Task Force on Climate-Related Financial Disclosures (TCFD) Report 2024

Global climate disclosure standards underwent a significant change in October 2023 when the Task Force on Climate-Related Financial Disclosures (TCFD) "fulfilled its remit and disbanded".[1] The Financial Stability Board (FSB), which previously served in the oversight capacity of the TCFD, transferred responsibility of monitoring companies' climate-related disclosures to the IFRS Foundation. Just ahead of this transfer of responsibilities, in mid-2023, the International Sustainability Standards Board (ISSB) released the inaugural IFRS Sustainability Disclosure Standards, designed to be the leading sustainability standards for companies to report against. Of the two disclosure frameworks set forth within the IFRS Standards (S1 and S2), S2 represents climate-related financial disclosures and effectively assumes the recommendations set forth by the TCFD.

However, comparative research performed by Institutional Shareholder Services (ISS) has revealed that "well over three-quarters of IFRS S2 cross-industry disclosure requirements exceed TCFD recommendations", suggesting that even those with currently robust climate-related strategies and disclosure practices will need to significantly enhance their scope and efforts to align with IFRS.[2]

The study found that new requirements under IFRS S2 relative to the TCFD recommendations were mostly concentrated within Metrics & Targets, followed by Strategy and Risk Management. The Governance requirements under IFRS S2 were found to be most similar as compared to the TCFD recommendations. As an example, a new requirement under IFRS S2 within Metrics & Targets is to disclose the amount of capex, financing, or investment deployed toward climate-related risks and opportunities.

IFRS S2 is in effect for reporting periods beginning on or after January 1, 2024. We look forward to observing the industry's transition from TCFD-aligned to ISSB-aligned reporting and using the coming year as an opportunity to assess our climate strategy against the transitioned reporting structure. In the meantime, we are pleased to disclose our progress against our TCFD-aligned strategy in our fourth annual TCFD report.

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1 https://www.fsb-tcfd.org/
2 https://corpgov.law.harvard.edu/2024/05/15/mapping-tcfd-to-the-ifrs-s2-on-climate-disclosure/

HarbourVest's 4th Annual TCFD Report

We are pleased to share the fourth edition of our TCFD report, highlighting our general approach, important updates, and actions taken over the past year.

The recommendations of the TCFD provide the framework for building consistent climate disclosures. We have organized our climate change strategy in line with the four pillars of the TCFD and our corresponding commitments are:

Governance

We will articulate our position on climate change and clarify oversight and management responsibilities for that position internally.

See our approach

Strategy

We will engage the senior investment team to have a meaningful discussion on the potential impact of climate change scenarios to our investment strategies.

See our approach

Risk Management

We will engage with GPs on the adoption of the TCFD framework to assess and manage climate-related risks. As part of our ESG Scorecard and reporting, we will begin to capture data regarding adoption amongst GPs and use this knowledge to educate and lead the industry.

See our approach

Metrics and Targets

We will support and collaborate with GPs on the identification of climate-related risks and target-setting for risk management.

See our approach

Governance

The first recommendation of the TCFD relates to disclosing an organization's governance structure around climate-related risks and opportunities. Such information supports evaluations of whether material climate-related issues receive appropriate board and management attention, including disclosures relating to the role an organization's board plays in overseeing climate-related issues as well as management's role in assessing and managing those issues.

TCFD recommended disclosure	HarbourVest approach	Recent updates
Describe the Board's oversight of climate-related risks and opportunities.	HarbourVest's CEO provides ultimate oversight of climate-related risks and opportunities in the firm's investment and operational strategies. This is reflected in their performance objectives. The CEO receives updates on an ad-hoc basis through the ESG Council regarding potential climate-related topics that may impact the firm. HarbourVest's senior leadership has been independently active in developing its understanding and engagement on the topic, such as former co-CEO Peter Wilson's involvement in the Private Equity CEO Taskforce of the Sustainable Markets Initiative (PESMIT).	In 2023, our ESG team provided Director training for HarbourVest Partners (Ireland) Limited, a private limited company authorized by the Central Bank as an AIFM that oversees HarbourVest's European products (alternative investment funds). In 2023, in his prior remit as co-CEO and a current member of PESMIT, Peter Wilson attended COP28 to engage with the most pressing climate trends. In preparation, the ESG team presented an update on COP28 policy objectives and recent climate trends, including the associated evolution of natural capital.
Describe management's role in assessing and managing climate-related risks and opportunities.	HarbourVest's ESG Council consists of senior management across the firm and holds regular meetings throughout the year to discuss strategic ESG matters which may include the firm's approach to identifying and managing climate-related risks and opportunities in investment portfolios. HarbourVest's ESG team lead is responsible for advising the EMC and ESG Council and implementing the firm's approach to climate-related risks and opportunities into the investment process. The ESG team lead works in partnership with our investment team leads to embed and integrate climate-related considerations into the investing and diligence processes, and to provide ongoing training as the landscape develops.	In October 2023, the ESG Council discussed HarbourVest's approach to managing climate-related risks and opportunities within its commingled funds and separately managed accounts. Additionally, at its December 2023 meeting, the ESG team delivered a presentation to inform the Council of the Private Markets Decarbonisation Roadmap (PMDR). The Council discussed the initiative and suitable engagement steps with GPs using the PMDR.

Strategy

The next recommendation of the TCFD relates to disclosing the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. This includes a description of the climate-related risks and opportunities the organization has identified over the short, medium, and long term; the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning; and the resilience of the organization's strategy considering different climate-related scenarios, including a 2°C or lower scenario.

TCFD recommended disclosure	HarbourVest approach	Recent updates
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	HarbourVest engaged Business for Social Responsibility (BSR) in 2021 to conduct a climate scenario analysis workshop with senior leaders. The purpose of the exercise was to understand the risks and opportunities to the business and to learn how we can consider integrating climate considerations into our firm's strategic planning. In the short-term, which we measure as up to 2030, we identified the need to build our internal capacity to manage climate-related risks and opportunities. This includes our resourcing, portfolio data, and integration of climate factors into our investment analysis. We are also closely tracking climate-related regulation for the investment industry which spans various regions and perspectives on the necessity to incorporate climate risk into investment decisions. HarbourVest has an opportunity in the short-term to be a value-add partner to our investors by providing data and solutions on climate-related risks and opportunities. In the medium and long-term, beyond 2030, we believe our portfolio holdings face both risks and opportunities from a climate perspective. It is important that we continue to identify assets that may over time be at risk of being stranded during a low-carbon transition and to position our portfolios to capture the upside of the low-carbon transition.	Together with the ESG Council, our ESG team recently revisited our climate-related strategy to identify our key pathways of influence and the relevant risks and opportunities we should be aware of. From this process, we identified specific short-term risks such as: • Lack of transparency on decarbonization efforts at GPs and portfolio companies • Decarbonization activity is concentrated among a core group of GPs and nascent as a broad market practice • Low-quality emissions data • Physical climate and nature impacts and dependencies We also identified short-term opportunities such as: • Investment returns from decarbonization and climate technology themes • Capital development opportunities with clients seeking dedicated climate portfolios • Relationship and reputation strengthening through service in the private markets climate industry The primary long-term risk remains loss of investment value due to physical and transition-related climate risks. On the other hand, the primary long-term opportunity is to mitigate portfolio-wide financial impacts of climate and generate returns from climate transition themes. *(Strategy continued)*

TCFD recommended disclosure	HarbourVest approach	Recent updates
(Strategy continued from prior page) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. *Supplemental Guidance 1*: Asset managers should describe how climate-related risks and opportunities are factored into relevant products or investment strategies. Supplemental Guidance 2: Asset managers should also describe how each product or investment strategy might be affected by the transition to a low-carbon economy.	At the end of the workshop with BSR, HarbourVest was presented with four main themes for the firm to consider to bolster further integration of climate considerations into our strategic priorities: 1. Firm assets, including data, human capital, legal, regulatory and compliance infrastructure. 2. Fundraising, including understanding regulatory requirements and LP demand for climate-related integration or solutions. 3. Deployment, including the consideration of thematic investment opportunities in climate solutions. 4. Monitoring and servicing, including tracking and reporting on climate-related risks and opportunities to investors.	**Firm assets** • In 2022, we added an ESG team member with robust background in carbon accounting and initiated a partnership with Persefoni, a carbon accounting firm, to calculate estimated GHG emissions across the HarbourVest portfolio. • In 2023, we started systematically collecting company-level GHG emissions data from our GPs. During this first year of data collection, we were able to obtain reported GHG emissions data for portfolio companies comprising ~11.4% of assets under management. • In 2023, we hired an ESG Portfolio Analyst to organize and maintain our growing dataset, including GHG emissions. • In 2023, we hired a specialist biodiversity consultant, Pollination, to support our understanding of the nature-related risks and opportunities present within our investment portfolio, and the intersection between natural capital and climate disclosure. • In 2024, we convened a cross-functional climate team to lead our climate solutions and investment approach. **Fundraising** • In 2022, we surveyed over 120 LPs and found that "climate change and energy transition" (81%) and "carbon neutral portfolios" (53%) were among the top priorities for LPs seeking the thematic ESG portfolios. • In 2023, in response to investor requests, we launched a Climate Opportunities strategy which incorporates infrastructure and private equity investments focused on managers and companies that are decarbonizing their operations and providing solutions to climate challenges. • In 2024, we interviewed approximately 20 LPs as part of our strategy-setting process and discussed the emergence of natural capital as an asset class. *(Strategy continued)*

TCFD recommended disclosure	HarbourVest approach	Recent updates
(Strategy continued from prior page)		**Deployment** • In 2022, we structured two of our infrastructure solutions to explicitly incorporate climate-related risk mitigation and opportunity-capture measures. This includes an additional due diligence step that evaluates the degree of alignment a potential investment has with a low carbon transition. Relative to private equity and private credit investments, HarbourVest views infrastructure and real assets as having heightened physical climate risk alongside attractive opportunities to invest in the physical assets that may contribute to a transitioning economy. • In 2023, we built the internal infrastructure to classify GPs according to their climate-related commitments and focus areas. • In 2024, we calculated the total amount of capital that HarbourVest has committed to climate opportunities since 2008 to be $1.3 billion. **Monitoring and Servicing** • In 2022, we published our first fund-level greenhouse gas emissions reports. In 2023, we enhanced our greenhouse gas emissions reports by supplementing estimated emissions data with reported data and by adding weighted average carbon intensity (WACI) to the reports. • In 2023, our ESG team presented a break-out session at our Annual General Meeting focused on "Positioning for a Low-Carbon Transition" and discussed our emissions reports at our Limited Partner Advisory Committee meetings. *(Strategy continued)*

TCFD recommended disclosure	HarbourVest approach	Recent updates
(Strategy continued from prior page) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	As part of our exercise with BSR, HarbourVest undertook a 2030 scenario we analysis to understand our risks and opportunities under different warming trajectories and subsequent market environments. Under a 2°C or lower scenario, which assumes the economy is in an orderly transition, HarbourVest needs to be aware of its partners' climate policies and prioritize investment in emerging sectors. Under a 3°C and higher scenario, the primary risk to HarbourVest would be its reputation and license to operate if it is perceived as contributing to the warming crisis. Under this scenario, there would likely be a fragmented regulatory market related to climate-related investment integration, which is a challenge for a global investor like HarbourVest.	We have continued to incorporate TCFD-aligned metrics into its ESG Manager Scorecard evaluation of GPs to understand how they are positioned to manage the risks and opportunities of climate change. We invest capital in a broad range of sectors, providing diversification benefits against specific climate-related risks, while understanding that climate change poses systemic financial risk. We have expanded these practices, notably through our contribution toward the development of the PMDR. This framework will help us build a portfolio view of how investments are positioned for the low carbon transition, as the PMDR captures not only the decarbonization trajectory of investments, but also tags investments that are unable to align or that are climate solutions. This helps build a holistic portfolio view of all four financing strategies needed for the low carbon transition according to GFANZ. Importantly, we contacted approximately 200 GPs to inform them of the newly-launched PMDR, encourage them to analyze their portfolios using the framework and disclose forward to LPs. Finally, we have taken concrete actions to identify and communicate our understanding of the importance of integrating climate considerations into our investment decisions such as our climate-focused fund reporting to our clients, and the preparation of an annual TCFD report. Additionally, our ESG team has a regular working relationship with our Legal, Regulatory, and Compliance team to remain aware of various regulatory regimes that have a climate focus.

Risk Management

The third recommendation of the TCFD is to disclose how the organization identifies, assesses, and manages climate-related risk. This includes a description of the organization's processes for each and how such processes are integrated into the organization's overall risk management function.

TCFD recommended disclosure	HarbourVest approach	Recent updates
Describe the organization's processes for identifying and assessing climate-related risks.	As an investment manager, we have identified the most significant climate-related risk to our firm to be the potential for assets in our portfolio to decline in value because of climate-related damage and transitions. To mitigate this risk, our primary approach is to assess how GPs manage climate change risks and opportunities through our proprietary ESG Manager Scorecard which includes TCFD-aligned indicators. The TCFD indicators contribute to the GP's total ESG Scorecard rating. The Scorecard also generates an individual rating on climate change strategy specifically. Climate-specific, TCFD-aligned inputs to the scorecard include: • Does the GP have a climate change strategy? If not, are they committed to developing one? • Is the GP using (or planning to use) the TCFD framework as a means of disclosing climate risk? • On governance, does the GP have senior oversight and responsibility for climate change risk and TCFD objectives? Is there a climate change policy? Are there training programs in place? • On strategy, does the GP conduct climate risk mapping and scenario analysis? • On risk management, what is the GP's approach to climate-related due diligence? Is there an engagement program in place related to climate? • On metrics and targets, does the GP conduct carbon footprint analysis of its portfolio?	Throughout 2023, we contributed to the development of the PMDR to establish a systematic way of classifying and identifying climate-related risks (and opportunities) within our portfolio. We have engaged with GPs to build awareness and adoption of this tool for portfolio company classification. Ultimately, we believe this will serve as an effective portfolio monitoring tool. In 2024, we onboarded Altitude, an external climate and biodiversity tool, to our systems. Altitude models physical and transition climate risks using various scenarios and industry-recognized pathways as part of its calculation. We have begun using the technology to analyze assets and portfolios within our Infrastructure and Real Assets platform. *(Risk Management continued)*

TCFD recommended disclosure	HarbourVest approach	Recent updates
(Risk management continued from prior page) Describe the organization's processes for managing climate-related risks. *Supplemental guidance: Asset managers should describe how they manage material climate-related risks for each product or investment strategy.*	We invest across multiple strategies. For primaries, our ESG Manager Scorecard is maintained as a live monitoring tool and updated regularly. The scoring data can be used to provide specific feedback to GPs on areas for improvement such as climate change, and to benchmark them to peers. For secondaries, the level of influence that HarbourVest has on managing climate-related risks depends on the structure of the transaction, with complex, concentrated transactions allowing for more engagement with the lead sponsor. For direct co-investments where we have company board or observer seats, our representatives may engage with our lead GPs to increase discussion around ESG topics, those related to climate. Across the sectors into which we invest, HarbourVest has identified our investments in infrastructure and real assets as having the most potential climate-related risk. As such, we have implemented parameters for these funds that promote investment in transition industries and limit investment in industries with potential stranded asset risk.	With the addition of Altitude, in 2024, we started including climate-specific analyses within our Infrastructure and Real Assets investment committee memos, which highlights the climate-related transition and physical risks of an asset based on its geolocation data.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	ESG due diligence, including ESG Manager Scorecards (which incorporate climate change assessments) for most strategies, is incorporated as standard into the Investment Committee (IC) materials before the Decision Required stage. The ESG lead(s) on the investment teams provide oversight of ESG due diligence discussions and deal leads can call upon the ESG team to provide advice on any matters that prompt IC-level discussion.	No material updates to report.

Metrics and Targets

The final recommendation of the TCFD is to disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. This includes:

- A description of the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management processes.
- Disclosure of Scope 1, Scope 2, and Scope 3 GHG emissions and the related risks.
- The targets used by the organization to manage climate-related risks and opportunities and performance against targets.

TCFD recommended disclosure	HarbourVest approach	Recent updates
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. *Supplemental guidance 1: Asset managers should describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Where relevant, asset managers should also describe how these metrics have changed over time. Where appropriate, asset managers should provide metrics considered in investment decisions and monitoring.* *Supplemental guidance 2: Asset managers should describe the extent to which their assets under management and products and investment strategies, where relevant, are aligned with a well below 2°C scenario, using whichever approach or metrics best suit their organizational context or capabilities. Asset managers should also indicate which asset classes are included.*	Through our evaluation of GPs using the ESG Manager Scorecard and corresponding climate-related KPIs, we collect data points pertaining to our universe of GPs and their approach to managing climate-related risks and opportunities in their investment processes.	This includes the following KPIs for our manager dataset as of September 2024: • GPs with a developed climate change strategy: 31% • GPs committed to developing a climate change strategy: 33% • GPs with TCFD-aligned disclosures: 7% • GPs that have conducted climate risk mapping of the portfolio: 18% • GPs that conduct carbon footprint analysis of portfolios: 22% *(Metrics and Targets continued)*

TCFD recommended disclosure	HarbourVest approach	Recent updates
(Metrics and Targets continued from prior page) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks. *Supplemental guidance: Asset managers should disclose GHG emissions for their assets under management and the weighted average carbon intensity (WACI) for each product or investment strategy, where data and methodologies allow. These emissions should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology. In addition to WACI, asset managers should consider providing other carbon footprinting metrics they believe are useful for decision-making.*	**Operational emissions** Since 2020, HarbourVest has actively measured its own operational carbon emissions. The majority of the firm's annual emissions include business travel, purchased goods and services (material use), and waste disposal. **Portfolio emissions** Since 2022, HarbourVest has measured the GHG emissions within its portfolio investments. The reporting shows financed emissions data, which is HarbourVest's share ("attributed emissions") of the emissions related to the fund investments. Financed emissions are the emissions generated as a result of financial services, investments and lending by investors, and companies that provide financial services. These types of emissions fall under scope 3, category 15, of the Greenhouse Gas Protocol. Our portfolio emissions are calculated using the Partnership for Carbon Accounting Financials (PCAF). The PCAF standards are aligned with the Greenhouse Gas Protocol (the most widely used international carbon accounting standard). Our reporting of the emissions data is aligned with the iCI-ERM GHG accounting and reporting guidance for private equity which "translated" these standards for private equity practitioners into practical guidance. Using this data, we published GHG Financed Emissions Reports for certain investment strategies in 2022. In our 2023 GHG Emissions Reports, we added the most recent financed emissions data for our clients' benchmarking purposes, as well as the Weighted Average Carbon Intensity as a new metric.	**Operational emissions** In 2023, HarbourVest produced 6,868 market-based tons of carbon dioxide equivalent (tCO2e) across scopes 1, 2 and 3 emissions. Our 2023 emissions are broken out by scope below: Scope 1 = 50 tCO2e Scope 2 = 464 tCO2e Scope 3 = 6,354 tCO2e. Since 2022, our emissions per FTE decreased from 6.2 tCO2e per FTE in 2022 to 5.2 tCO2e per FTE. Additionally, while business travel activity has recovered to pre-pandemic levels, HarbourVest's emissions from total business travel emissions have stabilized. **Portfolio emissions** In 2022, we partnered with a third-party carbon accounting firm, Persefoni, to annually calculate estimated GHG emissions across HarbourVest investments, using proxy emissions data based on industry averages. We supplemented our estimated emissions dataset with reported emissions data from companies (where available). The data quality of our emissions database has steadily improved over time as we have been able to collect more reported data, see below. 2021: Data Quality 1 & 2: 0% Data Quality 4: 0% Data Quality 5: 100% 2022: Data Quality 1 &2: 4% Data Quality 4: 18% Data Quality 5: 78% 2023: Data Quality 1 &2: 15% Data Quality Hybrid: 5% Data Quality 4: 29% Data Quality 5: 51% Scope 1 = 31% Scope 2 = 6% Scope 3 = 63% *(Metrics and Targets continued)*

TCFD recommended disclosure	HarbourVest approach	Recent updates
(Metrics and Targets continued from prior page) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	As outlined in the Risk Management section, HarbourVest primarily uses the ESG Manager Scorecard as a way to evaluate climate-related risks and opportunities in its portfolio. As such, we seek to increase our number of GPs with climate change ratings, as well as continue to see an average increase in the climate change scores across our managers. In addition, it is critical that our understanding of portfolio emissions continues to improve through reported emissions data at the portfolio company level. We seek to engage with our GPs to generate more reported data each year.	We have published GHG Emissions reports at the fund-level for investors in commingled funds and separately managed accounts for data in 2022, 2023, and 2024, with new metrics added in each year: - In our first year of reporting, we disclosed a fund's financed emissions across Scopes 1, 2 and 3. - In 2023, we added a breakdown of data quality score for the emissions dataset used and the weighted average carbon intensity metric. - In 2024, we added a carbon footprint metric. The breakdown of our 2023 financed emissions by Scopes 1, 2 and 3 are included below: Scope 1 = 31% Scope 2 = 6% Scope 3 = 63% Over the past year, we saw improvement toward each of our continuous targets including: 1. Increasing the number of GPs evaluated on efforts related to climate change. 2. Improving the benchmark climate change score, which represents industry-wide progress on the management of climate factors in the portfolio. 3. Improving the quality of our emissions dataset with reported emissions data supplementing estimated emissions.

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Negative Impacts of ESG Investing
All investments carry a certain degree of risk, including possible loss of principal and there is no assurance that an investment will provide positive performance over any period of time. Consideration of ESG factors could increase exposure to certain companies, sectors, regions, countries, or types of investments, which could negatively impact performance to the extent there is underperformance in such companies, sectors, regions, countries, or investments. Applying ESG goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by HarbourVest or any judgment exercised by HarbourVest in making an investment decision will reflect the ESG-related beliefs or values of any particular investor or group of investors. In addition, HarbourVest makes investment decisions based on circumstances as they exist at the time the investment is made. For additional legal and regulatory disclosures related to HarbourVest offices and