TORONTO POLICE
Widows & Orphans Fund
*First to respond since 1952*

# OSFI B-15 Climate Risk Management Report

June 2026

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## Cautionary Note Regarding Forward-Looking Information

This report contains forward-looking information relating to the Toronto Police Widows & Orphans Fund's (TPWOF, the Fund) climate-related strategies, plans, goals, and objectives. These statements are predictive in nature and relate to future events, conditions, or expectations. They are identified by word such as "believe", "may", "objectives", "opportunity", "plan", "potential", "project", "target", "will", and other similar words, and relate to: the Fund's approach to climate-related governance, strategy, and risk management, including how it identifies, assesses, manages, and mitigates climate-related risks and opportunities; the Fund's assessment of the materiality of climate-related risks and opportunities, and the Fund's expectations regarding the timing of climate-related risks and opportunities and their potential impact on the Fund's operations, financial position, performance, and cash flows.

The forward-looking statements contained in this report reflect our current expectations, estimates, and projections regarding future events and are subject to change. These statements are not guarantees of future performance and involve inherent risks, uncertainties, and assumptions, many of which are difficult to predict.

In preparing our climate-related risk assessments and targets, we have relied on prevailing market practices, methodologies, criteria, and standards. Given the inherent limitations and uncertainties associated with climate science, risk analysis, and climate-related reporting, we have also made reasonable assumptions and estimates in developing the information presented in this report.

The forward-looking information in this report is intended to help stakeholders understand our current approach to climate-related governance, strategy, risks, opportunities, and objectives.

## About the Toronto Police Widows & Orphans Fund

The Toronto Police Widows & Orphans Fund was created in 1952 and is owned and managed by its members. We are a fraternal benefit society that exists to support members of the Toronto Police Service (TPS) and their families during life's most difficult moments. Our purpose is simple: to provide fast, reliable financial benefits and compassionate care. We are here to ensure that no family faces hardship alone.

The TPWOF Board is comprised of a spectrum of knowledge-based directors, active members from across the TPS and representatives of the Toronto Police Association. The knowledge-based directors bring with them expertise in areas of actuarial science, strategic management, accounting, finance, and marketing.

## Introduction [1, 2]

Climate change and the risks it poses have the potential to significantly impact the safety and soundness of federally regulated financial institutions. These risks are broadly referred to as "climate-related risks". Climate-related risks emerge over varying time horizons and are likely to intensify with time.

This report provides climate-related disclosures that are in accordance with Canada's Office of the Superintendent of Financial Institutions (OSFI) as set out in Guidelines B-15 – Climate Risk Management. This guideline lays out OSFI's expectation that federally regulated financial institutions (FRFIs) include climate-related financial disclosures in their annual reporting, aligned with governance, risk management, metrics, and targets, including greenhouse gas (GHG) emissions, with phased-in timelines .

OSFI has categorized risks as either "Physical" or "Transitional" in nature.

Physical risks refer to financial risks that arise from climate-related extremes and events; these may increase in severity and frequency over time. These types of risk may be:

- Acute risks arise from more frequent and severe extreme weather events (e.g., storms, floods, wildfires that may impact the business directly).
- Chronic risks result from long-term shifts caused by climate changes such as rising temperatures, sea-level rise, and ecosystem degradation.
- Indirect effects include the impacts on public health, supply-chain disruptions, and broader economic consequences as a result of climate changes.

The above risks can disrupt the operations of the TPWOF, increase insurance claims, and impair the values of its investment assets.

Transition risks are those financial risks that arise as a result of the move towards a low-GHG economy. They may include:

- Policy and regulatory changes such as carbon pricing, emissions caps.
- Technological shifts which include but are not limited to rapid adoption of clean energy.
- Market and consumer preference changes which include declining demand for high-emission products, investments, etc.
- Reputational pressures which would include stakeholder expectations for climate action.

These risks can affect asset valuations, business models, and creditworthiness, with asset valuations being particularly applicable to the TPWOF.

OSFI has also noted that both physical and transitional risks can lead to 'Liability' risks. These may include:

- Climate-related litigation.
- Claims under liability insurance policies.
- Legal actions for failing to manage climate risks prudently.

Climate risks can spread through an entity's balance sheet [3], amplifying traditional financial risks. Among these, legal actions for failing to manage climate risks prudently would be the most likely to impact the TPWOF.

Being resilient in the face of climate-related risks means the TPWOF must address vulnerabilities in its operations, and ultimately its balance sheet [3], focusing on areas such as credit risk, market risk, insurance risk, liquidity risk, operational risk, strategic risk and reputational risk.

## Scope of This Report

This report describes how the TPWOF's approach to climate-related risks related to investment and operational oversight are managed through appropriate governance, strategy, risk management, and metrics and targets. The report covers the fiscal year January 1 to December 31, 2025. All dollar amounts are in Canadian currency. References to "we", "our", "us", "TPWOF", and "Fund" mean Toronto Police Widows & Orphans Fund. This report does not include the investing approach of the TPWOF's asset manager, who is bound by their primary accountability of fiduciary duty to their Clients. The asset manager invests in line with Client goals and objectives as laid out in the Fund's Investment Policy Statement (IPS).

## Climate-Related Financial Disclosures [1]

### GOVERNANCE

*Board of Directors*

Oversight of the TPWOF's climate-related risk management rests with the Board of Directors, working in conjunction with the Risk and Audit Committees. The Board maintains ultimate accountability for the Fund's climate-related strategy and governance. To fulfill this responsibility, it relies on reports from Committee Chairs and on briefings from management and external specialists and consultants, which inform the Board's level of engagement and support its role in challenging, advising, and guiding senior management.

### *Management*

The Risk Committee of the TPWOF supports the Board with enterprise-wide oversight of the management of both current and evolving risks, including those that are climate-related. The Committee also reviews results of OSFI's Standardized Climate Scenario Exercise (SCSE). The Audit Committee is responsible for reviewing and approving the Fund's Investment Policy Statement. This policy describes the parameters within which the Fund's asset manager may operate. The Audit Committee also reviews and approves all financial reporting and note disclosure of the Fund. The Chief Risk Officer (CRO) provides independent oversight of the management of risks across the TPWOF, and as such, monitors and reports on current and evolving risk, to the Risk Committee. The TPWOF's governance and accountability structure to manage climate-related risks is outlined in Table 1 below.

*Table 1: TPWOF Climate-Related Risk Governance and Accountability*

| **Governance** | |
|---|---|
| Board of Directors | • Ultimate accountability for climate related strategy and governance. |
| Risk Committee | • Enterprise-wide oversight and management of current and evolving risks, including those associated with climate change. |
| Audit Committee | • Review and approve IPS, financial statements and note disclosures. |
| Chief Risk Officer | • Provides independent oversight of the management of risks. |

## STRATEGY

The TPWOF pools premiums received from its membership in its Asset-Liability Management (ALM) investment portfolio and its Guaranteed Investment Certificate (GIC) portfolio. The TPWOF also maintains a Surplus portfolio of investments. The ALM and

Surplus portfolios are invested in various pooled funds that collectively hold federal, provincial and corporate bonds, as well as common equities and commercial mortgages.

Given the scope of its investment portfolios, the TPWOF may experience the impact of physical and transitional risk with respect to its investments. These may arise from extreme weather events, from long-term gradual changes in weather patterns, or from the gradual move towards a low-GHG economy. Such risks, within this report, are referenced as 'financed emissions'.

Supporting organizational resilience at the TPWOF means looking internally to evaluate its carbon footprint, and externally at outsourced services and investments, and taking appropriate steps to minimize the impacts of risk, to the extent deemed appropriate; while ensuring it maintains sufficient capital and liquidity buffers to effectively manage any residual climate-related risks.

## RISK MANAGEMENT

### *Identification and Assessment*

Effective risk management requires identifying those sources of operations and activities undertaken by the TPWOF that give rise to GHG emissions, both directly and indirectly, assessing climate-related risks and opportunities, and quantifying their impacts (as appropriate). It also encompasses evaluating the risk of operational disruptions resulting from climate changes.

From an internal perspective, the TPWOF's own GHG emissions are relatively minor, being a fraternal benefit society, offering its product to a small target market segment, and running lean operations. Changing weather patterns leading to higher temperatures, extreme heat and wildfires may disrupt TPWOF in-house and outsourced operations. In the fullness of time, these changes also have the potential to result in an increase in mortality claims. The extent of how climate-related factors will impact health outcomes and the resulting implications for our products and services over the long term is not yet known. Quantifying climate-related risk exposures for life insurers is challenging and complex. The magnitude and time horizons of climate-related impacts are difficult to predict due to data availability, data quality and the challenge of identifying causality.

From an external perspective, the impacts of physical and transitional risks may be felt within the TPWOF's investments as a result of shifts in consumer preferences for green securities and assets which in turn may influence investment asset values. New government climate-related regulations, in response to increasing climate risk awareness and related risk management, may also translate to risks to the Fund if it were to fail to comply with such policies and regulations in a timely manner. The combination of these risks may also culminate in reputational risk to the TPWOF. A summary of these risks is presented in Table 2 below.

*Table 2: TPWOF's Climate Risk Vulnerabilities*

| **Climate Risks** | | | |
|---|---|---|---|
| Physical Risk | | Transition Risk | |
| Acute - Wildfires / Extreme Heat | Changing weather patterns causing extreme heat and wildfires and may disrupt TPWOF in-house and outsourced operations. | Market & Consumer Preferences | As climate risk awareness increases, markets may see a shift in investor preferences towards green investments which may impact TPWOF investment asset values. |
| Chronic - | Slow and long-term shifts in high or low temperatures may disrupt TPWOF operations. | Policy & Regulation | Evolving government and regulator requirements will require additional actions and responses from the TPWOF. |
| Indirect - Epidemic / Pandemic | Changing weather patterns may increase the likelihood of the spread of vector borne diseases which would indirectly impact TPWOF operations and policy claims. | Reputational Pressure | As climate awareness increases, TPWOF 's stakeholder expectations for climate action may increase. |

## TPWOF Approach to Climate-Related Risks and Opportunities

Since 1952, the TPWOF has provided immediate financial assistance and long-term stability to the families of Toronto Police Service members. As a fraternal benefit society, we are committed to supporting our members' loved ones with care, compassion, and timely assistance when they need it most.

Climate-related risks and opportunities are considered as part of the TPWOFs strategic planning; however these risks are not determined as material to business operations given the Fund's size and focus. At this time, climate-related risks and opportunities are not believed to have a material impact on the Fund's financial position, performance, or cash flows.

In response to the risks and opportunities identified, the TPWOF has three focus areas. Each of these are managed in line with its Risk Appetite Framework.

### *Insurance*

The TPWOF's product is designed and priced to meet the needs of its members. Research on long-term climate changes and rising global temperatures and their impact on mortality and morbidity is in the early stages. The Fund will continue to monitor research in this area and adopt appropriate actions as deemed appropriate or when required.

### *Investments*

The TPWOF seeks to invest in companies best positioned to deliver risk-adjusted returns over the longer-term operations. At present the Fund's investment portfolios do not present significant climate-related risks. An evaluation of GHG emissions will be presented in the Metrics and Targets section in future years.

### *Operations*

The TPWOF considers the direct impact on operations of extreme weather events, such as flooding, power outages, and wildfires that may impact internal and outsourced operations. The Fund has taken steps to mitigate potential impacts on internal operations by developing contingent operating plans. The Fund also relies on third party contingent operating plans to support on-going outsourced operations in adverse circumstances.

## Metrics and Targets

The TPWOF reports  climate-related metric across two categories:

- Enterprise GHG emissions across scope 1 and 2 as defined by OSFI (see below).
- Investment Portfolio metrics.

The TPWOF's goal is to effectively manage the risks it faces while ensuring the long-term sustainability of its operations and ensuring it maintains sufficient capital and liquidity buffers to effectively manage any residual climate-related disruptions.

Throughout this process, the governing bodies described in the Governance section oversee the approval, monitoring, and execution of each goal. Our investment approach is guided by internal methodologies aligned with standard industry practice.

The TPWOF uses external frameworks and guidance, together with internal assessments, to evaluate the relative materiality of GHG emission sources. The Fund reviews its risk management on an ongoing basis to ensure alignment with its strategic priorities, applicable frameworks, and the external environment.

### *Enterprise Greenhouse Gas (GHG) Emissions*

GHG emissions are measured in metric tons of $CO_2e$ (t $CO_2e$) which stands for Carbon Dioxide Equivalent. The Guideline defined emission scopes are grouped into three categories, namely;

- Scope 1 – direct in nature,
- Scope 2 – indirect in nature (arising from purchased energy), and
- Scope 3 – also indirect in nature (all other, including financed emissions)

## Scope 1

Scope 1 includes all direct GHG emissions from sources that are owned or controlled by the insurer. These include, but are not limited to, owned properties, fleet of motor vehicles, generators and boilers.

This category does not apply to the TPWOF because it does not own its office space, nor does it own vehicles, generators, or boilers.

Fiscal year 2025 Scope 1 emissions are 0.00 t $CO_2e$.

## Scope 2

Scope 2 includes indirect emissions from purchased energy, namely the emissions associated with the production of heat and electricity from assets not owned by the insurer.

For the TPWOF, this includes emissions from electricity and heating used when staff work onsite one day per week, as well as emissions from operating our server. Emissions are calculated by using the emissions from a proxy office property of similar size and complexity, adjusted for TPWOF office space square footage and the percentage of time that TPWOF uses its office space per week (i.e. 1 day per week).

Fiscal year 2025 Scope 2 emissions are 0.13 t $CO_2e$.

## Scope 3

Scope 3 includes all other indirect emissions within the value chain of the organization, both upstream and downstream, occurring from sources, the insurer does not own or control. These include, but are not limited to, financed emissions and insurance-associated emissions.

TPWOF is not yet required to disclose Scope 3 emissions and is currently working towards compliance with future disclosure requirements.

OSFI defined scope1, 2 and 3 applications to the TPWOF are presented in Table 3 below.

*Table 3: TPWOF Scope 1, 2 and 3 Application*

| Greenhouse Gas (GHG) Emissions | |
|---|---|
| Scope 1 | • Not applicable. |
| Scope 2 | • Direct emissions from lighting and heating office space, running server. |
| Scope 3 | • Indirect emissions within value chain which included employees commute to and from work, business travel, financed emissions. |

## References


1. OSFI Guideline B-15 – Climate Risk Management
2. https://www.osfi-bsif.gc.ca/en/news/osfi-issues-new-guideline-climate-risk-management
3. Specific ways Guideline B-15 impacts balance sheet composition and risk management include:
    - Asset Valuations & Devaluation: FRFIs must assess vulnerable physical assets (e.g., investment portfolios) to potential climate hazards, leading to mark-to-market adjustments or impairment. The transition to a low-carbon economy may also create "stranded assets [4]," reducing their carrying value on the balance sheet.
    - Financed Emissions: Under Category 15 (Investments), lenders and banks must account for greenhouse gas (GHG) emissions associated with their loans and investments. This requires tracking financed emissions on both on-balance sheet and off-balance sheet assets, influencing future capital allocation and divestment decisions.
    - Capital & Liquidity Buffers: Guideline B-15 requires entities to incorporate climate risks into their ORSA processes. Consequently, institutions must maintain higher or more resilient capital buffers and liquid resources to survive plausible, severe climate risk scenarios.

    A stranded asset includes investments or physical properties that suffer unanticipated or premature write-downs, devaluation, or conversion to liabilities well before the end of their economic life.