Carbon Footprint Report 2022/23

3,069
Total tCO_2e emissions in 2022/23

9.7
tCO_2e/employee

49
tCO_2e/FUM

Summary

In FY23 (2022/23), Hg compensated for its carbon emissions through voluntary offsetting of its Scope 1, 2 and 3 emissions. Over the last financial year[1], we saw an increase of 102% in our carbon footprint[2] compared to previous year. This was mostly driven by business growth coupled with an increase in business travel post pandemic. In 2022/23, our carbon footprint per employee increased from 5 to 9.7 tCO_2e and our footprint per billion dollars of Funds Under Management (FUM) increased from 37 to 40 tCO_2e/bn USD compared to previous year.

Hg grew significantly again in 2022/23, our headcount increased by 10% from 299 to 315 employees and our FUM grew by 54% from $41bn to $63bn. Hg is now the eighth largest PE firm globally, up from 14 in the previous year[3].

In 2022, Hg opened two new offices, one in Paris and one in San Francisco, and relocated to a bigger office space in New York. Unfortunately, that meant we had overlapping offices in New York for three months, both consuming energy on Hg's behalf. Furthermore, we had 12 individuals relocating to the US and have accounted for any emissions associated with their relocation in our carbon footprint calculation.

In April 2022, Hg introduced a new lunch benefit to employees in London and Munich. Given the volume of food purchased we have included it in our carbon footprint. As we were not able to access granular data from the food suppliers, we had to estimate this footprint based on spend.

Our Scope 1 and 2 emissions have increased by 290% and 50% respectively, compared to the previous year (2021/22). Scope 1 emissions relate to gas consumption in our London office, which was underestimated in the previous year's footprint. The increase in Scope 2 emissions is a result of two new office openings, as well as the relocation of our New York office. While Hg's London office uses renewable energy, sourcing renewable energy for our Paris, San Francisco and New York offices remains a priority for Hg.

Hg's previous footprints for 2020/21 and 2021/22 were significantly impacted by the Covid-19 pandemic with lockdowns and travel bans. This explains the increase in our Scope 3 emissions from business travel this year. Business travel (including travel by various modes and hotel stays) now account for 82% of our total carbon footprint.

In the past year, Hg reviewed and updated its travel policy, embedding principles of sustainability, cost effectiveness and employee safety.

While we continue to promote the use of virtual meetings and urge staff to reconsider air travel in favour of transport modes with a lower environmental impact, we recognise that the private equity business model depends on establishing strong connections with founders, management teams and investors. This often necessitates face-to-face interactions, which in turn requires travel.

In 2022/23 we also conducted a carbon footprinting exercise with our portfolio companies for the third year running with over 90% of portfolio companies submitting data. A key focus was on improving data quality of Scope 3 emissions.

1 1st April 2022 – 31st March 2023.
2 Scope 1, 2 and 3 emissions, using the GHG protocol.
3 According to Private Equity International's annual PE 300 list.

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. Global GHG emissions have continued to increase, with unequal historical and ongoing contributions arising from unsustainable energy use, land use, land-use change, lifestyles and patterns of consumption and production across regions and among individuals[4].

Recent reports by the Intergovernmental Panel on Climate Change (IPCC) reaffirms that there is a rapidly closing window of opportunity to secure a liveable and sustainable future for all. Material changes in atmospheric composition and a significant slowdown in global warming within the next two decades can only be achieved with profound, swift, and continuous reductions in GHG emissions. The reports, drawing on research from climate scientists, emphasise that immediate actions to limit warming can significantly reduce climate change-related losses and damages but cannot eliminate them completely. They highlight that finance and technology are critical enablers for accelerated climate action and enhancing technology innovation systems is key to accelerate the global widespread adoption of technologies and practices.

Hg's approach

At Hg we take our role in the climate agenda seriously. We actively engage with our portfolio companies to raise awareness and support positive environmental change. In 2022/23 we continue to support our portfolio companies calculate their carbon footprints for the third year in a row. We are also pleased that 15 of our portfolio companies have had their carbon footprints externally verified by third parties. By supporting our portfolio companies in calculating their carbon impact, we enable them to think more strategically about their carbon footprints, how to identify opportunities to reduce their carbon emissions and set ambitious targets.

To support progress on climate change across the PE industry, Hg engages in external networks and works in partnership with our peers. Hg is one of the founding members of the UK branch of the initiative Climat International (iCI)[5] network, which is endorsed by the UNPRI. The network comprises over 100 Private Equity firms working together to address climate change in the PE industry.

Hg is a member of the UK Operating Committee of iCI, is actively supporting the Net Zero working group and co-leads the Technology Scope 3 GHG accounting working group which recently published a guidance document in July 2023.[6]

In 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 SBTi[7]. Hg's reduction and portfolio engagement targets are set on a 2019/20 baseline.

See below for further details about Hg's targets:

Hg's SBTi Targets

50% reduction in scope 1 & 2 emissions by 2030

26% of our invested capital will be covered by SBTs

100% of our invested capital to be covered by SBTs by 2040

4 https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf

5 https://collaborate.unpri.org/group/761/stream

6 https://www.unpri.org/news-and-press/initiative-climat-international-publishes-new-guidance-on-ghg-accounting-for-tech-and-software-companies/11633.article

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

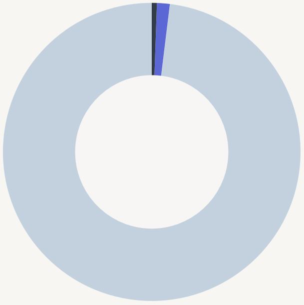
Methodology and detailed numbers

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].

	2019/20	2020/21	2021/22	2022/23	% Change from base-line year (2019/20)
Scope 1 – Direct emissions	38	19	5	20	-47%
Scope 2 – Indirect electricity emissions	119	94	27	40	+67%
Scope 3 – Other indirect emissions	2,093	178	1,487	3,009	+44%
Total	2,249	291	1,519	3,069	+36%

Standardised numbers based on number of employees and FUM:

Nbr of employees	201	218	299	315	+57%
tCO_2e / employee	11.2	1.3	5.1	9.7	+13%
FUM ($bn)	18.5	31.0	41.0	63.1	+242%
tCO_2e / FUM	121.6	9.4	37.0	48.6	-60%



Emissions by scope 2022/23

0.7% Scope 1 – Direct emissions

1.3% Scope 2 – Indirect electricity emissions

98% Scope 3 – Other indirect emissions

8 Our footprint is currently excluding Scope 3 category 15 of the GHG protocol, i.e. financed emissions / investments. For more information on financed emissions, please see our TCFD report here.

Cutting the data slightly differently, we are able to see emissions related to the different activities within our firm rather than the scopes defined by the GHG protocol:

Premises
Mains gas, electricity consumption incl. transmission losses, water consumption, and waste.

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 (incl food consumption *NEW*).

Scope 1, 2 & 3 (Premises)

Scope 3 (Home working, Business travel, Other)

	2019/20	2020/21	2021/22	2022/23	% Change from baseline year (19/20)
Premises	169	129	75	104	-39%
Home workers	–	59	21	93	–
Business Travel	2,011	26	1,253	2,506	+25%
Other	69	78	170	367	+432%
Total	2,249	292	1,519	3,069	+36%

Compensating for our carbon footprint

Patch

Hg worked with Patch, a carbon credit marketplace with vetted projects and expert guidance, to select our climate solutions. Hg has compensated for its Scope 1, 2 and 3 emissions from 2022/23 across two projects:

Tradewater US Refrigerant Destruction
a project focused on the collection, control, and destruction of potent non-CO_2 greenhouse gases, permanently preventing their release into the atmosphere.

Malawi High Efficiency cookstoves
a project distributing improved cookstoves to displace open-fire cooking with lasting environmental, social, and economic benefits.

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