

Carbon Footprint Report 2022/23

4,949

Total tCO₂e emissions
in 2022/23

15

tCO₂e/employee

78

tCO₂e/FUM

Summary

In FY23 (2022/23), Hg compensated for its carbon emissions by offsetting its Scope 1, 2 and 3 emissions. Over the last financial year¹, we saw an increase of 226% in our carbon footprint² compared to last year. This was mostly driven by business growth coupled with the return of business travel post pandemic. In 2022/23, our carbon footprint per employee increased from 5 to 15 tCO₂e and our footprint per billion dollars of Funds Under Management (FUM) increased from 37 to 78 tCO₂e/bn USD compared to the previous year.

Hg grew significantly again last year, in 2022/23 our headcount increased by 10% from 299 to 329 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 year³. 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 3 months, both consuming energy on Hg's behalf. Furthermore, we had 12 individuals relocating to the US and have accounted for their relocation costs and associated emissions 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 have had to estimate this footprint based on costs.

Hg's previous footprint 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 emissions from business travel this year. Our Scope 1 and 2 emissions have increased by 290% and 660% respectively, compared to 2021/22. The increase in Scope 2 emissions is a result of the two new office openings and 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.

The main reason for our increased Scope 3 emissions is the return to pre-pandemic levels of business travel, which accounts for 66% of our total footprint. Our emissions associated with staff commuting have also increased by 21%.

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.

We conducted a carbon footprinting exercise with our portfolio companies for the third year running. This year, our focus was on improving Scope 3 emissions data quality and we achieved over 90% coverage across our portfolio.

- 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 individuals⁴.

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 conducted a carbon footprinting exercise of our portfolio companies by collecting Scope 1, 2 and 3 emissions data for the third year running. Our focus was on improving the data quality of Scope 3 emission, which we achieved with coverage of over 90% of portfolio companies. 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 SBTi⁷. 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

| | | |
|--|---|--|
| <h1 style="margin: 0;">50%</h1> <p style="margin: 0;">reduction in scope 1 & 2 emissions by 2030</p> | <h1 style="margin: 0;">26%</h1> <p style="margin: 0;">of our invested capital will be covered by SBTs</p> | <h1 style="margin: 0;">100%</h1> <p style="margin: 0;">of our invested capital to be covered by SBTs by 2040</p> |
|--|---|--|

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 guidance⁸.

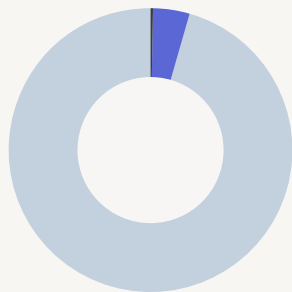
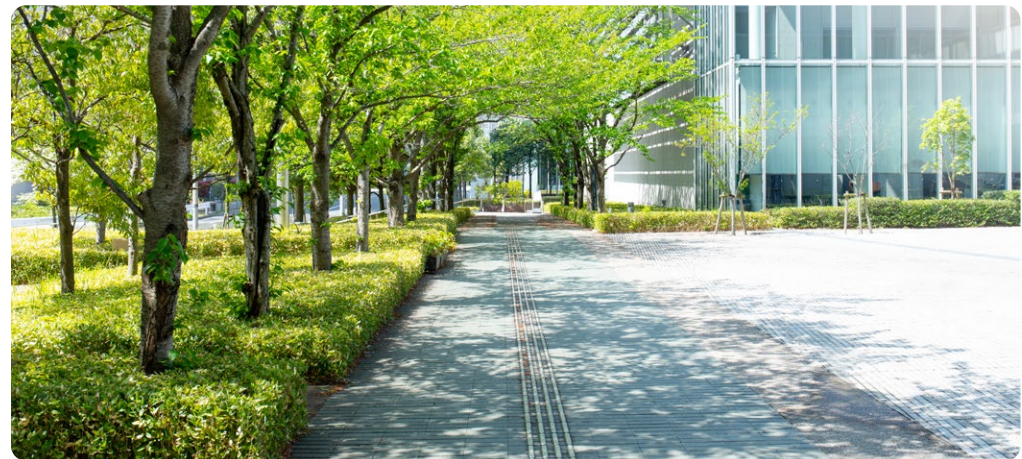
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | % Change from base-line year (2019/20) |
|--|--------------|------------|--------------|--------------|--|
| Scope 1 – Direct emissions | 38 | 19 | 5 | 20 | -47% |
| Scope 2 – Indirect electricity emissions | 119 | 94 | 27 | 201 | +69% |
| Scope 3 – Other indirect emissions | 2,093 | 178 | 1,487 | 4,728 | +126% |
| Total | 2,249 | 291 | 1,519 | 4,949 | +120% |

Standardised numbers based on number of employees and FUM:

| | | | | | |
|-------------------------------|-------|------|------|------|-------|
| Nbr of employees | 201 | 218 | 299 | 329 | +64% |
| tCO ₂ e / employee | 11.2 | 1.3 | 5.1 | 15.0 | +34% |
| FUM (\$bn) | 18.5 | 31.0 | 41.0 | 63.1 | +242% |
| tCO ₂ e / FUM | 121.6 | 9.4 | 37.0 | 78.3 | -36% |

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:

| | Scope 1, 2 & 3 | | Scope 3 | | % Change from baseline year (19/20) |
|---|----------------|------------|--------------|--------------|-------------------------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | |
| Premises Mains gas, electricity consumption incl. transmission losses, water consumption, and waste. | 169 | 129 | 75 | 263 | +55% |
| Home working Electricity consumed when staff are working from home. | - | 59 | 21 | 10 | - |
| Business travel Air travel, rail and other travel related emissions such as taxi and hotel stays. | 2,011 | 26 | 1,253 | 3,243 | +61% |
| Other Staff commuting, deliveries and consumables, capital goods and purchased goods (incl food consumption *NEW*). | 69 | 78 | 170 | 1,433 | +1,989% |
| Total | 2,249 | 291 | 1,519 | 4,949 | +120% |



Emissions by scope 2022/23

- 1% Scope 1 – Direct emissions
- 4% Scope 2 – Indirect electricity emissions
- 95% 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](#).

Compensating for our carbon footprint



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-CO₂ 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.