

Carbon Footprint Report 2020/21

Carbon neutrality

In FY 2020/21, Hg was recertified as a Carbon Neutral company as we continue to offset all our carbon emissions. Last financial year¹, we saw a decrease of 87% of our carbon footprint², mostly driven by the reduction in business travel due to the pandemic. At the same time, our business has grown. In 2020/21, our headcount increased by around 8% to 218 employees, and Hg's FUM grew by 68%. Our carbon footprint per employee consequently decreased by 88% (from 11.2 to 1.3 tonnes of CO₂e /

employee) and our footprint per billion dollars of FUM decreased by 92% (from 121.6 to 9.4 tonnes of CO₂e / \$ bn FUM).

Remote working

Last year was a different year, when many offices were closed or operated under limited capacity and travel was restricted. Most of Hg's employees transitioned to remote working which meant our carbon footprint is no longer limited to our offices but includes some of the electricity used within our employee's homes too. With the shift to homeworking, Hg supported our employees to work comfortably at home,

which involved purchasing new equipment. As a result, we have added two new categories in our carbon footprint: home workers and IT equipment. As we are slowly moving towards a more normal world, we are continuing to examine how we can learn lessons from the new working practices introduced during the pandemic and translate them into long term policies which will help to further reduce our environmental impact. Since July 2021, Hg has shifted to renewable energy for our London office, something which will have a positive impact on our footprint in our next reporting year.

291.1

Total tCO₂e emissions in 2020/21

1.3

tCO₂e / employee

9.4

tCO₂e / \$bn FUM

The Issue

In 1994, the United Nations Framework Convention on Climate Change (UNFCCC) recognised that the climate system can be affected by greenhouse gas (GHG) emissions and ozone depleting substances (ODS). The consumption of fossil fuels, other industrial activities and deforestation generate the majority of GHGs, such as carbon dioxide, nitrous oxide, methane, chlorofluorocarbon (CFC), hydrochlorofluorocarbon (HCFC) and hydrofluorocarbon (HFC). These gases are collectively known as 'greenhouse gases', since they do not interact with short wave radiation from the sun; instead, they absorb the reflected long wave radiation from the Earth's surface and reradiate this energy as heat within the Earth's atmosphere. This is impacting the temperature and has a long-term impact

on our climate. Unless we take radical action, our lives (including our resources, economies and businesses) are going to be profoundly affected.

The recent Intergovernmental Panel on Climate Change (IPCC) report³ based on the work of hundreds of leading climate scientists from across the world, reaffirms that human activity is changing the climate and making extreme weather events such as heatwaves, droughts and flooding more likely. We are currently at a point where a further temperature rise would be detrimental to our planet. The report urges businesses and governments to act. It is not too late and there is hope that decreased carbon emissions could stabilise rising temperatures, but we need to take urgent action to avoid catastrophe.

At Hg, we are taking our role in the climate agenda very seriously. By measuring and offsetting our carbon footprint, we aim to do our part in tackling the global climate emergency, while also supporting sustainable development in local communities. We strive to lead by example and actively work with our portfolio companies to raise awareness and support positive environmental change. Hg is a founding member of the UK division of initiative Climat International (iCI)⁴, a UNPRI endorsed network of private equity firms collaborating on climate change. Hg has also joined other leading asset managers as a signatory of the 2021 Global Investor Statement to Governments on the Climate Crisis.

¹ April 2020 – 31 March 2021

² Scope 1, 2 and 3 emissions, in line with the GHG protocol. Hg's footprint is verified by Natural Capital Partners.

³ Released in August 2021

⁴ <https://collaborate.unpri.org/group/761/stream>

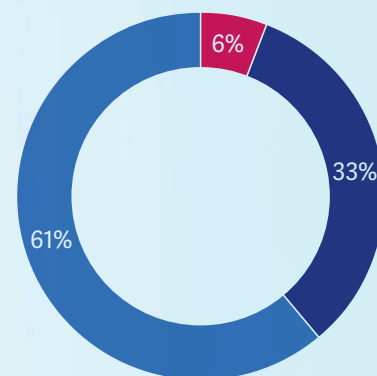
Methodology and detailed numbers

Hg's carbon footprint for the financial year 2020/21 was prepared in line with the GHG Protocol by external consultant Natural Capital Partners and includes our scope 1, 2 and 3 emissions⁵ in tonnes of CO₂e:

	2018/19	2019/20	2020/21	% YoY change
Scope 1 – Direct emissions	51	38	19	-51%
Scope 2 – Indirect electricity emissions	195	119	94	-21%
Scope 3 – Other indirect emissions ⁶	1,410	2,093	178	-91%
Total	1,656	2,249	291	-87%

Standardised numbers based on number of employees and FUM:

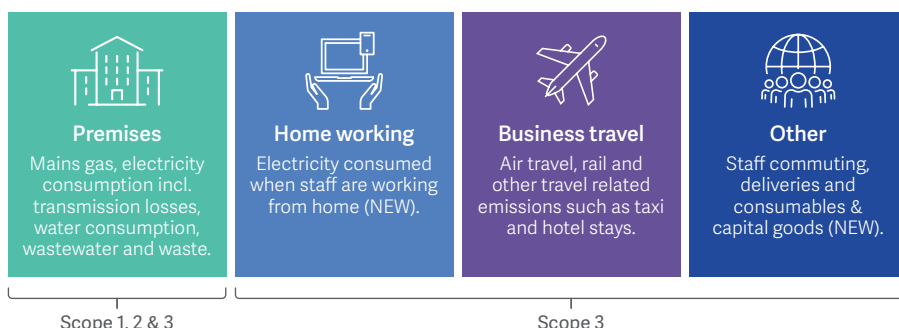
Nbr of employees	161	201	218	8%
tCO ₂ e / employee	10.3	11.2	1.3	-88%
FUM (\$bn)	12.5	18.5	31.0	68%
tCO ₂ e / \$bn FUM	132.5	121.6	9.4	-92%



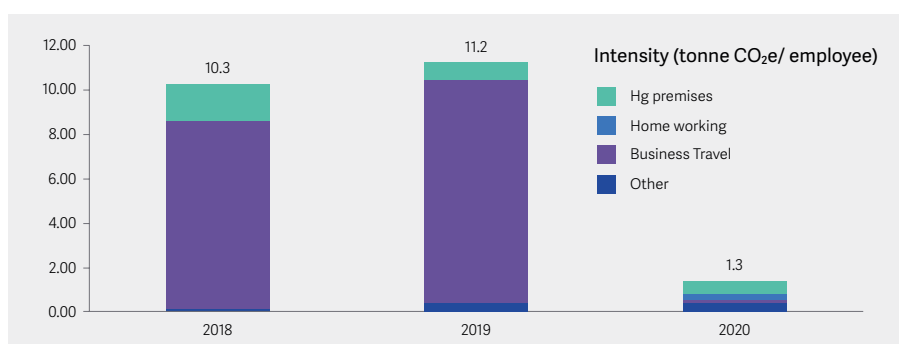
Emissions by scope 2020/21

- Scope 1 - Direct emissions
- Scope 2 - Indirect electricity emissions
- Scope 3 - Other indirect emissions

Cutting the data slightly differently, looking at the emissions related to the different activities within our firm rather than the scopes defined by the GHG protocol:



	2018/19	2019/20	2020/21	% YoY change
Premises	268	169	129	-24%
Home workers	–	–	59	n/a
Business Travel	1,365	2,011	26	-99%
Other	22	69	78	13%
Total	1,656	2,249	291	-87%



Hg re-certified as carbon neutral

Hg has been re-certified as a Carbon Neutral company and continues to offset all carbon emissions by supporting the Acre Amazonian Rainforest project, which prevents deforestation and promotes sustainable economic livelihoods in the Brazilian Amazon.⁷

With the support of carbon finance, the project works with local communities to create models of economic development, to prevent deforestation and protect the ecosystem. The project aims to deliver on 4 of the 17 Sustainable Development Goals; No Poverty, Zero Hunger, Good Health and Well-Being, and Life on Land.



We recognise that offsetting is only one way to reduce our environmental impact. In addition, we are committed to understanding ways in which we can reduce our overall footprint, such as procuring renewable energy, energy efficient measures in our offices and internal training on environmental sustainability for all our employees.

⁵ It is currently excluding Scope 3 category 15 of the GHG protocol, i.e. investments. Carbon emissions from our portfolio companies may be included in future reporting.

⁶ Scope 3 emissions include other indirect emissions e.g. business travel, hotel stays, employee commuting etc.

⁷ <https://www.naturalcapitalpartners.com/projects/project/acre-amazonian-rainforest-conservation>