1 What is the maturity matrix?

The TCFD maturity matrix is a self-assessment tool for fund managers to evaluate their level of maturity in understanding, managing and responding to matters related to climate change. It can help a fund manager to determine the degree to which it has implemented the four pillars of the TCFD recommendations (Governance, Strategy, Risk Management, Metrics and Targets) and the opportunities for improvement over time. The matrix uses five levels of maturity.

- Unaware
  The fund manager is not yet aware of how climate change related matters should be addressed within its business practices. There are no climate-related responsibilities allocated within the organisation. The fund manager is still unaware of potential climate impacts on its business strategy, and climate risks are not considered in business processes. The fund manager does not yet understand its climate impact or vulnerability, including its carbon footprint.

- Discovery
  The fund manager has started to develop an initial understanding of climate change, but this is presently on an ad hoc basis and driven by individuals. Climate change is not yet viewed as a material business risk. The fund manager has started reporting basic climate-related information to executive management and the board, but there is no active engagement on the topic. The potential impacts on business strategy are starting to be discovered. Climate-related risks are identified and reported in an unstructured way, and high-level GHG emissions reporting is taking place.

- Developing
  The fund manager has started formalising its understanding and response to climate change, but these processes are still relatively immature. Governance, accountability, and responsibility for managing climate change is concentrated with a few individuals and not wide-reaching across the organisation. Climate change is not yet integrated into current business processes. Top-level management and the board are informed on climate-related matters, and a climate policy/commitment has been developed. High-level climate risks are being assessed during investment processes, and portfolio carbon footprinting is being captured.

- Advanced

The fund manager has formalised its response to climate change, with appropriate levels of accountability and governance for climate change matters, spread across a range of functions. The board and top-level management are regularly informed of climate change-related matters and considers them when making decisions. Climate change is considered in the fund manager’s core business processes, and climate risks and opportunities are incorporated into the business strategy. Climate change risks are actively identified, addressed, and managed for both new investments and in the existing portfolio. A full carbon footprint measurement has been developed, including Scope 1, 2 and material Scope 3 GHG emissions of the portfolio. GHG emissions reduction targets have been set. (For additional details on Scope 1, 2 and 3 GHG emissions accounting and reporting please see the Metrics and Targets section.

- Transformative
  The fund manager has institutionalised its response to climate change, with appropriate levels of governance and accountability throughout the organisation. All members of executive management are sufficiently capable of making informed strategic decisions considering climate change. All staff have undertaken climate training and have climate-related roles and responsibilities. Climate change is considered a material strategic issue and is incorporated into day-to-day business operations, as well as medium- and long-term strategy. Management of climate change issues has extended beyond risk management. Climate change-related opportunities are continually identified, assessed, and leveraged to establish a competitive advantage. The fund manager has conducted extensive carbon footprint measurement of its own and portfolio company operations, and has set Paris-aligned GHG emissions reductions targets.

2 What influences maturity?

While climate change affects nearly all economic sectors, the level and type of exposure – and the impact of climate-related risks – differs by sector, industry, geography, and organisation. For fund managers specifically this is influenced by:

- Maturity influences

  ### Sector

  For example, investments in the Oil & Gas sector will have a greater transition risk sensitivity compared to those in the Information, Communications and Technology (ICT) sector.

Investment strategy and business mode

For example, a tech-enabled early-stage start-up will have less exposure to climate risk compared to a hydro dam infrastructure project.

Geographies invested in

For example, assets located in geographies more exposed to cyclones, such as Mozambique, are more exposed to potential physical climate risks.

Geographies domiciled in

For example, certain countries have implemented regulations for reporting climate change information, carbon pricing and net zero targets.

External stakeholder and/or LP pressure

For example, LPs with net zero commitments will require fund managers to take action on climate change.

The approach and strategy for addressing climate change should be proportional to the level of risk. For certain fund managers, it may be more appropriate to aspire to an 'advanced' level as becoming 'transformative' may not be necessary.

3 How to use the maturity matrix

Users should download the maturity matrix and start the process of self-assessment against the four pillars of the TCFD recommendations.

The maturity matrix consists of a set of 11 questions against the four pillars of TCFD that need to be answered. An additional 'evidence base' is included for all questions, which provides examples of documents that can identify and substantiate the level of maturity.

Users can use the questions to conduct a current status self-assessment and a three-year ambition assessment. The three-year ambition assessment will help fund managers understand where their main gaps are and prioritise actions in each of the four pillars. The actions taken will be influenced by the maturity factors outlined in Section 2.

A graphical output provides a summary of the results, with an example shown in Figure 9. The coloured bars indicate the existing level of maturity of the fund manager, while transparent areas indicate the level of ambition for the next two to three years.

Figure 9: Example maturity matrix output

View Figure 9