HARVARD MANAGEMENT COMPANY

Climate Report

FEBRUARY 2023

As part of Harvard University's commitment to achieve a portfolio of investments with net-zero greenhouse gas (GHG) emissions by 2050, Harvard Management Company (HMC) reports annually on progress toward the goal. Data in this report is as of June 30, 2022, the end of HMC's most recent fiscal year. Past Climate Reports are available on the HMC website.

Executive Summary

Managing Harvard's net-zero goal is a key initiative for HMC. This report provides updates on the following components of this effort:

- **Carbon Neutral Operations**—As a stand-alone investment office with physical operations apart from the University, HMC's facilities and operations achieved carbon neutral status for the first time in fiscal year 2022. HMC is identifying pathways to reduce its operational emissions over the long term by engaging with its landlord, as well as analyzing behavioral impacts and purchases. In the short to medium term, HMC has partnered with high-quality carbon dioxide removal (CDR) companies to meet its carbon neutral commitment. This approach allows HMC to have an immediate impact on atmospheric emissions relative to its operations. HMC's goal is to reduce its carbon emissions as much as possible and limit the need for offsets to maintain carbon neutrality.
- **Investing in the Climate Transition**—The Glasgow Financial Alliance for Net Zero (GFANZ) estimates that at least $130 trillion in private capital is needed to transform the economy to net zero. Much of this investment needs to flow into high-emitting sectors such as power generation, transportation, agriculture, and industrial processes. As of June 30, 2022, HMC's exposure to climate transition solutions approached 1% of the endowment. At the same time, HMC's exposure to private equity funds focused on the exploration and development of fossil fuels was slightly more than 2% of the endowment. The value of these investments changes over time due to contractual capital commitments, changing commodity prices, and the performance of the energy sector relative to other assets in the endowment. On a net basis, the entire year-over-year increase in fossil fuel exposure is due to rising commodity prices. HMC expects its exposure to climate transition solutions to exceed exposure to fossil fuels in the coming years, as investment activity in climate transition ramps up and fossil fuel exposure winds down.
- **Measuring Portfolio Emissions**—HMC is implementing a plan to calculate the baseline emissions associated with the portfolio. HMC partners with two third-party data providers to estimate emissions. One data provider focuses on private equity investments, while the other specializes in hedge fund investments. Additionally, HMC continues to work with external managers to improve reporting of emissions and other climate-related data. Based on current projections—and subject to the caveats discussed below—HMC anticipates being able to make an initial baseline assessment by the fall of 2024. Of course, this timeline is not wholly within HMC's control and requires the cooperation of a range of third parties well in advance of 2024. Nevertheless, HMC is committed to making its very best efforts in this regard and expects to have a clearer sense of timing in its next report.

- **Collaborative Engagements**—HMC remains committed to collaborating with like-minded investors to engage with companies on establishing a strong governance framework for addressing climate change, reducing GHG emissions throughout their value chain, and improving corporate disclosure in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). HMC's ongoing collaborations are detailed in the Appendices.

Introduction

According to the Intergovernmental Panel on Climate Change (IPCC), the world had an estimated 500 gigatons of carbon dioxide ($GtCO_2$) remaining in its carbon budget in 2020 to maintain a 50% chance of limiting warming to 1.5 degrees Celsius and an estimated carbon budget of 1,350 $GtCO_2$ to keep warming to 2.0 degrees Celsius.[1] At current global emission rates, the world is not on track to limit warming to 1.5 degrees and the 2.0 degrees goal is under ever-increasing threat. Without serious efforts to rein in global GHG emissions, the effects of climate change will intensify. These developments have profound implications for investors. Forward-looking risk and impact analysis is now just as imperative as measuring current emissions.

HMC approaches the net zero commitment with a holistic, transition mindset, including investing in transformative climate solutions, advancing long-term emissions reductions across the portfolio, and seeking forward-looking analysis in addition to measuring financed emissions.

Quality emissions-related data from external managers continues to be a foremost need. HMC does not receive this information as a matter of course. Company-level reported information is still not widely available and carbon accounting methodologies do not yet exist for all strategy types. In the interim, HMC is implementing a plan to estimate its portfolio's carbon metrics. This analysis will be shared as the project moves forward. As data availability improves, and carbon accounting standards develop, the endowment's carbon metrics will similarly evolve and improve.

HMC is committed to having an ongoing dialogue with its managers about their approaches to analyzing climate risks and solutions and improving direct reporting of emissions and other climate-related data. To encourage portfolio company GHG reporting in the private equity industry, HMC became a signatory to the ESG Data Convergence Initiative—a first among U.S. university endowments.

An Evolving Landscape

In April 2020, Harvard became the first U.S.-based endowment to make a net-zero commitment. Since then, Harvard has been encouraged to see a growing number of asset owners, including endowments, make their own net-zero commitments. While the net-zero commitments are aligned, the methodologies for achieving this goal vary widely across asset owners and are expected to evolve over time to meet the unique needs of individual institutions and their portfolios.

Institutions making the net-zero commitment include: University of Oxford (April 2020), University of Manchester (May 2020), Stanford University (June 2020), David Rockefeller Fund (August 2020), University of Cambridge (October 2020), World Resources Institute (October 2020), Arizona State University (February 2021), Trinity College Cambridge (February 2021), University of Michigan (March 2021), University of Pennsylvania (April 2021), Princeton University (May 2021), University of Waterloo (June 2021), University of Sydney (June 2021), University of Toronto (October 2021), and the McKnight Foundation (October 2021), Northwestern University (June 2022), Rice University (February 2022), San Francisco State University (September 2022), and University of Virginia (March 2022).

[1] *IPCC, 2021: Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.*

Progress Towards the Commitment

Achieving Carbon Neutral Operations

As a stand-alone investment office with physical operations apart from the University, HMC's facilities and operations were carbon neutral for the first time in fiscal year 2022. HMC's effort builds upon Harvard University's plan to reduce campus emissions that began in 2006. HMC's operational commitment includes Scope 1, 2, and 3 emissions.[2]

HMC OPERATIONAL EMISSIONS

For fiscal year 2022, HMC's carbon footprint totaled 1,864 tons of carbon dioxide equivalent emissions (tCO_2e). The largest operational emissions came from professional services, research and data, business travel, energy (including heating and cooling), and IT services. Fiscal year 2022 emissions data is not expected to be a representative baseline as business travel and employee commuting were significantly reduced during the COVID-19 pandemic. The fiscal year 2023 footprint is expected to be a better reflection of HMC's normal business operations.

HMC continually seeks ways to reduce its operational emissions. These efforts are informed by state and local initiatives. HMC staff works with its landlord to understand sustainability plans for shared tenant services, collect data on HMC's energy usage, and identify opportunities within office infrastructure to increase efficiencies. Employee behavior and company purchases are also examined for opportunities to reduce environmental impact.

HMC has engaged Carbon Direct, a third-party consultant, to (i) measure HMC's carbon footprint in line with the Greenhouse Gas Protocol for Corporate Accounting and Reporting Standard, and (ii) introduce HMC to potential carbon removal counterparties.

CARBON REMOVAL

To neutralize the unabated emissions for fiscal year 2022,[3] HMC purchased engineered solutions that meet the highest bar for measurement, reporting, and verification. To meet HMC's criteria, projects must be durable, show additionality, provide quality carbon accounting and monitoring, and not result in harm to surrounding ecosystems or communities. These purchases satisfy two initiatives: (i) meeting HMC's climate goals and (ii) accelerating these technologies through upfront payments that enable the technology to be scaled more rapidly. HMC has purchased credits for carbon removal through biochar, biomass carbon removal and storage, direct air capture, and mineralization. HMC's carbon removal will vary across technology type and counterparty going forward in response to industry innovation, market development, and supply/demand dynamics.

Investing in the Climate Transition

The Glasgow Financial Alliance for Net Zero (GFANZ) states that net zero asset owners and companies should actively manage down the GHG emissions in their portfolios. This focus on the actual reduction of emissions supports a more just transition, including managing workforce impact and allowing for continuity of critical services across communities.

GFANZ also estimates that at least $130 trillion in private capital is needed to transform the economy to net zero. Much of this investment needs to flow into high-emitting sectors such as power generation, transportation, agriculture, and industrial processes — economic activities that are among the highest

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[2] This does not include "downstream" emissions associated with financed emissions from the investment portfolio or the endowment's contributions to Harvard University's annual operating budget.

[3] See Evaluating the Use of Carbon Credits by Ceres, March 2022 or the Department of Energy.

emitting on a global level.[4] This capital flow, and the transition it is seeking to effectuate, is replete with challenges and opportunities.

The options available to investors grew in the last fiscal year, with many new firms/funds coming to market in the investable landscape. HMC's efforts to date have largely focused on private markets, specifically venture and growth stages of activity. In this area of the market, HMC has partnered with a variety of firms. Some are established generalist managers that have evolved their sectors of focus to include climate transition. Others have operated in the hard tech space for many years, with climate transition making up a portion of activity. Still others are new to the space, migrating to climate transition given favorable trends in talent and capital flow.

HMC also makes direct investments into companies alongside, and with the support of, its external managers. Companies backed by HMC, and its managers, are improving existing processes and products as well as bringing offerings to large new markets, all with an eye toward reducing emissions and improving the trajectory of the climate. Future reports on these activities will explore the progress and impact of these companies.

As of June 30, 2022, HMC's combined exposure to climate transition managers and direct investments was approaching 1% of the endowment.

Within the energy sector, HMC avoids both direct exposure to fossil fuel holdings, and new investments in private equity funds focused on exploration and development in the fossil fuel industry. As of June 30, 2022, HMC had no direct exposure to companies that explore for or develop reserves of fossil fuels. HMC's remaining exposure to fossil fuels continues to be held through externally managed funds. These investments wind down as the external managers liquidate the underlying investments and distribute the cash proceeds to HMC. As of June 30, 2022, this exposure represented slightly more than 2% of the endowment, a moderate year-over-year increase from June 30, 2021.

The net year-over-year increase in fossil fuel exposure was due entirely to the appreciation of HMC's existing assets. The energy sector was the highest performing sector in the S&P 500® during the fiscal year driven by higher commodity prices. This led to a significant markup of private assets in the sector. While HMC continued to fund its contractually obligated capital calls, distributions exceeded capital calls for the first time. This is a trend HMC expects to continue and accelerate in the years ahead. Excluding appreciation, HMC's exposure to fossil fuel holdings during the fiscal year would have declined.

Should the current investment trends continue as expected, the endowment's exposure to climate transition solutions will exceed those in fossil fuel related investments in the next few years. Having these curves cross will cause the portfolio's net exposure to climate transition solutions to become positive and remain so into the future. This result will be highly dependent on the ongoing valuation of commodities, as demonstrated by fiscal year 2022 results.

Measuring Portfolio Emissions

Meeting Harvard's net-zero commitment depends on obtaining relevant data and developing reliable methods to estimate the relationship between its investments and greenhouse gas emissions. HMC continues to make progress in identifying specific actions to improve data coverage and establish a baseline emissions measurement for the endowment. HMC has partnered with third-party data providers to develop a framework for calculating portfolio carbon metrics and estimating emissions. Additionally, HMC is engaging with its external managers to increase the reporting of direct emissions for portfolio assets and other climate-related information.

[4] *World Resources Institute, 4 Charts Explain Greenhouse Gas Emissions by Countries and Sectors, Mengpin Ge, Johannes Friedrich, and Leandro Vigna, February 6, 2020*

Unlike most other asset owners and managers that have made net zero commitments, a significant majority of HMC's portfolio consists of private equity and hedge fund exposures. As a result, HMC is in the uniquely challenging position — among its net zero peers — of needing to prioritize the identification of solutions to measure emissions in alternative assets. While the partnerships established in 2022 are promising steps in this process, many challenges still lie ahead. Currently, HMC optimistically anticipates having the requisite data — or modeled estimates, where necessary — to report an emissions baseline measurement in 2024. However, HMC also recognizes that the completion of this work is highly dependent on the successful development and delivery of third-party data, as well as the meaningful cooperation of third-party managers of endowment assets.

HMC plans to include company Scope 1 and 2 emissions in the baseline calculations. To provide the most complete picture of financed emissions, HMC is considering both absolute and intensity metrics. Currently, the only metric available for measuring emissions across all asset types is weighted average carbon intensity (WACI). WACI presents certain drawbacks discussed in Appendix 1.

HMC recognizes that estimated emissions may be used both at the portfolio level and to approximate a reduction pathway. However, because modeled information may not reflect leading or lagging efforts by certain private portfolio companies, estimated emissions are significantly less useful at the investment level. This is noted to stress the limits with currently available data and the importance of emissions reporting by private equity general partners.

Investors require clear, reliable, and transparent company-level GHG emissions data about their investments. Additionally, investment managers will benefit from the development of a common form of reporting protocol. To support these dual objectives, HMC supports the work of the ESG Data Convergence Initiative and has supported mandating climate-related disclosure rules.

HMC is encouraged by the work of the ESG Data Convergence Initiative to coordinate standardized and reasonable ESG reporting requirements for the private equity industry. As of December 2022, this initiative represented $24 trillion in AUM and over 2,000+ portfolio companies. Participating general partners commit to report GHG Emissions for Scope 1 and 2 (with Scope 3 optional) and the percentage of renewable energy used for their portfolio companies. As a participating limited partner, HMC has agreed, among other things, to encourage general partners to align with this effort and encourage additional industry efforts to drive ESG information/data request convergence.

In June 2022, HMC submitted comments to the Securities and Exchange Commission (SEC) supporting the SEC's proposed climate-related disclosure rules. HMC strongly supports requiring reasonable and financially material climate-related disclosure by public companies. Mandatory Scope 1 and 2 emissions reporting, along with information on governance and management of climate, would help address the urgent need for quality data from public companies.

HMC continues to engage with participants across the industry on carbon accounting methodologies for alternative investment strategies. HMC will continue to study developing protocols and will likely adapt these protocols for the purpose of the endowment's reporting needs.

The Work Ahead

HMC will continue to work with third-party data providers and external managers to improve climate-related data and estimate a portfolio carbon emissions baseline. Understanding sectoral pathways, and the geographies and regions they cover, is a key component to identifying a portfolio's decarbonization pathway and setting targets. Sectoral pathways connect the carbon budget for limiting global warming and the detailed steps that a specific sector could take to reduce GHG emissions to a particular level within the required timeframe.[5] Sectoral pathways and targets help identify leaders and laggards within a given industry.

HMC does not expect the endowment's pathway to net zero will be linear, at least not in the short-term. For example, portfolio emissions could increase if investments are made in higher emitting companies that are early in their climate transition. Additionally, increased demand or production of climate solution technologies could increase the operational emissions of a company. In both circumstances, near-term investment could support critical real economy transition. As a long-term investor, HMC will weigh investments' short-term emissions against their potential to reduce emissions over the medium to long term.

Different targets can be set to manage a net zero commitment. For example, the Glasgow Financial Alliance for Net Zero guidance for financial institution net zero plans outlines three categories for metrics/targets: real economy transition, plan execution, and portfolio emissions. Targets for real economy transition should address financing strategies. Plan execution targets may include engagement targets or other activity to demonstrate operational progress. Portfolio emissions reduction targets could be on an intensity or absolute basis. In parallel to establishing a baseline and identifying a pathway, HMC understands appropriate targets will need to be set to measure its progress and performance.

As stated in its April 2020 net-zero commitment, HMC recognizes the critical need to develop and disclose interim goals and progress toward the achievement of those goals to ensure accountability and transparency. Once a baseline measurement for a meaningful portion of the portfolio is established, HMC will proceed with setting interim targets.

HMC is committed to meeting its net zero pledge and will continually seek opportunities to enhance knowledge of portfolio transition planning, carbon accounting standards for financed emissions, and best practices in disclosure. HMC is making progress in all aspects of the net zero pledge described in this report.

[5] *GFANZ, Guidance on Use of Sectoral Pathways for Financial Institutions, June 2022*

Task Force on Climate-related Financial Disclosures (TCFD)

In this Appendix, HMC provides an assessment of climate-related risk in the HMC portfolio according to the TCFD's recommended climate-related financial disclosure framework. HMC has been a supporter of the TCFD since April 2020.

Governance

Board Oversight

The Harvard Corporation, also known as the President and Fellows of Harvard College, exercises ultimate fiduciary responsibility over the University's financial resources and overall well-being. In April 2020, following deliberation by the Corporation Committee on Shareholder Responsibility (or CCSR), the Harvard Corporation instructed HMC to set the Harvard endowment on a path to net-zero, establishing the objective of HMC's climate policy. In September 2021, in consultation with the CCSR, President Bacow issued a statement on climate change that, among other things, addressed related matters of investment strategy. HMC follows the policy goals set by the Harvard Corporation and the CCSR.

Role of Management

HMC is led by its Chief Executive Officer, Narv Narvekar. Together with HMC's Chief Investment Officer, Rick Slocum, they manage the Generalist investment team responsible for managing all aspects of HMC's investment portfolio, including climate-related risks.

The responsible investment activities are integrated into the Compliance group at HMC. They are led by Kate Murtagh, who helps set the ESG goals and objectives for the organization, develops ESG policies and procedures, and implements ESG integration plans across the portfolio. Each quarter she provides an update on HMC's sustainable investment activities, including progress on the net zero commitment, to HMC's board. She is assisted by a Managing Director, who dedicates a portion of his time to responsible investment initiatives, and a full-time Associate Director of Sustainable Investing.

Strategy

HMC's strategy for addressing climate-related risks and opportunities is to:

1. Manage the endowment towards net zero by the 2050 target
2. Engage with external managers to encourage better disclosure and practices to improve data availability and with industry groups to establish standard GHG accounting methodologies for alternative investment strategies to enable HMC to better assess the climate-related performance and risks of investments in the portfolio
3. Identify and act upon appropriate investment opportunities that support the transition to a carbon-free economy

4. Work to develop the appropriate metrics and analysis to assess the endowment's performance against the net zero target
5. Be carbon neutral in its own operations

HMC's progress towards these goals is described in the main body of this report.

Risk Management

As a global institutional investor with a focus on the long term, HMC recognizes that climate change presents a material and existential risk to society and the economy. HMC considers material climate-related factors alongside other factors through the entire investment lifecycle. This is done based on an analysis of the sector(s) and geographies in which HMC's managers operate. Ultimately, HMC relies on its external managers to understand and manage the climate-related risks relevant to their investments.

Many of HMC's investments are long-lived assets with ownership horizons of many years. HMC relies on its external managers to identify and manage these identifiable physical climate risks. The range of transition risks and opportunities depends on which decarbonization path the world takes, and how quickly. Policies designed to limit climate change are likely to impact some sectors more than others as governments implement their nationally determined commitments to reduce emissions. The decision to stop making new commitments to private equity funds with holdings in the fossil fuel industry has reduced HMC's exposure to these risks.

Engagement

HMC seeks to join with other like-minded asset managers and asset owners on collaborative engagements to encourage companies to improve their business practices around climate. Engagement is perhaps the most powerful tool HMC has to achieve real world impact.

Through its engagement efforts, HMC seeks to improve climate transparency and governance, promote real economy emissions reduction, and support a just transition.

- **Climate transparency and governance** – Engage with companies to report in line with TCFD guidance. Request companies provide transparency into their climate lobbying.
- **Real economy emission reduction** – Engage with companies to support net zero commitments, science-based targets, creditable transition strategies, and Paris-aligned capital expenditure. Discuss the use of carbon offsets and scope emissions included in target setting.
- **Just Transition** – Engage with companies to consider impacts to employees and communities in their transition strategies. Request companies engage with impacted communities, retrain workers, or report on effects of relocating facilities or operations as they relate to energy transition or physical risks of climate change.

As a collaborating investor in Climate Action 100+, HMC participated in company engagements with energy and utility companies to discuss their net zero plans, including emissions targets and the credibility of their transition plans. HMC joined the 2022 CDP Non-Disclosure Campaign which directly engaged with high impact companies to improve reporting related to climate change, forests, and water security. HMC also participated in the CDP Science-Based Targets campaign. Without governments and corporations following through on their own Paris-aligned commitments, there will be real limits on the ability of the endowment and the global economy to reduce GHG emissions to net zero.

Proxy Voting

Climate change remains a top concern for many shareholders. There were at least 215 shareholder proposals relating to climate change submitted during the 2022 proxy season, with negotiated agreements on at least 103 of them by April 2022.[6]

Harvard is committed to responsibly voting shareholder proxies. Each year, the University publishes a report describing and explaining its votes on proxies. With most of Harvard's holdings in the U.S. public equity markets now held through pooled investments and commingled funds managed by outside management firms, rather than through individual stocks directly owned in the University's name, Harvard currently votes on a much smaller number of shareholder resolutions than in past years. However, Harvard continues to exercise its influence on proxy votes through a series of guidelines on shareholder resolutions, including on issues related to climate change, developed by Harvard University's Advisory Committee on Shareholder Responsibility (ACSR) and CCSR. HMC shares these proxy voting guidelines with its external managers in the hope that they provide a helpful perspective. The guidelines are not intended to be prescriptive and HMC recognizes that external managers may not necessarily share Harvard's view on every issue. Nonetheless, HMC expects its external managers to have a robust approach to stewardship and to make informed voting decisions. The University also makes the guidelines publicly available so that other interested investors can make use of them as they see fit.

Metrics and Targets

Portfolio CO2e emissions can be measured using different metrics. While HMC generally plans to follow the TCFD framework for calculating the portfolio emissions of the portfolio, for the reasons discussed in the first part of this report, HMC is approaching the process carefully and expects to ultimately adopt an approach and methodology tailored to HMC's investment program. Following TCFD guidance, HMC expects to eventually calculate and disclose year-over-year portfolio carbon emissions using weighted-average carbon intensity (WACI), a measure of a portfolio's exposure to carbon-intensive companies that can be used to indicate the potential climate change-related risks relative to other portfolios or a benchmark. HMC will continue to assess the feasibility and relevance of other portfolio emissions metrics.

WACI uses revenue or sales to normalize emissions. This makes it useful for comparing portfolios across asset classes. While useful for this purpose, it results in misleading results for companies with little or no revenue, such as early-stage biotech companies. HMC believes that metrics that use enterprise value to normalize emissions present a more accurate picture of a company's contribution to portfolio emissions.

For the commitment to be carbon neutral in our operations, HMC measures our Scope 1, 2, and 3 emissions. HMC's Scope 2 emissions consist of purchased energy. Scope 3 emissions include business travel, procurement of goods and services, employee commuting, and IT systems. HMC does not anticipate incorporating "downstream" Scope 3 emissions in its calculation. For HMC, "downstream" activities include the investment portfolio and the portion of Harvard's annual budget that is financed by the endowment. These activities are managed separately under the University's climate action plan, including its goals to be fossil fuel neutral by 2026 and fossil fuel-free by 2050, and HMC's net-zero by 2050 commitment.

For the endowment, HMC plans to include company Scope 1 and 2 emissions in its calculations. HMC is working to determine the appropriate metrics for its emissions reporting and target setting. The results of this effort will be discussed in a future Climate Report.

[6] *https://www.climateaction100.org/news/as-2022-proxy-season-begins-record-numbers-of-climate-resolutions-and-agreements-bode-well-for-action/*

Aligned Organizations

Broad adoption of aggressive net zero targets and transition plans is critical to achieving global climate goals. HMC looks forward to continued collaboration with others on developing climate-related best practices and methodologies.

HMC is a signatory to, supporter of, or member of the following organizations:

CDP

CDP, formerly known as the Carbon Disclosure Project, works with investors, companies, and governments to drive industrial-scale environmental disclosure on climate change, water security, and deforestation. The data disclosed through the CDP platform provides the investment community with high quality, consistent, and comparable data at scale, in line with the TCFD recommendations. The Harvard endowment became a signatory to CDP in 2014.

Ceres

The Ceres Investor Network, which includes over 200 institutional investors that manage more than $47 trillion in assets, was established to advance leading investment practices, corporate engagement strategies, and key policy and regulatory solutions. Ceres is also one of the founding partner organizations of Climate Action 100+. HMC has been a member of the Ceres Investor Network since 2018.

Climate Action 100+

Launched in December 2017, Climate Action 100+ is a five-year initiative to engage with the world's largest systemically important greenhouse gas emitters to take critical action to align their own operations with the goals of the Paris Agreement. As of December 2022, 700 investors representing more than $68 trillion in assets under management have committed to engage with the initiative's 166 focus companies who represent 80% of corporate industrial GHG emissions to reduce emissions and improve climate disclosure and governance. The Harvard endowment joined Climate Action 100+ in September 2019.

ESG Data Convergence Initiative

ESG Data Convergence Initiative

The EDCI is a partnership of GPs and LPs seeking to establish a critical mass of meaningful, performance-based ESG data from private companies by converging on a standardized set of ESG metrics for private markets. The standard can allow GPs and portfolio companies to benchmark their current position and generate progress toward ESG improvements, while enabling greater transparency and more comparable portfolio information for LPs.

To participate in the Initiative, LPs (such as HMC) agree to:

- On a best efforts basis, where LP has relevant/ overlapping ESG data requests to GPs, align definitions with the EDCI's definitions
- Encourage underlying GPs to align with this effort
- On a best efforts basis, encourage additional industry efforts to drive ESG information/ data request convergence
- Be publicly associated with the effort
- Voluntary: serve on working groups or self-nominate to join the Steering Committee

IFRS Sustainability Alliance

IFRS Sustainability Alliance

Formally the SASB Alliance, the IFRS Sustainability Alliance supports the IFRS Sustainability Disclosure Standards, including the SASB Standards, Integrated Reporting Framework, and Integrated Thinking Principles. These are globally applicable industry-specific standards that identify the minimal set of financially material ESG topics and their associated metrics for the typical company in an industry. These standards enable businesses around the world to identify, manage and communicate financially material sustainability information to their investors. HMC has been a member of the IFRS Sustainability Alliance/ SASB Alliance since 2018 and a member of its Investor Advisory Group since 2019.[7]

[7] *In November 2021 the IFRS Foundation announced the consolidation of the Value Reporting Foundation, which houses the Integrated Reporting Framework and the SASB Standards, by June 2022.*

Intentional Endowment Network's Net Zero Endowments Initiative

The Intentional Endowments Network (IEN) is the leading mission-aligned investing network with over 220 members that encourages and supports higher education institutions to adopt investment strategies that create an equitable, low-carbon, and regenerative economy. IEN focuses on addressing inequality and climate crisis through intentional endowments, sustainable retirement and inspiring the next generation of sustainable investors.

IEN's Net Zero Endowments Initiative convenes and supports endowments in: Learning about Net Zero Portfolios; Making commitments to net zero portfolios; and Participating in shareholder engagement efforts to get portfolio companies onto decarbonization pathways aligned with the 1.5 degree C warming target. HMC serves on the Initiative's Steering Committee.

Principles for Responsible Investment (PRI)

The United Nations-sponsored Principles for Responsible Investment (PRI) were developed in 2006 by an international group of institutional investors reflecting the increasing relevance of ESG issues to investment practices. The six principles are a voluntary and aspirational set of investment principles that offer possible actions for incorporating ESG issues into investments. In 2014, Harvard University's endowment became the first university endowment to become a signatory to the PRI. Accordingly, we committed to considering ESG factors in the course of our investment underwriting, analysis, and monitoring processes. HMC submits a report to the PRI each year, accounting for its efforts incorporating ESG considerations across its portfolio.

Task Force on Climate-Related Financial Disclosures (TCFD)

The climate risk management and disclosure guidance developed by the TCFD provides investors with the ability to advocate for a single, meaningful, and material framework through which corporations can manage climate risks and provide climate-related disclosures. Through the consistency provided by the framework, investors can properly evaluate the efforts and progress of the companies they invest in across regions, sectors, or portfolios. HMC publicly supported the TCFD in April 2020.