

HarbourVest Partners

ESG Policy

As members of the HarbourVest Executive Management Committee, we take ultimate responsibility for ensuring that we are fulfilling our commitments to our clients. Our most fundamental commitment is to seek to deliver superior risk-adjusted returns for our clients within the mandates they grant us, consistent with our fiduciary duties and contractual obligations.

As part of this commitment, we regularly review our ESG Policy (the “Policy”) to ensure it reflects our evolving understanding and treatment of the financial risks and opportunities that environmental, social, and governance considerations present to the assets we manage on our clients’ behalf in the short, medium, and long-term. By taking these considerations into account as part of our broader risk management and opportunity assessment, our objective is to reduce financial risk to client portfolios and to enhance value protection and creation potential.



John Toomey

A handwritten signature in black ink, appearing to read 'J Toomey'.

Peter Wilson

A handwritten signature in black ink, appearing to read 'P Wilson'.

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Our ESG program pillars



Investment guidelines

Due diligence

HarbourVest has instituted robust ESG due diligence procedures within each of our investment strategies. HarbourVest believes these procedures support sound investment decision-making, which is at the core of how we seek to create compelling, risk-adjusted returns for our investors.

Primary investments

When conducting due diligence on primary investments, we typically evaluate the fund sponsor's (GP) ESG integration approach and maturity through our proprietary ESG Manager Scorecard. Our evaluation criteria are aligned with industry standards; the resulting assessment is generated by proprietary weightings and provides an overall ESG rating for the GP. This rating takes into account the GP's policy, processes, and resources to manage financial ESG-related risks and opportunities in their investments, and their commitment to transparent and regular reporting on the portfolio. Our approach is grounded in the conviction that the ESG policies and processes of the GPs that we invest with can be an indicator for fund excellence and should be considered alongside other investment indicators accordingly.

In addition, our investment teams use RepRisk® to strengthen our ESG analysis of investment opportunities across our investment strategies and to consider related risks. RepRisk is a global database that provides reputational risk ratings for GPs and operating companies, based on an assessment of reported ESG incidents associated with that company, which are subsequently weighted according to severity, frequency, and source. Risk categories include reporting on fraud, misleading communication, child labor, occupational health and safety issues, and pollution or waste issues.

Secondary investments

The type of ESG analysis we perform for secondary investments depends on the nature of the portfolio we are seeking to acquire. If we seek a more diversified portfolio, we will typically perform a high-level ESG screen, which entails a sector-based review that takes into account potentially heightened financial ESG risks, and typically a consideration of ESG Manager Scorecard analysis for key GPs represented in the portfolio and a RepRisk analysis of the largest portfolio exposures, where available. With respect to secondary opportunities where HarbourVest plays a key role in driving the terms of bespoke managerial arrangements and otherwise has significant influence, we often have a greater ability to advocate for the appropriate management of ESG-related financial risks and opportunities through dialogue with the relevant sponsor(s) and will typically complete an ESG Manager Scorecard assessment as a basis for that dialogue, either prior to or post investment close. With respect to single asset secondaries, the ESG Manager Scorecard and RepRisk screening are supplemented by an asset-level ESG analysis.

Direct co-investments

For HarbourVest-sourced direct co-investments, we generally work with the lead sponsor to analyze opportunity-specific ESG considerations based on a given company's business model, domicile, historical business practice, and sector. In addition, we analyze the company and lead sponsor RepRisk ratings, where available, and any relevant ESG incident data. We will also seek to assess the lead sponsor's ability to identify and manage ESG-related financial risks and opportunities through the application of our ESG Manager Scorecard.

Private credit

For private credit investments sourced by HarbourVest, we generally perform a red flag assessment of opportunities presented for consideration, where deal teams may consider, among other factors, whether the opportunity presents heightened financial ESG risk to our fund programs. This review is supported by a RepRisk screen. In addition, we typically consider ESG due diligence performed by the lead sponsor, if available. We may also utilize ESG Manager Scorecard assessments of the lead sponsor to the extent such assessments are considered current and on file at the time the credit is under consideration.

Infrastructure and real assets

HarbourVest invests in infrastructure and real assets across its primary, secondary, and direct co-investment strategies, and across various sub-sectors, including power and renewables, telecommunications and data infrastructure, transportation and logistics, energy and utilities, social infrastructure, and natural resources. Accordingly, the type of ESG diligence we perform depends on both the type of transaction (as outlined for each strategy above), and specific ESG-related sub-sector financial risks and opportunities.

Operational due diligence

HarbourVest believes that conducting operational due diligence (ODD) is another way to support sound investment decision-making. We have ODD protocols for each investment strategy that are applied according to the transaction type. Managers are rated on key areas of operation, including Compliance & Risk Management, Treasury & Cash Management, Accounting & Reporting, and Information Technology. For certain investments that are considered to represent higher levels of risk, HarbourVest's ODD team coordinates with external background check providers to perform a screening of investment and key operational team members at investment managers. The ODD team is independent of the investment team, with a veto on primary and certain concentrated secondary investments as it relates to ODD.

Areas of heightened scrutiny

HarbourVest generally seeks to incorporate an analysis of applicable legal and governance factors into its investment diligence. Such factors may include, among others, a history of a company's compliance with applicable laws or regulations, adherence to business integrity norms, and high ethical standards. HarbourVest will not invest into companies that it knows are engaged in forced labor and/or child labor in contravention of applicable laws, human trafficking, and/or which are out of compliance with applicable sanctions prohibitions.

Further, HarbourVest applies a case-by-case approach to investing in certain categories of investments which may present heightened financial ESG risks. These include, but may not be limited to, portfolio companies that HarbourVest knows are materially engaged in deforestation, manufacturing of firearms and/or weapons, or certain "vice" or "sin" industries such as gambling or tobacco.

Engagement

In addition to integrating financially relevant ESG factors into our investment analysis, a core component of our approach to responsible investing is how we use our influence to foster GP adoption and support of financially relevant ESG principles and increase awareness of ESG risks and opportunities. Engagement, or "stewardship" as defined by the Principles for Responsible Investment (PRI), is how we use our influence as an investor to maximize the overall long-term value of assets on behalf of our clients and their beneficiaries. In general, as a fund-of-funds investor and co-investor with limited ability to directly influence portfolio companies, we focus on encouraging lead sponsors and GPs to support sound value creation at the portfolio company level.

ESG Manager Scorecard

HarbourVest's 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 and to benchmark them to peers. Our team can leverage the Scorecard evaluation and feedback processes to encourage continuous improvement from GPs and will (where practicable and relevant) prioritize engagement with lower scoring GPs to encourage the adoption of a systematic approach to ESG management.

Incident monitoring

Investments are monitored through RepRisk and subject to a regular, periodic review process that screens for potentially material ESG incidents. We have protocols in place to discuss ESG incidents with the GP or lead sponsor when incidents are considered relevant and material, and to record the outcome of that engagement. We have found this practice has enhanced our dialogue with GPs and allowed us to better understand their ESG risk management capabilities.

Annual meetings / advisory committees

We undertake efforts to further engage GPs at the senior-most levels by requesting the inclusion of ESG issues on advisory board agendas, during annual meetings, and through ongoing dialogue.

Board of directors

For direct co-investments where we have company board or observer seats, HarbourVest representatives will seek to increase discussion around ESG topics and monitoring where relevant and material.

Industry engagement

We believe it is important that we use our influence to support the development of ESG-related industry standards because a consistent approach to best practice, regulation, and data collection will streamline individual firm efforts and enhance data availability and comparability in private markets. We meet with our peers and engage with best practice sharing forums and standard setters, such as the PRI, the Initiative Climat International (iCI), the Private Equity CEO Taskforce of the Sustainable Markets Initiative, and trade association memberships such as Invest Europe, BVCA, and the American Investment Council, in support of these efforts.

Key themes

Our approach to ESG investment analysis considers ESG risks and opportunities that are specific, economically relevant, and potentially material to investments. More broadly, and as responsible stewards of capital, we seek to understand the implications of systemic ESG issues and the positive and negative effects of investment activities. Our current areas of focus for this work are climate change; diversity, equity, and inclusion; and human rights.

Climate change

HarbourVest has committed to an actionable climate change strategy. Our goal is to develop a meaningful understanding of how the effects of climate change may impact our investments, enhance reporting, and determine what we can do to strengthen portfolio resiliency on behalf of our clients.

We have developed our strategy in line with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and will report annually on our progress through our ESG Report.

The TCFD provides a framework for evaluating and reporting on climate-related risks, and users are encouraged to apply concepts of materiality analysis and forward-looking analysis to test the resilience of their business strategies. HarbourVest is an official TCFD Supporter, and we encourage the GPs with whom we invest to use the framework to structure investor/corporate engagement on climate change.

Our approach to climate change is embedded within our overall approach to ESG and risk management practices. Our climate change objectives are set by our Executive Management Committee and implementation is overseen by our ESG Council. We have integrated TCFD-aligned indicators into our proprietary ESG Manager Scorecard, which forms part of our evaluation of GPs' ESG management processes.

As climate change risk analysis is a nascent discipline in private markets, we recognize the importance of engaging with others in the industry to develop and share best practices. HarbourVest is a member of the iCI, a GP-led initiative to develop tools and materials that aid private equity action on climate change.



Diversity, equity, and inclusion

HarbourVest is working to make access to private capital more equitable. We know from our own experience that diverse and inclusive teams help drive better overall business results and investment outcomes for our clients.

We have a long history of supporting emerging and diverse managers and under-resourced markets. This commitment includes working to identify promising fund managers, connecting them with capital, and engaging with the industry to push for systemic improvement over time.

As a leading global LP and an experienced, well-known leader and participant in the emerging and diverse manager markets, we utilize our platform to maintain the widest possible funnel and strong deal pipeline with GPs seeking capital for their first, second, and third-time funds.

For managers that are assessed using our ESG Manager Scorecard, their efforts on diversity, equity, and inclusion are also assessed through indicators which contribute to the overall ESG rating, and generate an individual DEI rating that is factored into our investment analysis.

HarbourVest actively participates in industry efforts to improve diversity and inclusion and is a founding signatory to the ILPA Diversity in Action initiative. Some of the networks and organizations that we proudly support include:



Human rights

HarbourVest respects human rights and we endeavor to uphold these to the best of our ability through our internal business and investment activities. As stated under “Areas of heightened scrutiny,” we screen investment companies on their compliance with applicable laws or regulations, adherence to business integrity norms, and high ethical standards. We recognize the UN Guiding Principles on Business and Human Rights (UNGPs) which sets out expectations for human rights due diligence and access to remedy. HarbourVest implements the UNGPs’ framework through our broader ESG framework:

- **Identify and assess:** We use RepRisk, an external database, to support due diligence, monitor ESG and business conduct risks, and collect relevant data. RepRisk risk categories specifically include human rights abuses and corporate complicity, forced labor, and child labor. Investments are screened through RepRisk as part of due diligence to identify any potential red flags (please see “Due diligence” for specific application according to investment strategy).
- **Prevent and mitigate:** In general, HarbourVest-sourced investments are monitored through RepRisk and subject to a regular, periodic review process to screen for potentially material ESG incidents. We have protocols in place to engage with the lead sponsor on incident reports where events are considered relevant and material, and place high importance on reports related to human rights impacts. During this process, we consider the potential severity based on the perspective of potentially impacted stakeholders and will prioritize our level of engagement accordingly. We also consider what leverage we have to help identify and engage on the remediation of practices that are contributing to or causing harm.
- **Track and communicate:** We centrally record our RepRisk and incident-related engagements with lead sponsors and report an aggregated summary of these engagements in annual reports for certain programs. Where more immediate communication is warranted, we will notify clients and may also utilize the LPAC to share updates about any potential portfolio issues.
- **Access to remedy:** As an investor, HarbourVest may be inadvertently linked to adverse human rights impacts within portfolios, rather than causing or contributing to direct impacts. As a result, our principal role may be to support or contribute to the remedy “ecosystem” to the extent practicable, typically via engagement with the related fund sponsor rather than directly at the company level.

Sustainability outcomes

For certain investment products, we have established guidelines for assessing sustainability outcomes, or the positive and negative effects of investment activities on people and/or the planet. In some cases, our guidelines are informed by global sustainability frameworks, such as the Impact Management Project and the UN Sustainable Development Goals.

Governance, resourcing, and reporting

Policy and program governance

HarbourVest's Executive Management Committee is ultimately responsible for the Firm's ESG Policy and program objectives. HarbourVest's ESG Council is responsible for advising on the strategic direction of the ESG program. The ESG Council meets on a regular basis and is composed of senior leaders from across the Firm.



Emily Archer
Managing Director,
Investor Relations



Monique Austin
Managing Director, Legal and
Regulatory Compliance



Natasha Buckley
Vice President,
ESG



Bryce Klempner
Managing Director, Strategy
Innovation & Execution



Ed Powers
Managing Director,
Solutions



Javier Rodriguez
Managing Director,
Head of Client Operations



Greg Stento
Managing Director,
Head of Investments



John Toomey
Co-CEO, Executive
Management Committee



Peter Wilson
Co-CEO, Executive
Management Committee

Resourcing and training

Our dedicated ESG team works with investment teams and client-facing functions as a specialist resource. HarbourVest’s strategy investment committees are responsible for ensuring ESG analysis is factored into the investment decision-making process as relevant and appropriate. Each investment team is responsible for implementing our ESG policy and processes, and our investment teams have at least one senior lead who serves as the group’s internal point person.

HarbourVest’s investment team members receive training on our ESG policy, processes, and program objectives, and periodically participate in topical training to enhance their understanding of advanced and complex ESG issues.

Commitments and reporting

HarbourVest has been a proud signatory to the PRI since 2013. The six Principles for Responsible Investment were developed by investors, for investors, and signatories represent a majority of the world’s professionally managed investments. The PRI’s mission belief is that an economically efficient, sustainable global financial system will reward long-term responsible investment and benefit the environment and society as a whole.

We are an advocate for standardized disclosure frameworks for ESG in private markets that promote harmonized and efficient methods for meaningful, consistent, and comparable data collection, including:



ESG Data Convergence Initiative (EDCI): As the private equity industry coalesces around the need for better data and consistent measurement standards, HarbourVest has signaled its support for harmonization by joining the EDCI, hosted by ILPA, which seeks to standardize ESG metrics and provide a means of comparative reporting and benchmarking on ESG for private markets.



GRESB: GRESB provides performance data and peer benchmarks for real assets and infrastructure funds. As an investor member of GRESB, HarbourVest can access data and analytical tools for infrastructure investments and reports annually against the Infrastructure Fund Assessment.



PRI: The PRI Reporting Framework is the largest global reporting project on responsible investment. As a signatory to the PRI, we have an annual requirement to report on our responsible investment activities and our Transparency Report is available on the PRI website.



TCFD: The recommendations of the TCFD provide the framework for building consistent climate disclosures and are fully incorporated into the inaugural standards of the International Sustainability Standards Board (ISSB) established by the IFRS Foundation. We have developed our climate change strategy in alignment with the TCFD recommendations. HarbourVest is an official TCFD Supporter, and we encourage the GPs we invest with to use the framework to structure investor/corporate engagement on climate change.

HarbourVest produces an ESG Report each year that is available on our website. We also share ESG updates at HarbourVest’s annual meeting and in periodic investor updates and reports throughout the year.

Corporate citizenship

Our commitment to ESG extends to how we operate as a firm, and we take pride in being an engaged and responsible corporate citizen. For us, this means being proximate and supportive of the communities in which we work and live, and mitigating our environmental impact.

The HarbourVest Gives Back program encourages charitable giving and activities in several ways, including through our partnership with Benevity, an online charitable giving platform, and through our matching gift program. Efforts are led and coordinated by our Global Volunteering Group, which supports staff to donate their time to local causes during business hours through dedicated Employee Service Days.

HarbourVest is also committed to measuring and offsetting our operational greenhouse gas emissions annually and investing in internal initiatives to reduce our carbon footprint and waste.

Guidelines on political engagement

All political contributions, including in-kind contributions or other payments made to public officials, and all political activities must comply with HarbourVest’s Political Contributions and Activities Policy (“Political Contributions Policy”). The Political Contributions Policy requires that any political contribution or political activity made by, or on behalf of, HarbourVest, a staff member, or a family member must be precleared with Compliance prior to contribution or participation in the activity. Any staff member who violates the Political Contributions Policy, or is aware of any such violation, is required to report such violation to HarbourVest’s Chief Compliance Officer (“CCO”) immediately upon discovery. Additionally, HarbourVest monitors political contributions made by staff members and their family members.

Important disclaimers

This Policy provides a general description of HarbourVest's implementation of its ESG program as part of its investment process. The actual investment processes applicable to each individual investment product or mandate managed by HarbourVest, including the implementation of the ESG program, may differ from, or not include, the processes described in this Policy.

In case of a discrepancy between the content of this Policy and a specific disclosure made by HarbourVest in the context of a product or mandate we manage (for instance, in a private placement memorandum or limited partnership agreement), such specific disclosure shall prevail. For example, when HarbourVest is acting as an ERISA fiduciary or managing the assets of a U.S. state pension plan in respect of a client, HarbourVest's fiduciary duties under ERISA may limit how HarbourVest applies ESG factors to its investment decisions for that client to the same extent it would apply such goals were it not acting as an ERISA fiduciary.

For the avoidance of doubt, and notwithstanding any provision in this Policy to the contrary, the terms herein shall not apply to any product or investor(s) therein to the extent such terms are inconsistent with the terms of the product or any applicable side letter(s) and/or where HarbourVest otherwise has agreed such terms are inconsistent with the governing agreements of any such product or the law or policy applicable to such product or its investor(s).

In addition, in the event an investor requests that the foregoing Policy not apply to its corresponding assets under management, and HarbourVest so agrees, then the terms of the Policy shall not apply to such assets under management.

No term used herein is intended to be a term of art as described in any given law, regulation, or policy unless otherwise expressly stated herein. Any question on the intended interpretation of particular words used herein, or any question on the implementation of the ESG program should be directed to the HarbourVest ESG team (which can be reached by emailing clientservice@harbourvest.com).