

Carbon Footprint Report 2021/22



1,519

Total tCO₂e emissions in 2021/22

5.2

tCO₂e / employee

37.0

tCO₂e / \$bn FUM

Summary

In FY 2021/22, Hg was recertified as a carbon neutral company as we continue to offset our carbon emissions. Last financial year¹, we saw an increase of 422% of our carbon footprint², mostly driven by the return to business post pandemic and with that the return to business travel. At the same time, our business has grown significantly. In 2021/22, our headcount increased by 37% from 218 employees to 299 employees and Hg's FUM grew by a further 33%. Our carbon footprint per employee increased from 1.3 in 2020/21 to 5.2 (tonnes of CO₂e) in 2021/22 and our footprint per billion dollars of FUM increased from 9.4 to 37.0 (tonnes of CO₂e / \$ bn FUM), however, the 2021/22 footprint per employee and FUM are still lower than pre-pandemic levels (11.2 tonnes of CO₂e/employee and 121.6 tonnes of CO₂e/FUM). Hg's previous footprint for 2020/21 was drastically impacted by the Covid-19 pandemic including multiple lockdowns and travel bans so whilst there has been a significant increase from this for 2021/22 our 2021/2022 total CO₂e emissions are down 32% from 2019/20³.

Our Scope 1 and 2 emissions have decreased respectively by 73% (Scope 1) and 72% (Scope 2) despite our overall footprint increasing. The increase in our Scope 3 emissions is due to the return to business travel which equates to 81% of our total emissions and the return of staff commuting to our offices equating to an additional 5%. Whilst we promote virtual meetings and encourage staff to 'think twice' before travelling by plane and use transport modes with less environmental impact, we recognise that the PE business model relies on building strong personal relationships with founders and management teams of prospective companies and existing portfolio companies, as well as with Hg's own investors. This often requires face-to-face interactions which in turn requires travel. Since July 2021, Hg shifted to renewable energy for our London office, which has had a positive impact on our footprint and we continue to explore renewable energy options for our other office locations including Hg's new offices in San Francisco and Paris which opened in 2022.

¹ April 2021 – 31 March 2022.

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

³ Hg's baseline year.

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). These GHGs are impacting the temperature and have a long-term impact on our climate. Unless we take radical action, our lives (including our natural resources, economics and businesses) are going to be irreversibly affected.⁴

A recent report by the Intergovernmental Panel on Climate Change reaffirms that global warming reaching 1.5°C in the near term would cause unavoidable increases in multiple climate hazards and present high risks to ecosystems and humans.⁵ The report, based on research from hundreds of leading climate scientists across the world, states that near-term actions that limit global warming would substantially reduce losses and damages related to climate change but can no longer eliminate them all. They highlight that governments, businesses and civic organisations will have to navigate their own Carbon Resilience Development pathways toward climate-resilient and sustainable development. This includes the appropriate balance of adaptation, mitigation and sustainability development actions that are consistent with global agreements and goals such as the SDGs and the Paris Agreement.

Hg's approach

At Hg, we are taking our role in the climate agenda seriously. By measuring, reducing and offsetting our carbon footprint, we aim to do our part in tackling the global emergency, while also supporting sustainable development in local communities. We strive to lead by example and actively engage with our portfolio companies to raise awareness and support positive environmental change. In 2021, we conducted a carbon footprinting exercise of our portfolio companies by collecting Scope 1, 2 and 3 emissions data for the second year. Our focus for the upcoming financial year (2022/23) is on improving the data quality of Scope 3 emissions. By supporting our portfolio companies to calculate their carbon footprints, we can enable them to think more strategically about how to mitigate climate-related risks and identify opportunities to reduce their carbon emissions.

To support progress on reducing climate change across the PE industry, Hg engages in external networks and works in partnership with our peers. Hg is a founding member of the UK division of the initiative Climat International (iCI)⁶, a UNPRI endorsed network of private equity firms collaborating on climate change. Hg is involved in the carbon footprinting workstream, the Scope 3 for tech companies workstream and the net zero working group. In November 2021, Hg worked with its peers in the iCI to support the development of the Science Based Targets initiative (SBTi) guide for PE. Hg road tested the standard to set our carbon reduction targets in line with SBTi⁷. Hg's reduction and portfolio engagement targets are set on a 2019/20 baseline. See page below for further details about Hg's targets:

Hg's SBTi targets

Hg's own Scope 1 and 2 emissions:

- 50% reduction by 2030 on a FY20 baseline

Hg's Scope 3 financed emissions:

- 26% of our invested capital will be covered by SBTs by 2026
- 50% of our invested capital will be covered by SBTs by 2030
- 100% of our invested capital will be covered by SBTs by 2040

⁴ https://report.ipcc.ch/ar6/wg2/IPCC_AR6_WGII_FullReport.pdf

⁵ Released February 2022

⁶ <https://collaborate.unpri.org/group/761/stream>

⁷ https://sciencebasedtargets.org/resources/files/Hg_final.pdf

Methodology and detailed numbers

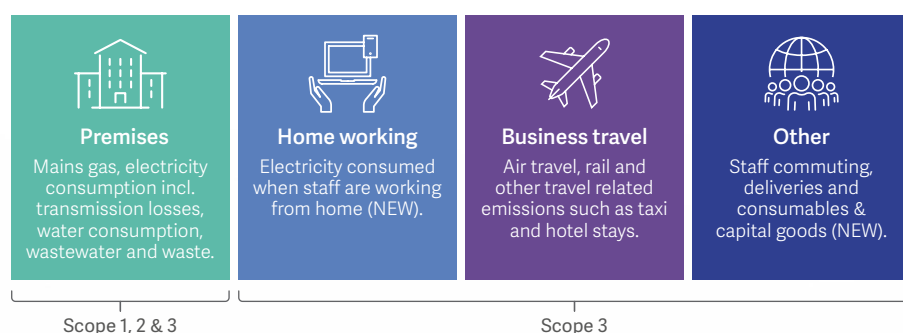
Hg's carbon footprint for the financial year 2021/22 was prepared using the GHG Protocol by an external consultant and includes our Scope 1,2 and 3 emissions in line with their guidance.⁸

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | % YoY change (20/21 to 21/22) | % Change from baseline year (19/20) |
|--|-------------|-------------|------------|-------------|-------------------------------------|---|
| Scope 1 – Direct emissions | 51 | 38 | 19 | 5 | -73% | -86% |
| Scope 2 – Indirect electricity emissions | 195 | 119 | 94 | 27 | -72% | -78% |
| Scope 3 – Other indirect emissions | 1410 | 2093 | 178 | 1487 | +735% | -29% |
| Total | 1656 | 2249 | 291 | 1519 | +422% | -32% |

Standardised numbers based on number of employees and FUM:

| | | | | | | |
|-------------------------------|-------|-------|------|------|-------|-------|
| Number of employees | 161 | 201 | 218 | 299 | +37% | -49 |
| tCO ₂ e / employee | 10.3 | 11.2 | 1.3 | 5.1 | +292% | +54% |
| FUM (\$bn) | 12.5 | 18.5 | 31.0 | 41.1 | +33% | +122% |
| tCO ₂ e / \$bn FUM | 132.5 | 121.6 | 9.4 | 37.0 | +294% | -70% |

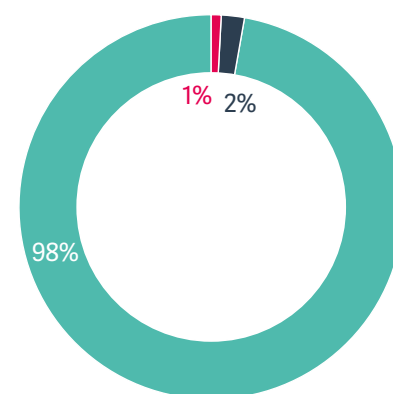
Cutting the data slightly differently, looking at the emissions related to the different activities within our firm rather than the scopes defined by the GHG protocol:



| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | % YoY change | % Change from baseline year (19/20) |
|------------------------|-------------|-------------|------------|-------------|--------------|--|
| Premises | 268 | 169 | 129 | 75 | -42% | -56% |
| Home workers | – | – | 59 | 21 | -65% | – |
| Business Travel | 1365 | 2011 | 26 | 1253 | +4720% | -38% |
| Other | 22 | 69 | 78 | 170 | +118% | +146% |
| Total | 1656 | 2249 | 291 | 1519 | +422% | -32% |

⁸ It is currently excluding Scope 3 category 15 of the GHG protocol, i.e. financed emissions / investments.

⁹ <https://www.climateimpact.com/global-projects/acre-amazon-redd-portfolio-brazil/>



Emissions by scope 2021/22

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

Reducing and offsetting the footprint

In 2021/22, Hg worked with a third party to offset our carbon footprint by supporting the Acre Rainforest Protection project.⁹ We recognise that offsetting is only one way to reduce our environmental impact. In addition, we have committed to the Science Based Targets initiative (SBTi) and are dedicated to understand ways in which we can reduce our overall footprint, such as investigating options for procuring renewable energy in our offices, energy efficient measurements and internal training on environmental sustainability to employees.

