Carbon Footprint Report 2023/24

7,606
Total tCO_2e emissions in FY24[1]

19
tCO_2e/employee

104
tCO_2e/FUM

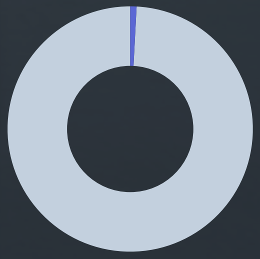
Summary

At Hg, take our role in the climate agenda seriously. We believe that transparency is a fundamental part of being a responsible investor. We're proud to report our carbon footprint for the fifth consecutive year, continuously aiming to increase both the accuracy and scope of our data collection, as well as our portfolio's. In FY24[1] we adopted a new carbon accounting provider to help us obtain an increasingly accurate footprint, whilst streamlining our reporting. Furthermore, we were able to access a larger volume of data, enabled by our updated travel booking methods and new office management processes across our sites. As a result, we saw an increase of 148% in our footprint, compared to FY23[2].

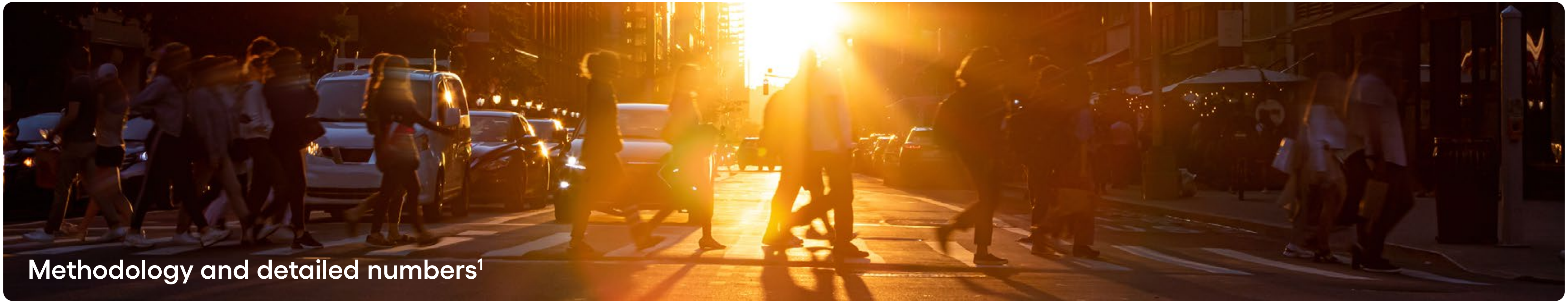
In FY24, Hg's headcount grew by 25% from 315 to around 400 employees, while our funds under management (FUM) grew by 16% from $63bn to $73bn. Our London office also underwent a large refurbishment to accommodate our increased headcount. The works lasted around ten months to complete. As a result of the ten month project, we expect energy consumption to have increased in line with our increased desk capacity, as our workforce now expands across two floors. In August 2023, our San Francisco office also moved to a larger site. We are now pleased to report that our San Francisco office has joined London and Munich on a 100% renewable energy tariff, and we purchased renewable energy certificates to cover our New York office.

Despite the overall increase of our footprint, our Scope 1 emissions have decreased to 0. In previous years, heating in our London office was categorised under Scope 1. However, following the latest guidelines from our newly implemented carbon accounting platform, we've reassigned these emissions to Scope 2. This reallocation has resulted in a complete eradication of our Scope 1 emissions, demonstrating a 100% decrease and consequently, has led to a 15% increase in our Scope 2 footprint. The most significant increase we have seen is within our Scope 3 emissions. This is largely driven by an increase in available data. As like last year, Business Travel accounts for the majority (71%) of our Scope 3 emissions. While we acknowledge business travel has increased in line with the headcount and growth in our UK and international offices, we also attribute this increase to a more comprehensive set of travel data. As outlined in our Sustainability and Travel policies, we continue to promote the use of virtual meetings and encourage staff to reconsider air travel in favour of transport modes with a lower environmental impact. However, we acknowledge that our industry depends on establishing strong connections with founders, management teams and investors. This often necessitates face-to-face interactions, which in turn requires travel. For our FY24[1] carbon footprint, we also decided to include emissions associated with our spend with consultancies, lawyers and recruitment firms within our Purchased Goods and Services category which accounts for 21% of our Scope 3 emissions. Like last year, Hg compensated for its carbon emissions through voluntary offsetting of its Scope 1, 2 and 3 emissions.

Emissions by scope FY24[1]



[1] FY24 is 1st April 2023 to 31st March 2024 [2] FY23 is 1st April 2022 to 31st March 2023



Methodology and detailed numbers[1]

	FY20	FY21	FY22	FY23	FY24	% Change from baseline year (FY20)
Scope 1	38	19	5	20	0	-100%
Scope 2	119	94	27	40	46	-61%
Scope 3	2,093	178	1,487	3,009	7,560	+261%
TOTAL	**2,249**	**291**	**1,519**	**3,069**	**7,606**	**+238%**

Hg's carbon footprint for the financial year (FY24) was prepared using the GHG Protocol by a third-party carbon accounting platform and includes our scope 1, 2 and 3 emissions in line with their guidance[2].

Standardised numbers based on number of employees and FUM:

	FY20	FY21	FY22	FY23	FY24	% Change from baseline year (FY20)
Nbr of employees	201	218	299	315	394	+96%
tCO_2e / employee	11	1	5	10	19	+72%
FUM ($bn)	19	31	41	63	73	+295%
tCO_2e / FUM	122	9	37	49	104	-14%

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.

Scope 1, 2 & 3

Premises
Heating, electricity consumption incl. transmission losses, water consumption, and waste.

Scope 3

Home working
Electricity consumed when staff are working from home.

Business travel
Air travel, rail and other travel related emissions such as taxi and hotel stays.

Other
Staff commuting, deliveries and consumables, capital goods and purchased goods, staff lunches and spend on professional services (***NEW***).

	FY20	FY21	FY22	FY23	FY24	% Change from baseline year (FY20)
Premises	169	129	75	104	46	-73%
Home workers	–	59	21	93	10	–
Business Travel	2,011	26	1,253	2,506	5,434	+170%
Other	69	78	170	367	2,116	+2,966%
TOTAL	**2,249**	**292**	**1,519**	**3,069**	**7,606**	**-238%**

[1] Our financial year runs from 1st April to 31st March
[2] Our footprint currently excludes Scope 3 category 15 of the GHG Protocol, i.e finances emissions/investments

Hg's SBTi Targets[1]

50%
reduction in scope 1 & 2 emissions by FY31

50%
of our invested capital will be covered by SBTs by FY31

26%
of our invested capital will be covered by SBTs by FY27

100%
of our invested capital will be covered by SBTs by FY41

[1] https://sciencebasedtargets.org/

Hg's approach to portfolio carbon footprinting

At Hg, we actively engage with our portfolio companies to raise awareness and to support positive environmental change. In FY24, we continued a carbon footprinting exercise of our portfolio companies by collecting scope 1, 2 and 3 emissions data for the fourth year.

A key focus was increasing the amount of portfolio companies that measure Scope 3 emissions. We are pleased that 89% of our portfolio companies are now reporting Scope 3 emissions, in line with the GHG Protocol. By supporting our portfolio companies in calculating their carbon footprints, we enable them to think more strategically about their carbon footprints, how to identify opportunities to reduce their carbon emissions and set ambitious targets.

Compensating for our emissions

Patch

For five consecutive years, Hg has compensated for its scope 1, 2 and 3 emissions by investing in carbon credits. We have partnered with Patch, a trusted carbon credit marketplace, for the past two years. In FY24, we shifted from avoidance carbon credits to a portfolio comprising 100% carbon removal credits:

Banni Grassland Biochar – 2% of tCO_2
Using kilns to convert invasive wood into biochar, which is combined with compost and spread across the grassland.

Bangladesh Horticultural Agroforestry - 84% of tCO_2
Planting fruit-bearing trees on marginal lands owned by smallholder farmers in Bangladesh, focusing on horticultural agroforestry systems.

Delta Blue Carbon - 14% of tCO_2
Protecting coastal ecosystems, including mangroves in Pakistan.

We recognise that purchasing carbon credits is just one way to address our environmental impact. The biggest impact we can have is by reducing our footprint. Hg has set targets in line with and approved by the SBTi and we are dedicated to finding new ways to reduce our overall footprint.