

2024-2025 Report on Climate-Related Financial Risks Management

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Introduction

About Alto

The mandate of VIA HFR – VIA TGF Inc. (known as Alto) is to develop and implement the Toronto-Québec City High-Speed Rail (HSR) Network, including its design, construction, financing, operation and maintenance, through one or more agreements with the private sector, in cooperation with the Minister of Transport (the HSR project). The Toronto-Québec City High-Speed Rail network will transform intercity travel in Canada, connecting three capital cities and communities across Ontario and Québec with new electrified railway lines on dedicated passenger tracks.

About This Report

In Budget 2021, the Government of Canada introduced a new requirement for Crown corporations to report on their climate-related risks and opportunities, consistent with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Crown corporations holding more than \$1 billion in assets needed to begin reporting in 2021-22, with others expected to follow by 2024-25. Since then, the TCFD recommendations have evolved into the IFRS S2 standard, published by the International Financial Reporting Standards Foundation. Alto followed the principles of the new standard to prepare this report as a companion document to our Annual Report for fiscal year 2024-25.

In the context of climate-related financial reporting, Alto considers the HSR project an investment in sustainability, as well as an important opportunity to make the transportation network in Canada's most densely populated region more resilient to the impacts of climate change. A new HSR network will deliver faster, more frequent, and more reliable service between cities, leading to significant time savings for travelers. Shorter travel times and increased departure options are also expected to stimulate a modal shift away from more carbon-intensive transportation options like automobile and air travel. In turn, this is expected to reduce Canada's greenhouse gas (GHG) emissions from transportation.

As a new Crown corporation in the early stages of developing the new HSR network, Alto has just begun identifying climate-related risks. Alto will further develop its reporting in this area as the project advances.

In March 2025, Alto signed a Pre-Development Agreement (PDA) with Cadence, the private developer partner (PDP) selected to collaborate with Alto to design and develop the project. Consequently, this document represents a starting point for reporting on climate-related financial disclosure, as Alto refines its governance processes and aligns its strategies, risk management approaches, and metrics in collaboration with Cadence.

Governance

Alto acts as a parent Crown corporation in accordance with Order in Council P.C. 2022-0260 issued on March 24, 2022, and is accountable to Parliament through the Minister of Transport and Internal Trade. It is overseen by an independent Board of Directors. The **Board** approves the Corporation's strategic direction and priorities and oversees the implementation of Alto's enterprise risk management framework. It also monitors Alto's progress toward achieving the project's expected outcomes, as well as compliance with legislative and regulatory requirements and industry standards, including those related to climate change.

As required in Alto's by-laws, the Board has established an **Audit and Risk Committee**, which fulfills oversight responsibilities with respect to financial reporting and disclosure, risk management, internal controls, audit processes, accounting standards, and reporting on environmental, social, and governance (ESG) matters, among other topics. Climate-related financial risks fit within the scope of this committee. The Board and its committees meet every quarter, and they convene on an as-needed basis between quarterly meetings.

Executive management (**COMEX**) responsibilities are divided among eight key work units (Strategic Policy & Partnerships, Finance & Technology, Commercial, CEO Office & Corporate Secretariat, Project Management, Communications & Engagement, Legal, and People & Culture). In 2024-25, Alto also established five multi-disciplinary **management tables** to manage the development and delivery of the project: co-development plan management, deal structure development, corridor development, rail engineering and infrastructure, and operations planning.

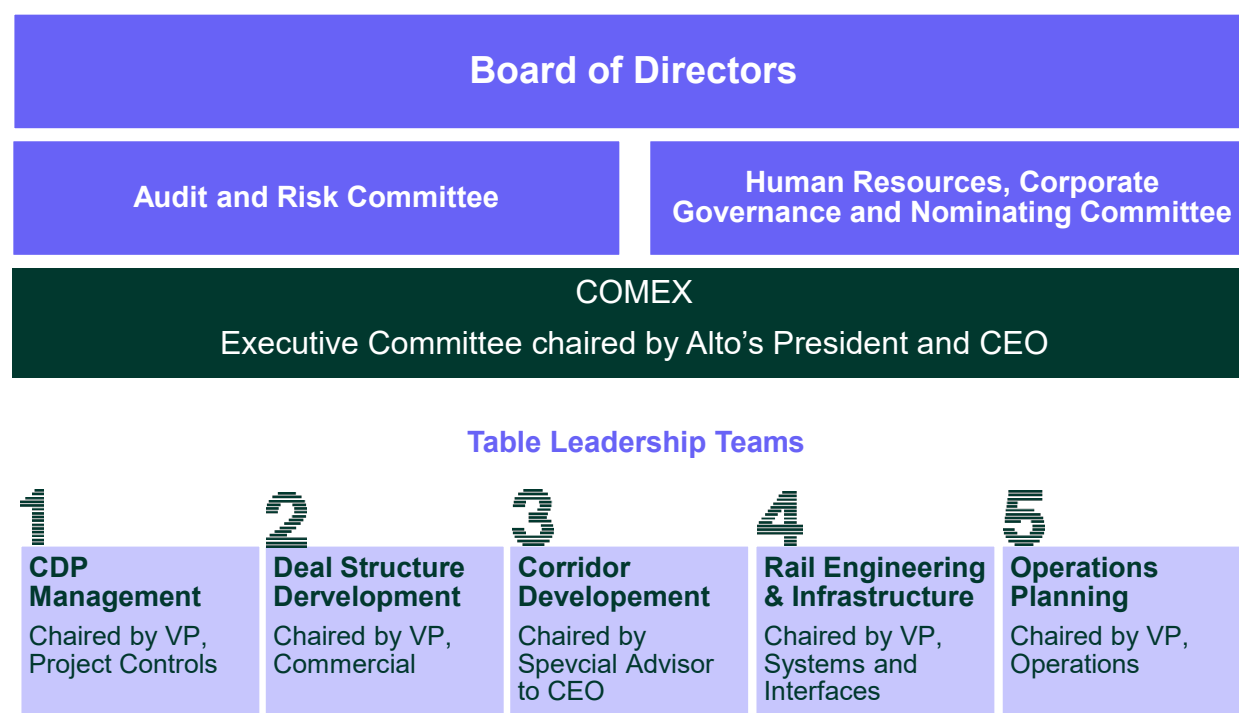


Figure 1 : Alto's Internal Governance

Risks related to climate change can be identified in any of these forums under Alto's enterprise-wide approach to risk management (described in more detail in the Risk Management section below), which promotes accountability and ownership of risk at all levels of the organization.

As a Crown corporation, Alto is responsible for addressing both organizational risks and risks to the HSR project. For project-related risks, Alto leads this work and collaborates with Cadence to ensure that risks, including those related to climate change, are identified and appropriately managed. Cadence's responsibilities are described in the Pre-Development Agreement, and will be further elaborated in other contractual documents as the project advances.

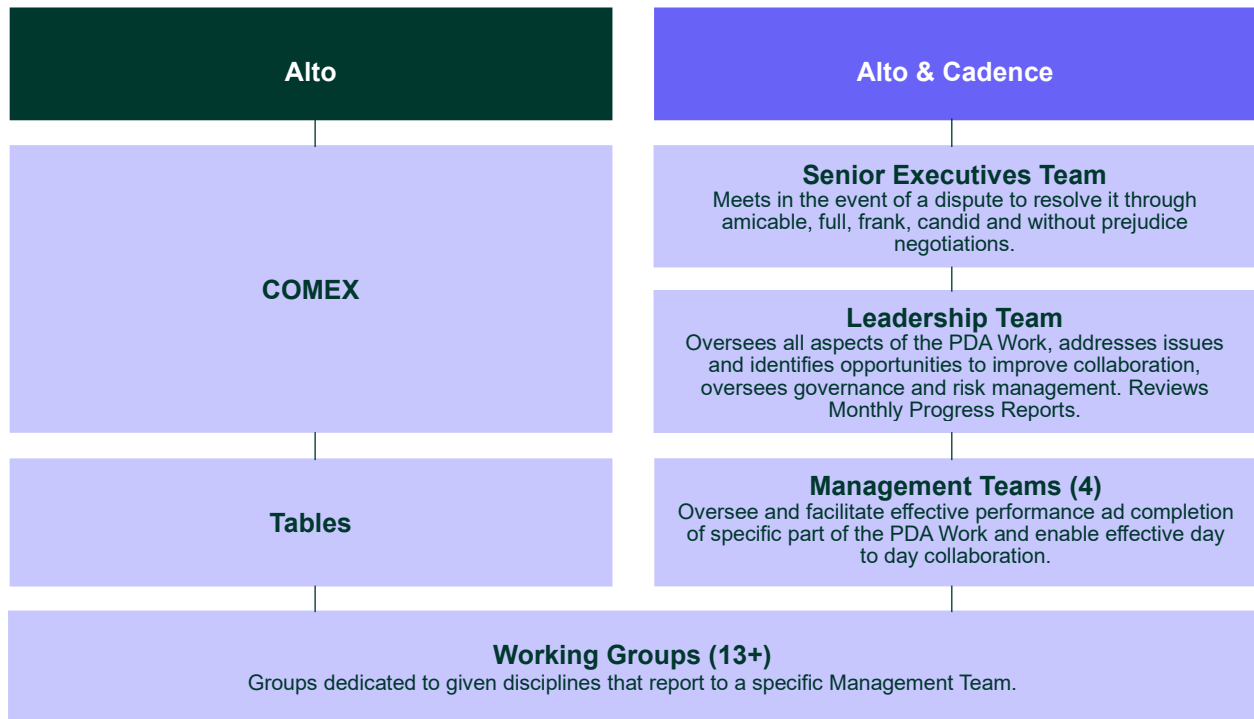


Figure 2: Joint Governance between Alto and Cadence

Strategy

The HSR project is being delivered using a model that leverages a co-development approach to design and development. This approach brings together experts with diverse experience early in the design process, which is expected to better manage costs and risks. In the context of climate-related risks and opportunities, this approach will enable Alto and Cadence to integrate climate change and sustainability considerations into project planning at the outset.

The analysis of the actual and potential impacts of climate-related risks and opportunities on Alto's business model, strategy, and financial planning is currently underway. The following high-level transition risks, physical risks, and climate-related opportunities have been identified and will be further analyzed (short, medium, and long-term impacts, likelihood, financial consequences, mitigation strategy, etc.) as Alto and Cadence develop the HSR project.

Type	Transition Risk	Implications for Alto
Policy & Regulation	Carbon pricing, evolving net-zero legislation, mandatory ESG disclosures	Increased compliance burden; need to report emissions (Scopes 1–3); pressure to decarbonize supply chain
Technology	Emergence of ultra-low carbon transport technologies (e.g. electric/hydrogen planes)	Need to stay ahead with clean energy trains;
Market	Changing consumer expectations for climate-responsible travel	Risk of underperformance if not perceived as “green enough”; but also opportunity (see below)
Reputation	Public criticism if construction or operation does not align with climate commitments	Reputational damage; risk of opposition or social license issues
Financing	Stricter requirements from lenders and investors on climate-risk management	Difficulty accessing capital if not aligned with sustainable finance principles

Type	Transition Opportunity	Implications for Alto
Policy & Regulation	Access to Canada's low-carbon electricity grid; renewable PPAs	Lower Scope 2 emissions, improved energy footprint
Technology	Advanced rail systems, regenerative braking, digital energy management, strategic energy storage for increased autonomy	Operational efficiency gains, tech leadership, long-term differentiation
Market	Modal shift from car and air to rail due to climate concerns	Increased ridership, alignment with Canada's net-zero targets
Reputation	Positioned as a flagship project for Canada's climate strategy	Increased public and government support, stronger stakeholder trust
Financing	Green bonds, Canada Infrastructure Bank funding, ESG-aligned investments	Preferential access to capital, cost savings, reputational boost

Overall risks from acute and chronic climate impacts on infrastructure and operations are listed below. Construction-phase risks primarily affect timeline, costs, and worker safety, often due to acute weather events, while operational-phase risks mainly impact service continuity, maintenance, and asset degradation, linked to both acute and chronic climate changes. The following risks are included in the overall Risk Management Plan for the project.

Type	Physical Risk	Implications for Alto
Acute	Flooding, ice storms, wildfires, heatwaves, windstorms	Construction: Construction site stoppage with undetermined delays, repairs/replacement on damaged machinery and materials, important construction costs and delay in schedule. Operations: Service interruptions, infrastructure damage (e.g. track warping, signal failure), safety risks, operations codependences with other related infrastructures
Chronic	Increased average temperatures, freeze-thaw cycles, permafrost melting in Northern zones, soil degradation and hydrological stress	Long-term track deformation, higher maintenance and lifecycle costs, foundation degradation, altered construction methods or materials
Energy Reliability	Grid strain or outages during extreme weather	Operational resilience risk if traction power is interrupted; may require backup systems
Insurance	Increased insurance premiums for extreme weather exposure	Higher OPEX, reduced insurability of key assets

Different analysis using climate-related scenarios (including 1.5°C to 4°C aligned scenario) are being developed with Cadence to improve the project's resilience to climate change.

Risk Management

Alto has implemented an enterprise risk management framework that integrates risk management into the Corporation's strategic planning and decision-making processes. Alto's Integrated Risk Management Approach considers both corporate risks and project risks in an enterprise risk profile, as shown below.

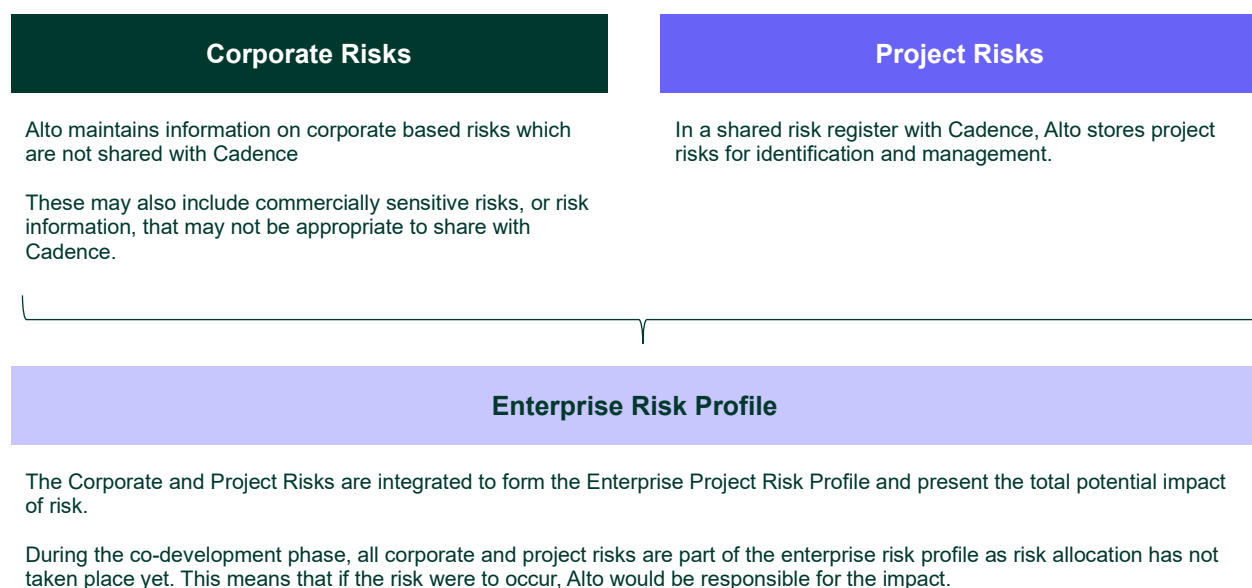


Figure 2 : Alto's Integrated Risk Management Approach

Step	Definition
Project Context	Defining the project's internal and external environments, including regulatory, environmental, technical, and stakeholder considerations
Risk Identification	Identifying risks through workshops, expert interviews, historical data analysis, and reviews of project plans
Risk Analysis	Qualifying and quantifying risks to determine their likelihood, impact, and potential severity
Risk Evaluation	Prioritizing risks based on their significance and criticality to project objectives
Risk Treatment	Developing and implementing treatment options to minimize the negative impact or maximize benefits to the project goals, while also balancing potential cost or schedule impact
Monitoring and Review	Continuous monitoring, and updating the Risk Register as the project evolves

Identifying and assessing climate-related risks (including physical and transition) is done under this framework; there is no distinct process for climate-specific risks. Integrating climate risks into overall risk management frameworks will continue as the project progresses. Climate-specific risks will be developed under Project Risks and shared with Cadence.

Alto is also guided by other federal legislation and Treasury Board directives that support our approach to identifying, assessing, and managing climate-related risks and opportunities.

Source	Commitment
Canadian Net-Zero Emissions Accountability Act	The Corporation is committed to actively contributing to Canada's net-zero emission goal and has set under the leadership of the Government of Canada a project outcome of providing meaningful environmental benefits to support Canada's net-zero commitment. The project outcome objectives include providing a greener rail system and cleaner travel option using electrified technology, reducing total emissions associated with the project including those associated with construction, reducing greenhouse gas emissions during operations, and reporting on greenhouse gas emissions savings achievements.
Federal Sustainable Development Act	The Corporation is committed to advancing sustainable development and contributing to the Government of Canada's sustainable development goals and targets. As Alto matures as a corporation, it will investigate the climate impacts from operational activities to help inform its climate-related governance framework.
	The Corporation intends to achieve certification for the project with sustainable development standards such as ENVISION, LEED and BOMA BEST as well as with the environmental management system standard ISO 14001.
Impact Assessment Act	The project will be subject to the <i>Impact Assessment Act</i> , which sets out a process for assessing and preventing significant adverse effects on the environment, and consulting with Indigenous Peoples, other levels of government, and the public. The impact assessment (IA) process must consider "the extent to which the effects of a project hinder or contribute to the Government of Canada's ability to meet its environmental obligations and its commitments in respect of climate change."
Strategic Assessment of Climate Change	The Strategic Assessment of Climate Change, published in 2020, describes the climate change-related information requirements throughout the federal IA process. Alto will collaborate with Cadence to ensure these issues are appropriately addressed.
Greening Government Strategy	The Greening Government Strategy is a directive from the Government of Canada aimed at reducing the environmental impact of federal operations. Key highlights include: ▪ Net-Zero Emissions Goal: Federal operations aim to be net-zero by 2050, with interim targets like a 40% reduction in Scope 1 and 2 GHG emissions by 2025 and 90% by 2050 (from 2005 levels). ▪ Climate Resilience: Enhance the resilience of government assets and services to climate change impacts by 2035. ▪ Broader Environmental Goals: Reduce impacts beyond carbon, including waste, water, and biodiversity. ▪ Procurement and Operations: Integrate sustainability into real property, fleet management, procurement, and service delivery. ▪ Alignment with Global and National Commitments: Supports Canada's obligations under the Paris Agreement, the <i>Net-Zero Emissions Accountability Act</i>, and the Federal Sustainable Development Strategy.

Metrics and Targets

Alto is committed to advancing sustainable development and contributing to the Government of Canada's sustainable development and climate resiliency goals. Building on the objectives in the project outcomes described above, Alto will collaborate with Cadence during the development phase to refine climate targets and establish additional metrics to measure and disclose GHG emissions (Scope 1, 2, and 3), for both the construction and operation of the project.

Construction

A whole-life carbon management approach has been adopted to minimize GHG emissions associated with every phase of the project, including construction, in support of Canada's Net-Zero Commitment. Using the Institute for Sustainable Infrastructure's Envision framework and the US Green Building Council's LEED certification guidelines, we will identify, quantify, and prioritize GHG emission reduction strategies in a carbon management plan to be developed when the project has been more refined. Implementing these strategies will lead to a significant reduction in the project's GHG emissions during construction and reflects our commitment to environmental responsibility.

Operation

The HSR network will mostly use fully electrified tracks (the energy coming directly from Canada's low-carbon electricity grid) which will further contribute to reducing GHG emissions. Overall, the project is expected to reduce GHG emissions during operations by up to 39 million tonnes¹ over the project's lifecycle, which will support the Government of Canada's Net-Zero commitment.

BOMA BEST Sustainable Buildings program will be used to promote sustainability of buildings constructed for the project through facilitating the continuous improvement of building operation and maintenance thus minimizing energy needs and associated GHG emissions.

¹ [Alto - Explanatory Document 2025](#)