ✓ Generation, and avoided emissions are listed as core indicators in the ICMA Handbook – Harmonized Framework for Impact Reporting 	<ul style="list-style-type: none"> ✓ We welcome that the Report includes, on a high-level, qualitative explanations for increases or decreases of impacts, for example the impact of the increasing number of operational assets on avoided emissions ✓ Both ex ante and ex post metrics are included. Where an asset has both ex ante and ex post metrics (i.e. assets both in development and operational), only ex post metrics are considered – we consider this a conservative and prudent approach
Energy Efficiency	<ul style="list-style-type: none"> Investment in a smart metering and environmental efficiency consulting company 	<p>No discrepancy identified</p> <ul style="list-style-type: none"> See above 	<ul style="list-style-type: none"> Energy savings (GWh) GHG emissions avoided (tCO₂eq) 	<ul style="list-style-type: none"> ✓ Metrics are relevant, provide a good indication of impacts, and/or are included in the ICMA Handbook – 	<ul style="list-style-type: none"> ✓ We welcome that the Report is transparent and includes reference to the study used in the

				Harmonized Framework for Impact Reporting as core sustainability indicators'	estimation of energy savings
Climate Change Adaptation	<ul style="list-style-type: none"> Investment in a desalination plant 	<p>No discrepancy identified</p> <ul style="list-style-type: none"> See above 	<ul style="list-style-type: none"> Water produced and treated (m³) 	<ul style="list-style-type: none"> ✓ Metrics are relevant provide a good indication of impact ✓ The ICMA Handbook includes water availability as a climate-adaptation indicator 	<ul style="list-style-type: none"> ✓ Given there is only one climate adaptation project in the Portfolio, and considering potential climate and environmental risks and impacts related to desalination and adaptation projects, OTFT could consider including additional metrics such as energy use (and source)

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