Taskforce on Climate-related Financial Disclosures

Report 2025

hgcapital.com

Hg is trusted to improve the future of millions of investors by building sustainable businesses for tomorrow. This is our purpose, and it is embedded in everything we do, in every decision, every day and for every individual. It means we are focused on generating returns for our clients, and the millions of individuals, pensioners and savers, who are invested in their funds. Our clients trust us, not just to deliver superior risk-adjusted returns, but also to be good custodians of their money, whilst safeguarding their reputation by investing their capital responsibly and adhering to rigorous sustainability standards.

Hg has c.410 employees operating across five investment offices (London, Munich, New York, Paris, San Francisco & Singapore). Hg's portfolio comprises 'technology and services' sector companies, which typically provide B2B software and/or service solutions helping their customers to progress workplace automation and digitalisation trends - transforming the workplace for professionals over decades to come. Hg has c. $110 billion in assets under management and a portfolio spanning approximately 60 businesses.

We believe long-term sustainable returns depend on stable, well-governed social, environmental and economic systems. This is supported by the adoption of sustainable business principles including good governance, resource efficiency, effective risk management, well managed talent attraction and talent retention programmes, whilst maintaining a 'social licence' to operate.

Hg acknowledges the significant global challenges posed by climate change. Limiting global warming is important for our planet's future. Without substantial intervention, resources, economies and businesses will face severe impacts. In response, governments, industries and companies are being called upon to prepare, understand and mitigate risks, and identify potential opportunities that might arise from climate change.

We recognise that understanding and managing climate-related risks can impact investment decisions, and that opportunities such as resource efficiency, deliver tangible cost savings and reduce dependencies on fossil fuels. We measure our carbon footprint and support our businesses in enhancing their climate change awareness and resilience.

This report aims to provide transparent, comparable, and consistent information about the risks and opportunities presented by climate change for Hg and our portfolio.

This report consists of 4 sections, in line with the requirements under TCFD:

Section	Overview	Recommended disclosures	Pages
1 Governance	Disclosure of the Hg's governance around climate related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	4-5
		b) Describe management's role in assessing and managing climate-related risks and opportunities.	
2 Strategy	Disclosure of the actual and potential impacts of climate-related risks and opportunities on Hg's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	6-10
		b) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	
		c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
3 Risk Management	Disclosure of how Hg identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	11-14
		b) Describe the organization's processes for managing climate-related risks.	
		c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	
4 Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	15-18
		b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
		c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	

Data statement

In developing this report, Hg has applied professional judgement and a range of assumptions to interpret and present climate-related information in accordance with the data requirements ESG Sourcebook 2.2. We rely on both internal analysis and selected third-party climate data to assess risks, measure emissions, and inform our targets. The data sources and any third-party providers have been selected with consideration to relevance and reliability. Hg has, insofar as reasonably practicable, used the most up-to-date information available for this reporting period. Please note, any references to portfolio company related data is based on the reporting period 1 Jan 2025 – 31 Dec 2025 for the majority of our companies, in line with Hg's annual Sustainability Diagnostic, unless otherwise stated. We rely on and trust our portfolio companies to report accurate data to us. When Hg is a minority investor, we often rely purely on the main investor to provide us with climate-related data from the underlying portfolio company. The data in this report has not been externally validated or audited and the quality of data can vary across our portfolio. Where data gaps or methodological challenges have been identified, Hg has addressed these using reasonable assumptions. These instances are limited and have been applied only where, in Hg's view, such use would not be misleading.

With regards to the reporting period, Hg does not consider there to be material gaps in underlying data or methodological uncertainty that would prevent the disclosure of relevant metrics. However, we continue to monitor and review data and methodologies on an ongoing basis. As part of our ongoing commitment to continuous improvement, we strive to enhance our portfolio-level reporting processes, and we periodically evaluate the merit of obtaining external assurance. Hg does not externally audit or verify the data obtained by our portfolio companies, but place trust in our portfolio companies' disclosures. Over time, we encourage our portfolio companies to work with third parties to verify relevant data to further increase the proportion of portfolio data that is verified. We recognise that climate assessments are inherently subject to forward-looking uncertainty and rely on evolving scenario analyses rather than established historical trends. As methodologies, regulatory guidance, and market practices mature, Hg will continue to refine its data collection, validation, and reporting processes to strengthen accuracy, comparability, and transparency. No guarantee, representation, or assurance is provided by Hg, or any person acting on its behalf, regarding the achievement, timing, or reasonableness of any estimates, targets, commitments, or ambitions described in this Report.

Please note that this TCFD Report or communication is not a marketing document and is provided for information purposes only. The act of selecting and evaluating material sustainability matters is subjective by nature, and there is no guarantee that the criteria utilised or judgment exercised by Hg will reflect the views, internal policies, or preferred practices of any particular investor or other asset manager or reflect market trends. The sustainability goals, commitments, incentives and initiatives outlined in this report reflect current thinking, are subject to change, are purely voluntary and, are not binding on Hg's investment decisions and/or Hg's management of investments, and are subject to Hg's fiduciary or similar duties and applicable legal, regulatory, and contractual requirements.

UK FCA TCFD Report

HgCapital LLP is authorised and regulated by the Financial Conduct Authority ("FCA") (firm reference number 478870) and provides investment advisory services to the Hg Group ("HgCapital"). Hg Pooled Management Limited (firm reference number 122466) provides investment management services and also holds investments in subsidiary undertakings ("Hg PM"). Both entities are subsidiaries of Group Holdco 1 Limited. HgCapital, Hg PM, Group Holdco 1 Limited and its other subsidiary companies are collectively referred to in this report as "Hg", "we" or the "firm". Climate policy is generally set and climate-related risks and opportunities are generally managed at the firm-level and disclosures relating to Hg are applicable to HgCapital and Hg PM except as otherwise indicated.

One of the purposes of this report is to set out our disclosures in line with the TCFD recommendations for HgCapital and Hg PM to comply with their obligations under Chapter 2 of the FCA's Environmental, Social and Governance (ESG) sourcebook ("FCA ESG"). Hg's TCFD in-scope business comprises managing an AIF and portfolio management (as those terms are defined in the FCA ESG). Hg's TCFD in-scope business is wholly covered by this TCFD report ("TCFD Report").

This TCFD Report covers the reporting period 1 January 2025 – 31 December 2025 unless otherwise stated.

During the reporting period, Hg did not delegate any of its management or advisory functions and there is therefore no interaction between climate-related risks and opportunities and delegation.

The disclosures for Hg set out in this TCFD Report, including firm disclosures cross-referenced, comply with the requirements of Chapter 2 "Disclosure of climate-related financial information" of the FCA ESG sourcebook included in the FCA's Handbook. This TCFD Report should be read in conjunction with the relevant sections of the Hg Responsible Investment Report 2025/26 and the Hg Carbon Footprint Report 2025/26 as indicated throughout.

Steven Batchelor
Partner, co-CEO and Board member
30 June 2026



1. Governance

Disclosure of the Hg's governance around climate related risks and opportunities.

Hg's Sustainability team leads the implementation of the sustainability strategy and Hg's Audit and Risk Committee, reporting to our Board, oversees the firm's climate change risks on an ongoing basis.

Board Oversight and Management Role

Hg has established governance systems to effectively manage sustainability issues, including climate change risk management. Climate topics are governed across various teams and groups, with responsibilities assigned to the Board, committees and appropriate individual personnel as follows:

Hg Board: Is ultimately accountable for climate-related risk and opportunity management. The Board has oversight of Hg's Responsible Investment and Sustainability policies, which includes references to climate change, as well as major external disclosures.

Sustainability Board Sponsor: Steven Batchelor, co-CEO, Managing Partner and Board member acts as the Partner-level sponsor providing Board representation and accountability for sustainability topics including climate.

Audit & Risk Committee (ARC): Oversees risk management, including climate matters. Material climate-related matters are reviewed quarterly by the ARC and at least annually by the Board.

Chief Sustainability Officer (CSO): Leads execution of the climate strategy and oversees the integration of climate-related matters across functions and portfolio companies. The CSO reports to the Head of Client Services and provides regular updates to the Sustainability Board Sponsor.

Hg Board-level oversight extends across our climate initiatives and commitments. Our sustainability strategy (which includes climate) is shared with key Partners in the firm, including the head of Value Creation, the head of Client Services and our Sustainability Board Sponsor.

In particular, the Hg Board has visibility of our Responsible Investment policy, firm-level carbon footprint report, carbon offsetting initiative and our carbon reduction targets. Further, portfolio related goals, which include climate-related targets, are monitored every quarter by Hg's Head of Value Creation. Hg's sustainability initiatives (including climate) are funded through a dedicated annual budget.

Separately, various groups such as Hg's Workplace Health, Safety & Sustainability working group meet on a regular basis to review progress on Hg's own firm-level carbon footprint and reporting. Climate change also forms part of Hg's quarterly risk management process which is conducted by our Audit and Risk Committee (ARC) reporting to Hg's Board.

We believe it is important to have dedicated in-house sustainability expertise with knowledge on sustainability topics, including climate change. Hg's sustainability team, consisting of two individuals – our Chief Sustainability Officer and our Responsible Investment Principal – reviews and monitors climate-related issues and collaborates with internal teams and portfolio companies to provide expertise as needed. Hg also leverages external tools and advice to support our climate change initiatives.

	Hg Board Sustainability Sponsor				
Focus	Sustainability Strategy	Sustainability Related Risks	Culture & Inclusion	Workplace Health, Safety & Sustainability	Portfolio Sustainability
Structure	▸ Sustainability steering group: Consists of cross-functional representatives. ▸ Quarterly updates between Hg Chief Sustainability Officer and Hg Board Sustainability Sponsor	▸ Risk & Audit committee (ARC): Oversees firm-level risks and reports into Hg's Board.	▸ Culture Committee: Formal committee reporting into Hg's Board.	▸ HSS working group: Consists of individuals from across Hg's offices.	▸ Quarterly review between Hg Chief Sustainability Officer and VCT lead Partner.
Responsibilities	Reporting; Compliance; Sustainability Strategy and targets	Climate change; Sustainability	Culture & Inclusion; Employee Engagement	Hg carbon footprint; Office initiatives	Sustainability Diagnostic; Portfolio sustainability targets and projects
Teams involved	Cross-functional	Compliance & Sustainability	Cross-functional	Facilities & Sustainability	Value Creation & Sustainability

Picture 1. Hg's sustainability and climate governance overview

2. Strategy

Disclosure of the actual and potential impacts of climate-related risks and opportunities on Hg's businesses, strategy, and financial planning where such information is material.

Identifying climate-related risks and opportunities, and their impact on Hg

Hg recognises that identifying climate-related risks and opportunities is important in a sustainable transition to a low-carbon economy. Our analysis, leveraging external tools and internal input has identified the following climate-related opportunities and risks deemed relevant for Hg, under a short term (0–5 years), medium term (5–10 years), and long term (10+ years) time horizon.

Table 1. Climate-related opportunities

	Climate-related opportunities	Potential financial impact	Horizon
Resource efficiency	• Use of more efficient modes of transport • Increased recycling • Reduced energy consumption	• Reduced operating costs through efficiency gains. • Improved health and safety.	Short-term
Energy sources	• Use of lower-emission sources of energy • Use of new technologies across our offices • Participation in voluntary carbon market	• Reduced operational costs • Reduced exposure to fossil fuels. • Branding and external profiling.	Medium-term
Resilience	• Participation in renewable energy programmes • Adoption of energy-efficiency measures	• Increased resilience and ability to operate under various conditions	Medium-term
Products and services	• Ability to diversify products across Hg and our portfolio • Shift in investor preferences	• Gain access to capital through demand for more sustainable products. • Competitive position to support investor preferences.	Short-term
Markets	• Access to new markets for portfolio companies developing low-carbon strategies and solutions	• Increased portfolio revenues through access to new markets, such as customers with scope 3 climate change targets/transition plans.	Short-term

Table 2. Climate-related risks

	Climate-related risks	Potential financial impact	Horizon
Transition Risks: Risk of transitioning to a low carbon economy			
Policy and legal	• Climate-related legal, regulatory and disclosure exposure, including rising expectations around climate-risk governance and reporting.	• Higher compliance, legal and assurance costs; possible regulatory or litigation-related costs.	Medium- to long-term
Market	• Shift in demand towards lower carbon investments / portfolios.	• Reduced access to capital.	Short-term
Reputation	• Increasing pressure from clients, portfolio companies, regulators and other stakeholders to demonstrate credible climate-risk management and transition awareness.	• Reduced revenue through weaker client retention or business development outcomes, alongside higher operating costs related to stakeholder engagement, disclosure, governance and talent attraction / retention.	Short-term
Physical Risks: Risk of extreme weather events			
Location-specific exposure	• Increased exposure to storm surge and subsidence may increase insurance costs and create repair, remediation or resilience investment needs for affected offices / sites.	• Higher insurance premiums, increased operating costs and potential resilience or relocation expenditure for affected offices.	Short- to Medium-term
Operations / premises disruption	• Severe weather events could disrupt access to premises, utilities or local operations at certain locations, including travel disruptions and uncomfortable working conditions.	• Increased operating costs, temporary business interruption, relocation costs and productivity loss at affected sites.	Short- to Medium-term

Table 3: Summary of outputs of the Scenario Analysis for Hg at the firm-level for SSP1-2.6 (low-emissions pathway), SSP2-4.5 (medium pathway) and SSP5-8.5 (high-emissions pathway). See page 15 for further details on methodology and each scenario.

2030				2035				2050			
Physical Risk			Transition Risk	Physical Risk			Transition Risk	Physical Risk			Transition Risk
SSP1-2.6	SSP2-4.5	SSP5-8.5	Below 2°C	SSP1-2.6	SSP2-4.5	SSP5-8.5	Below 2°C	SSP1-2.6	SSP2-4.5	SSP5-8.5	Below 2°C
Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	High	Medium

Results of Hg's Scenario analysis

In 2025 we implemented a new climate change risk screening tool, Unwritten, a climate and nature risk analytics platform designed to help investors and companies identify, assess, and report material climate change related risks across portfolios, companies, and individual assets. This updated tool superseded our previous climate risk assessment tool which we used between 2019 – 2024.

Firm

At the firm level, Unwritten's analysis indicates that Hg's climate-related risks are concentrated in specific areas rather than being persistent across the entire business.

Transition risk appears limited in terms of direct market downside under the modelled scenarios; however, legal / disclosure exposure and reputation risk are more significant, reflecting increasing stakeholder expectations for credible climate-risk governance, reporting and transition awareness. Accordingly, the main potential financial effects arise through compliance and advisory costs, stakeholder and client retention pressures, and physical risk consequences such as business interruption, insurance and occupancy cost increases, and resilience or relocation expenditure at affected sites.

Overall, Unwritten's analysis suggests that Hg's physical risk is driven by a small number of higher-risk office locations. The analysis indicates that Hg's office footprint is exposed to generally low to medium physical risk under lower warming pathways and earlier time horizons, but risk becomes more concentrated and more severe under SSP5-8.5, particularly by 2050. The most material exposure is at Hg Singapore office, which rises to Extreme physical risk by 2050, with Hg San Francisco office remaining High across the SSP5-8.5 time horizons and Hg New York office increasing to High by 2050. By contrast, London, Paris and Munich remain predominantly Low to Medium across the modelled scenarios and time horizons.

Portfolio

Our portfolio scenario analysis, covers 464 physical offices across 58 of our portfolio companies (>95% coverage), using the new tool Unwritten. The analysis was conducted based on any publicly communicated office locations, often found through each company's website. We recognise that our analysis will not be fully comprehensive, covering all offices across our portfolio, due to only using publicly available data. Hg's portfolio companies are typically headquartered in Europe and North America but they often have a global footprint. It is currently planned to give portfolio companies access to the Unwritten platform so they can update their information and analyse their results as needed.

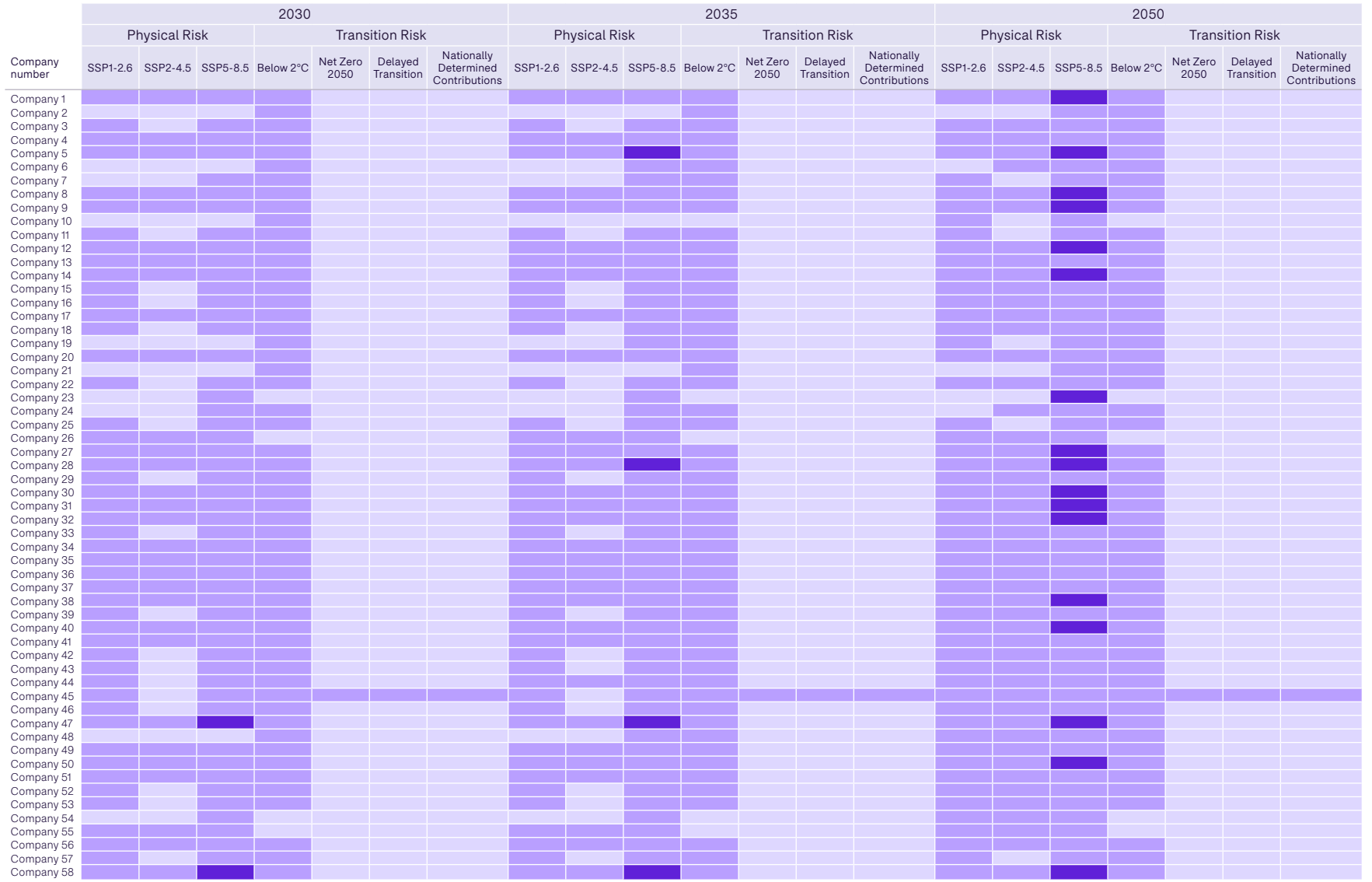
The software and services sector generally presents lower climate change risk exposure, despite significant energy and water use, compared to sectors which heavily rely on natural resources.

Our 2025 climate risk assessment indicates that physical climate risk is the most material near-term exposure, while transition risk remains generally low to moderate. For our software and services businesses, the risk is not primarily sector-driven, but it depends on the geographic location of their offices and proximity to specific physical hazards, as set out in the table below.

Table 4: Key physical climate risk exposures hazards

Location	Risk	Main exposure for Hg
Low-lying ground	Flooding	Netherlands
Coastal exposure	Storm surge, coastal flooding	Sydney, New York, Boston, San Francisco, Los Angeles
Water-constrained areas	Water stress	Belgium, India, Spain
Subsidence-prone locations	Subsidence	Netherlands
Specific hazard zones	Cyclone, earthquake, river flooding, wildfire	Singapore, Manila, California

Table 5: Summary of outputs of the Scenario Analysis for Hg's portfolio for SSP1-2.6 (low-emissions pathway), SSP2-4.5 (medium pathway) and SSP5-8.5 (high-emissions pathway).



Resilience of Hg's strategy

Taking the scenario analysis as a whole, Hg considers its strategy to be resilient to climate-related risks across the modelled pathways. Physical risk is concentrated in a small number of office locations and, even under the high-emissions SSP5-8.5 pathway to 2050, affects a limited share of Hg's and its portfolio's operational footprint; because the portfolio is weighted towards asset-light software and services businesses, these exposures are not expected to be material to portfolio value. Transition risk is similarly contained, with the principal financial effects arising through compliance, disclosure and stakeholder-engagement costs rather than through impairment of the investment strategy. Where higher-risk locations are identified, Hg will engage the relevant offices and portfolio companies on resilience and, where appropriate, business-continuity or relocation measures. Hg will continue to test the resilience of its strategy as the new tool's outputs mature and data coverage improves.

Legend

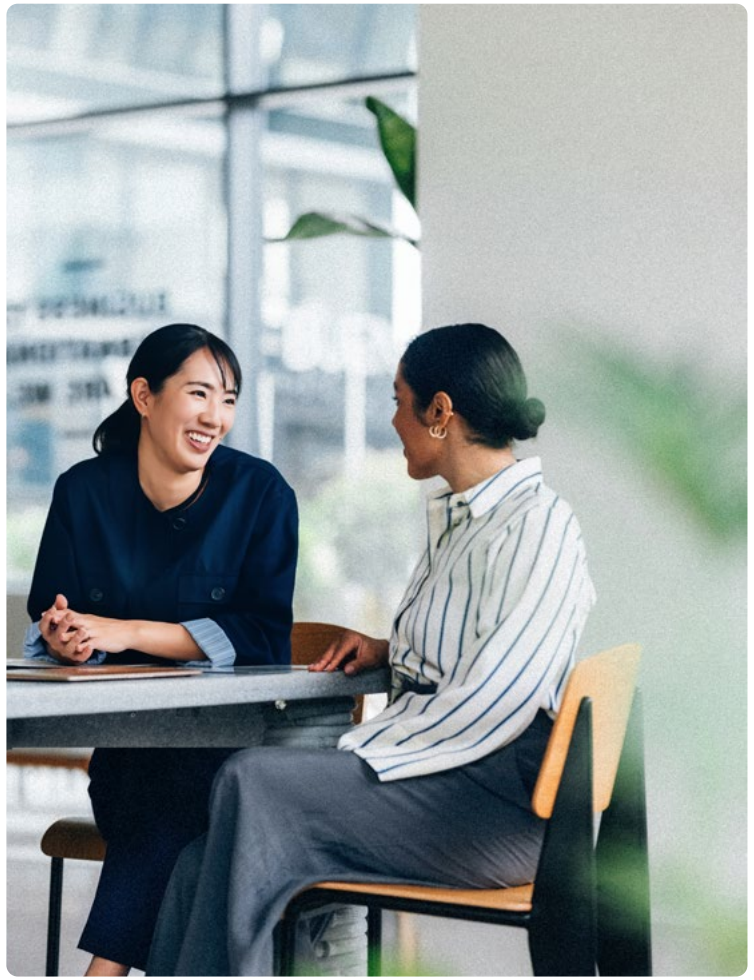
- High
- Medium
- Low

Physical pathways: SSP1-2.6 (low emissions), SSP2-4.5 (medium), SSP5-8.5 (high).

Transition pathways: <2°C = Below 2°C; NZ 2050 = Net Zero 2050; Delayed = Delayed Transition; NDC = Nationally Determined Contributions.

3. Risk Management

Disclosure of how Hg identifies, assesses, and manages climate-related risks.



Identifying and assessing climate related risks

Hg seeks to manage climate-related risks and opportunities through its existing functional groups and committees, with oversight from the Board. Hg also uses external tools, specialist advisers, legal counsel and third-party collaboration to support the assessment and management of its carbon footprint and climate-related risks.

The three core parts of Hg's compliance and risk function are:

1. Hg's Compliance function
   is responsible for ensuring that the firm meets its regulatory obligations, including compliance with applicable laws and regulations across the jurisdictions in which the firm operates. Among other things, the team, led by Hg's Head of Compliance and Risk, is responsible for:

   - Establishing, implementing and maintaining adequate policies and procedures to identify risks (including any emerging regulatory requirements), setting the level of risk tolerance and having processes to manage the risks relating to Hg's activities in light of that risk tolerance;
   - Implementing strategies and policies for identifying, measuring, managing, monitoring, mitigating and reporting risks to which Hg is or may be exposed, including operational risks, professional liability risks and risks posed by the macroeconomic environment, and ensuring that data used to assess such risks is fit for purpose;
   - Reviewing:
     a. the effectiveness of Hg's risk management policies and procedures;
     b. the level of compliance of Hg and Hg Staff with arrangements to manage risks, and ensuring adequate risk training is delivered to Hg Staff and the Hg Board; and
     c. the adequacy and effectiveness of measures taken to address any deficiencies in the relevant policies, procedures, arrangements, processes and mechanisms.
   - Overseeing and validating Hg's external reporting of risk, where relevant.

2. Hg's Risk Management function
   operates independently and is led by Hg's Head of Compliance and Risk. It has developed a comprehensive Risk Management Framework, reviewed and approved at least annually by the ARC and the Hg Board, which forms the basis for Hg's Risk Register. The function has access to all parts of Hg's business that affect Hg's risk profile and conduct quarterly check-ins with senior members of staff responsible for the various business areas to identify new risks and monitor mitigation of existing ones. Any new risks identified are added to the Risk Register by the Head of Compliance and Risk who will, in consultation with the Risk Management Function and other Hg Staff, score each risk.

3. Hg's Audit and Risk Committee (ARC),
   which meets at least quarterly, oversees Hg's overall risk profile. The ARC reviews and approves Hg's Risk Management Framework annually, ensuring it adequately identifies the risks to which Hg is, or may be, exposed. It is a committee of the Board, and ARC papers form part of the quarterly Board papers. The ARC is required to:

   i) Examine Hg's management process for ensuring the appropriateness and effectiveness of systems and controls;
   ii) Examine the arrangements made by management to ensure compliance with regulatory requirements and standards;
   iii) Develop proposals for consideration by the Hg Board in respect of overall risk appetite and tolerance; and
   iv) Advise the Hg Board on, and provide oversight of, Hg's overall current and future risk appetite and the implementation of strategy vis-à-vis risk.

Climate-related risks are documented in the Risk Register following the same procedures applied to all other risks. Each risk item is assigned an overall Risk Rating based on an assessment of both probability and impact. Like all other risk items, climate change risk is managed through established controls and action points, and has a designated owner, Hg's Chief Sustainability Officer. The Risk Register provides a description of the climate-related risks facing Hg at any point in time, the controls and mitigants in place to manage those risks, and any actions required to manage, maintain, or reduce the overall risk level. The Risk Register is reviewed quarterly, with ratings updated and reasons for any changes recorded accordingly.

The Head of Compliance and Risk presents the Risk Register to the ARC on a quarterly basis. The ARC may require additional measures to be taken as necessary, and climate change is a standing agenda item in this process consistent with the treatment of all other risks in the register.

Hg monitors key transition risks, including regulatory developments, through ongoing engagement with external organisations. Since 2020, Hg has been a member of Initiative Climat International (iCI), a global initiative that helps private equity firms identify and respond to the climate-related risks and opportunities. As part of this:

- In 2021, Hg worked with the iCI NetZero working group, the World Resources Institute (WRI) and the SBTi to develop a PE standard for how PE firms can set own Science-based Targets (SBTs).
- In 2024/25, Hg co-led an iCI working group to develop scope 3 GHG accounting guidance for the software and services sector – a comprehensive guide to help technology businesses understand and calculate their scope 3 emissions.

Managing climate related risks

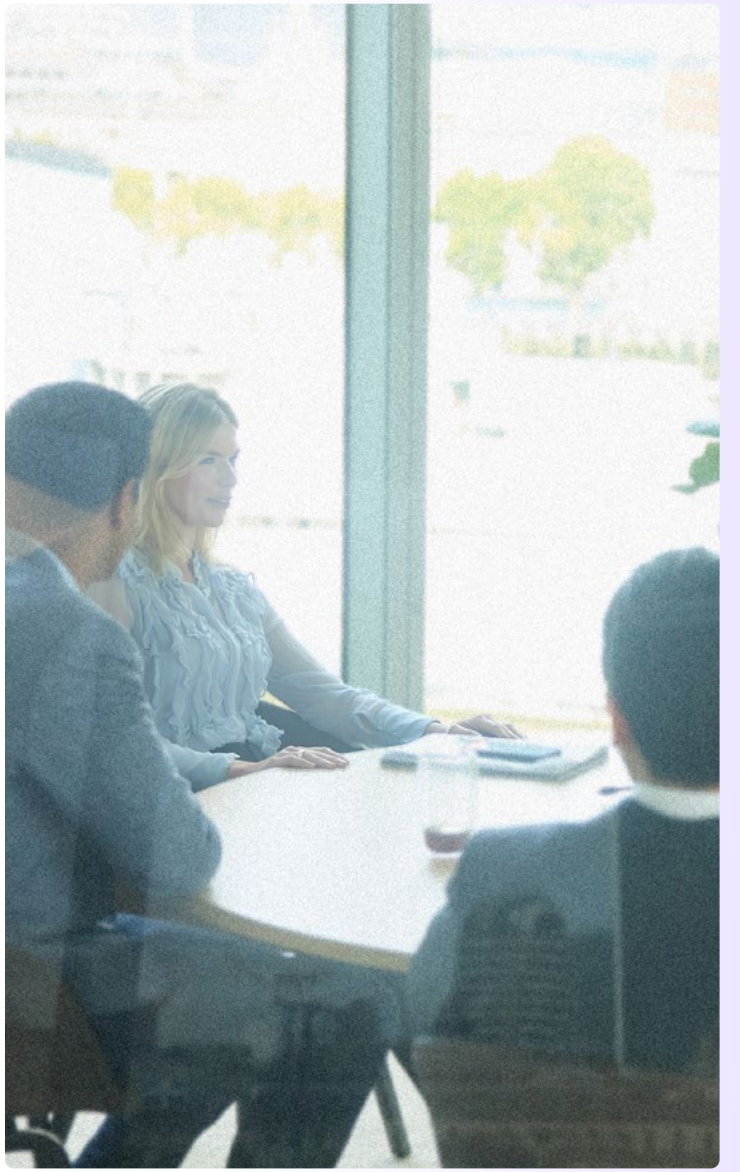
Firm-level climate change risk management initiatives

Hg has implemented climate risk management initiatives, starting with an annual assessment of our carbon footprint. Since 2018, Hg has worked with external parties to calculate its annual carbon footprint and support emissions mitigation and compensation activities.

In addition to measuring our impact, we mitigate it by trying to reduce our emissions where possible. For example, we have moved our four largest offices to 100% renewable electricity. Where our landlords have not been able to provide renewable energy directly to our offices, we have achieved this by purchasing renewable energy certificates. Most of our carbon reduction initiatives relate to the office environment, as we acknowledge that directing similar initiatives in a home working context is more complex.

We encourage our portfolio companies to calculate and report on their carbon footprints, and encourage initiatives to establish science-based targets and reduce emissions. As of end 2025, 74% of our portfolio companies were gathering carbon footprint data and 40% were in the process of, or have already, set carbon reduction targets[1].

With our newly implemented risk assessment tool, Unwritten, we will further review the key climate change risks across our offices to understand what, if anything, further Hg can do to mitigate or manage the risks highlighted during the analysis.



[1] Covering 47 portfolio companies assessed based on their 2025 performance.

Portfolio climate change risk management initiatives

Climate change risk and other material sustainability topics are considered across our investment process, from screening to active ownership.

Please see Hg's Responsible Investment policy for further context.

Key climate risk management initiatives at the portfolio level include:

Pre-investment

As a technology and services investor, Hg's screening criteria clearly states that we do not invest in companies in sectors that are considered high-risk from a climate risk perspective such as companies that are principally engaged in the extraction of geological materials or natural resources and the processing of such materials.

Our Sustainability team leads the pre-investment sustainability due diligence (DD) in collaboration with our legal and investment teams. This covers five key metrics related to climate change: (i) climate change risk assessment; (ii) climate change risk management; (iii) carbon footprinting; (iv) carbon reduction targets; and (v) SBTs.

As we implemented Unwritten, we started to roll out the use of the tool during DD to assess climate change risks based on publicly communicated office locations too.

Onboarding and ownership:



We provide both strategic and practical support to portfolio companies, as well as facilitating active collaboration across our portfolio, we aim to help reduce risks and create value across our portfolio.



Encouraging and supporting portfolio companies to calculate their carbon footprints annually using externally recognised partners. In 2025, 78% of portfolio companies calculated and reported their carbon footprint to Hg, while around 13 companies either did not report or provided insufficient data, typically because they were new to the Hg portfolio or lacked the resources to complete a formal assessment.



Deploying a decarbonisation toolkit, launched at our 2024 Sustainability Forum, which takes portfolio companies through five steps: establishing a GHG inventory baseline; identifying material emissions sources; identifying and prioritising carbon reduction opportunities; building a solid decarbonisation plan; and setting carbon reduction targets aligned with science.



Hg's sustainability team conducts a sustainability onboarding and annual assessment against our Sustainable Business Framework (please see RI policy for details). The outputs from the assessments are shared with the Board members of each portfolio company. The assessment allows Hg and portfolio companies to prioritise their sustainability efforts, including climate-related risks, during the investment period.



We continue to focus on encouraging portfolio companies to improve the quality of their scope 3 emissions data, recognising that the highest source of a company's emissions is often scope 3. For software companies this largely resides in data centres which use large amounts of electricity to process and store data and business travel.



Engaging with portfolio companies to ensure they have business continuity and emergency response plans in place. According to our 2025 Sustainability Diagnostic, nearly 95% of our portfolio companies have such plans in place. Mitigation plans often include the enablement of remote-working arrangements.



Conducting a climate change risk assessment of our portfolio companies. With the updated scenario analysis for our portfolio businesses, we are planning, as a next step in 2026, to share the results with portfolio companies through the platform. This means each portfolio company would be able to log in, review their own results, and take action as they see appropriate.



Encouraging and supporting our businesses to set science-based carbon reduction targets. We advocate, but do not mandate that portfolio companies have their targets approved by the Science Based Targets initiative (SBTi). As of 31 March 2026, 13 portfolio companies, representing 25% of invested capital, have had their targets approved by the SBTi.



In addition to supporting our portfolio companies to calculate their carbon footprints, we encourage them to focus on their emissions hotspots, identify opportunities for carbon reduction, and set interim and long-term targets.

4. Metrics and Targets

Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Metrics to assess climate related risks and opportunities

Risk metrics

The climate change scenario analysis platform Hg uses, Unwritten, covers three main types of analysis across the following scenarios, timelines and pathways:



1. Physical risk scenarios

This approach draws on IPCC's externally recognised climate scenarios and hazard datasets and combines them with company sector, geography and asset-location information to identify financially relevant climate risks. Physical risk is assessed at asset level across a range of acute and chronic hazards, including storm surge, flooding, extreme heat, drought, wildfire, subsidence and water stress, with risk derived from the interaction of hazard, exposure and vulnerability.

- SSP1-2.6: low-emissions pathway
- SSP2-4.5: medium pathway
- SSP5-8.5: high-emissions pathway

across the following time horizons:

- 2030
- 2035
- 2050



2. Transition risk pathways:

Assesses how companies may be affected by the low-carbon transition, including changes in policy, technology, legal exposure, market dynamics, and reputation. This helps users understand where business models, costs, revenues, and strategic positioning may come under pressure or benefit. This is measured relative to a defined 'current policies baseline'.

- Below 2°C
- Net Zero 2050
- Delayed Transition
- Nationally Determined Contributions



3. Nature risk:

While this data is not yet incorporated into our investment decisions, Unwritten also assesses exposure to nature-related issues such as biodiversity sensitivity, forest loss, soil erosion, and water scarcity, typically using a TNFD-aligned approach to locate, evaluate, assess, and prepare for nature-related dependencies, impacts, risks, and opportunities. Nature analysis is generally more location- and asset-based than scenario-led, focusing on assets' proximity with sensitive ecosystems and natural resources.

Firm-level metrics and targets

Together with an external carbon footprint solution provider, we assess our carbon footprint in line with the GHG Protocol Standard. Our footprint includes the following material categories of the GHG Protocol:

Scope 1

Diesel or petrol used for owned vehicles, and any owned/controlled gas and fuel sources, e.g. boilers. Hg does not have any company owned vehicles or boilers and therefore no scope 1 emissions.

Scope 2

kWh electricity consumed at offices, renewable electricity procured, and kWh from heating and cooling, including purchased kWh mains gas.

Scope 3

Electricity consumed when employees are working from home, business travel including flights, rail, taxi and hotel stays, other travel-related emissions such as staff commuting, deliveries and consumables, and any purchased goods and services including capital goods and food consumption. Our firm-level footprint, reflected in table 6, does not include scope 3 category 15 (investments).

Table 6. Hg's firm-level carbon footprint[1]

Metric	2018/19	2019/20 Baseline year	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26[2]	% Change from baseline
Scope 1 – Direct emissions (tCO_2e)	51	38	19	5	20	0	0	0	-100.0%
Scope 2 – Indirect electricity emissions (tCO_2e)	195	119	94	26	40	46	58	89	-25.2%
Scope 3 – Other indirect emissions (tCO_2e)*	1,410	2,093	178	1,487	3,009	7,560	7,150	7029	+235.8%
Total (tCO_2e)	**1,656**	**2,249**	**291**	**1,519**	**3,069**	**7,606**	**7,208**	**7119**	**+216.5%**
# of employees	161	201	218	299	315	394	391	410	+104.0%
tCO_2e / employee	10.3	11.2	1.3	5.1	9.7	19	18	17	+51.8%
FUM (Funds under Management) ($bn)	12.5	18.5	31.0	41.1	63.1	73	75	111	+500.0%
tCO_2e / FUM	132.5	121.6	9.4	37.0	48.6	104.2	96	64	-47.4

Historically, firm-level carbon emissions (excluding scope 3 category 15 of the GHG protocol, i.e. financed emissions / investments) were calculated based on our financial year (1 April – 31 March). This year we have adjusted that to align with the same timeline we are reporting our portfolio carbon emissions on, i.e. calendar year – as highlighted in table 6. As we are approaching our re-baselining of our science-based targets, we will align our targets to calendar year too.

Hg has set firm-level targets for our scope 1 and 2 emissions, approved by the SBTi, to reduce absolute scope 1 and 2 GHG emissions 50% by FY2030/31 (31 March 2031) from a FY2019/20 (31 March 2020) base year.

In 2025, our total carbon footprint was 7,119 tonnes of carbon emission equivalents (CO_2e). This is a reduction of 1% from previous year[3]. Our scope 1 and 2 carbon footprint has decreased by **43% since our baseline year (FY2019/20)**. This is largely due to the increase in renewable energy procurement across four of our offices, and a change in methodology in 2024, resulting in scope 1 emissions being accounted for within scope 2 instead. For further details, our latest Carbon Footprint Report which is available on our website.

[1] Our firm-level footprint excludes scope 3 category 15 of the GHG protocol (financed emissions / investments). For information on our financed emissions, please refer to our portfolio-level carbon metrics below in this report.

[2] Note change in the reporting timeline from financial year (1 April – 31 March) to calendar year (1 January – 31 December) to align with the timeline of portfolio company reporting and to align with regulatory reporting requirements.

[3] Note: Hg changed the reporting period between previous carbon footprint report and our 2025 year report to align with what is required for our regulatory reporting.

Portfolio-level metrics and targets

Hg has collected scope 1, 2 and 3 carbon emissions data across its portfolio since 2021. Given that many portfolio companies engage their own third-party providers for emissions calculations, we collect their totals (some of which are independently verified by third parties) totals across all three scopes rather than recalculating centrally. The majority of companies report scope 3 emissions to Hg, however around 30% of companies (that are less mature) report only scope 1 and 2 emissions. Below table include scope 1 and 2 emissions only, as these are the numbers which we feel more confident in given the complexities of estimating scope 3 emissions. Existing scope 3 emission data is still shared with our clients as part of our reporting in line with the ESG Data Convergence Initiative (EDCI).

We do not independently verify portfolio company submissions and rely on reported data only. We also asked portfolio companies to report scope 2 emissions from both a market- and location-based perspective, and to provide information on the predominant data sources used for scopes 1 and 3. All companies from which we have received data have worked with an external carbon accountant to prepare their footprint.

Note that portfolio company emissions, unlike Hg's firm-level emissions, are generally reported for the calendar year. At the time of publication, not all portfolio companies had submitted their 2025 data, due to differences in financial year-end, delays in finalising annual reporting, or other timing factors.

The weighted average carbon intensity metrics in Table 7 were independently verified by Auditel with a limited level of assurance, in line with TCFD recommendations for asset managers. The emissions below cover 96% of Hg investments by invested cost.

Upon collecting and reviewing the portfolio carbon footprints, we also conduct a Net Zero alignment review in line with the Private Markets Decarbonisation Roadmap (PMDR) and the Net Zero Investment Framework (NZIF) Component for the Private Equity Industry. Following their guidance, we analyse the veracity of Net Zero progress amidst our portfolio by grading each company on a scale from “Not started” to “Aligned to Net Zero” for PMDR and “Committed to Aligning” to “Net Zero” for NZIF.

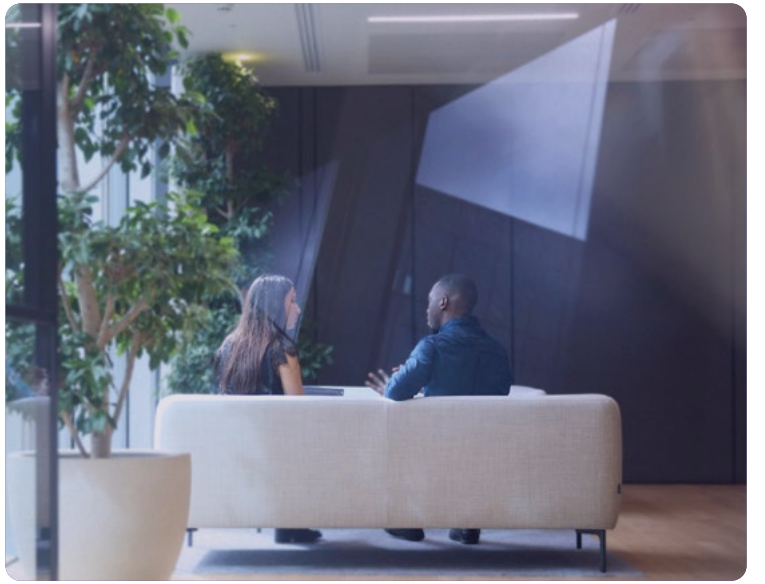


Table 7. Scope 1 and 2 emissions from Hg portfolio companies

Metric	2023 Scope 1	2023 Scope 2	2023 Scope 1 & 2	2024 Scope 1	2024 Scope 2	2024 Scope 1 & 2	2025 Scope 1	2025 Scope 2	2025 Scope 1 & 2
Absolute emissions (tCO_2e)	28,045	44,713	72,758	25,934	42,348	68,282	20,173	32,372	52,544
Hg financed emissions (tCO_2e)	8,676	17,062	25,738	11,868	14,622	26,490	6,837	8,145	14,982
Carbon intensity (tCO_2e / $m revenue)	1.40	2.78	4.18	0.97	1.28	2.25	0.59	1.20	1.30
Weighted average carbon intensity (tCO_2e / $m revenue)	0.74	2.06	2.80	0.97	1.08	2.05	0.64	0.64	1.28
Carbon footprint (tCO_2e / $m portfolio value)	0.02	0.05	0.07	0.02	0.03	0.05	0.01	0.02	0.03

Table 8: Hg's portfolio across the five stages of PMDR:

PMDR	Not started	Capturing Data	Preparing to Decarbonise	Aligning	Aligned to Net Zero
Definition	Not started to measure emissions or plan how to reduce them	Reporting emissions data but currently no plan in place to reduce emissions	Planning to reduce emissions in-line with an approach agreed with the GP	Committed to a decarbonisation plan aligned to a transition pathway	Delivering against a net zero plan and operations aligned to science-based target
Criteria	Minimal or no emissions data No decarbonisation plan in place	Measuring Scope 1 and 2 emissions from operations alongside material Scope 3 emissions, and making data available to fund	Decarbonisation plan meeting minimum requirements in place but level of ambition not aligned to net zero pathway	Committed to near-term science-based target aligned to a long-term net zero pathway	Demonstrated YoY emissions profile in line with net zero pathway
Position Hg port cos	22%, 6.4% 2025	39%, 37% 2025	14%, 15% 2025	24%, 41% 2025	2%, 0.4% 2025
No. of port cos	2025: 13 2024: 15	2025: 23 2024: 26	2025: 8 2024: 6	2025: 14 2024: 10	2025: 1 2024: 0

Percentage of Hg portfolio by number of companies | Percentage of Hg portfolio by invested capital | 2024

The trajectory is going in the right direction. For example, the percentage of portfolio companies that are advanced (Preparing, Aligning or Aligned) under PMDR has increased by 14 percentage points from last year and is now 43%.

Note: 2024 figures are as published in our annual RI report 2024/25.

We constantly try to improve in this space and are committed to providing an update towards our commitments at least annually to the public and our clients via our external TCFD, Carbon Footprint and Responsible Investment reports.

If you have any questions about the content of this report, please contact sustainability@hgcapital.com