

A photograph of a modern office interior. The space is characterized by large glass walls and a ceiling with horizontal wooden slats. A prominent feature is a large, lush vertical garden wall covered in various green plants. In the foreground, there are several potted plants, including a large fern. In the background, people are seen working at desks and sitting in a lounge area with modern, light-colored armchairs. The overall atmosphere is bright, airy, and green.

Responsible Investment

Hg ESG Report 2022/23

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Matthew Brockman
Managing Partner at Hg

Leadership Statement

Let’s be honest, 2022 was not a year to savour. Frankly, it was a challenging year for those that invest and rely on capital markets. And it continues in the early months of 2023.

But our business is focused on the long term. On the use of software and the value of technology. In that context, when you think in decades rather than years, the period of 2020-21 cheap money exuberance and the resulting correction, is a blip.

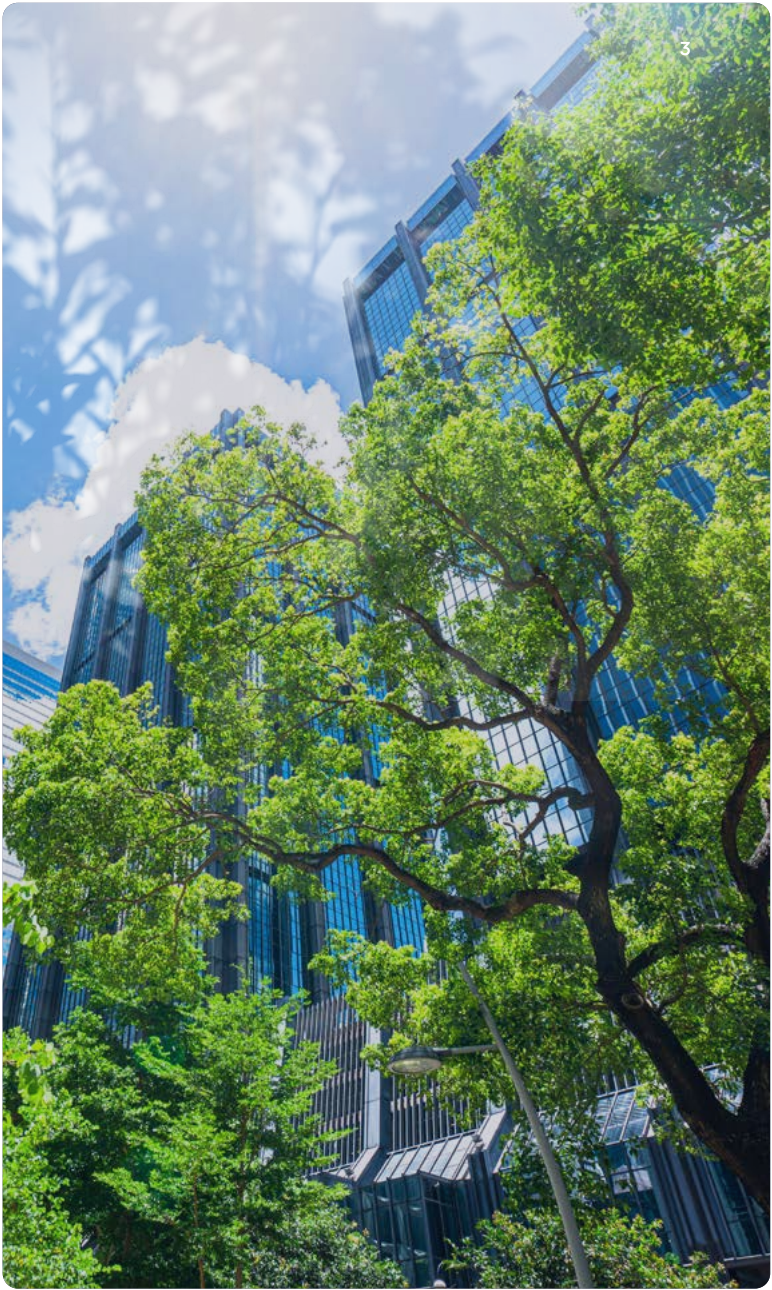
Our emphasis has always been, and will always be, on backing enduring and resilient businesses.

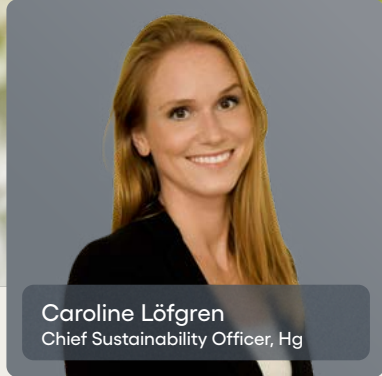
We are trusted by our investors, who manage the many millions of individual pension accounts that support us, to build these sustainable businesses. So we are encouraged to see such resilience across the network of Hg businesses.

And it’s not just in the financial performance, it’s in employment, in customer service and in sustained levels of investment. Our long-term record is for a 20% annual increase in employment in knowledge jobs across the Hg portfolio, valued at around \$120 billion, and we’re proud that this continued in 2022.

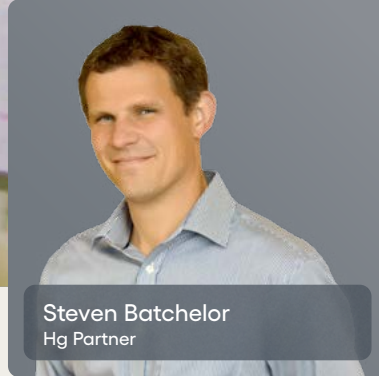
We also focus our actions across the areas where we think we can have most effect. Whether it is environmental issues such as targeting emissions through science-based targets, or diversity and inclusion programs across our firm and portfolio or addressing social opportunity and skills shortages through The Hg Foundation – these are wider issues beyond managing pension fund money well, but where we hope that we can genuinely have some impact.

Years like 2022 test resolve. I am proud that we have stuck to our purpose. To respect pensioners’ money and to build sustainable businesses. We are not perfect, we will continue to learn and improve each year, but that responsibility to our investors, to employees in the businesses that we back and to my colleagues is embedded into the purpose of everything we do.





Caroline Löfgren
Chief Sustainability Officer, Hg



Steven Batchelor
Hg Partner



Kerry Heaton
Chief People Officer, Hg

“In 2022/23 we continued to build our ESG programme and team. Hg’s ESG team is now twice the size it was a year ago, with four individuals working to improve ESG across our portfolio and providing transparency to our stakeholders. The average ESG score across the existing portfolio is 8 out of 10, representing an increase of 4% from the prior year despite more challenging scoring criteria. As we move into the new financial year, we will provide even more support to our portfolio companies and further transparency towards our clients. We have come a long way but recognise there is more to be done and we are looking forward to building on existing and new initiatives in 2023/24.”

“ESG has always been important to Hg and is increasingly a must-have for our clients. In 2022/23 we have seen unparalleled interest from our clients for ESG data on Hg and our portfolio companies, and rightly so. This year, we have grown our ESG team, which enables us to focus more on delivering year-on-year improvement in ESG across the board, futureproofing them for years to come.”

“It is our mission to ensure an inclusive workplace and culture, where people can be themselves regardless of their background. We are proud that our team now represents around 48 different nationalities and is 42% women, marked improvements from where the firm was 5 years ago and making us a winner of Real Deal’s “Diversity & Inclusion Leader of The Year” for the last two years. Despite this progress, we cannot ignore that there is more to be done to ensure everyone has equitable access to a career in our industry and to ensure we have more diverse representation across all levels of the firm. This is why, as we continue to grow and evolve, diversity and inclusion is threaded through our thinking and embedded in our actions.”

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Hg in 2022/23

We recognise the importance of constantly moving forward with ESG improvements. The world does not stand still and we continually assess what we are doing on ESG. In 2022/23 we are particularly proud of the following achievements:



Collaboration

Collaboration is absolutely crucial to drive improvements in ESG performance across the PE sector. Hg has always been involved in and supportive of collaboration across our industry, through partnerships like the British Venture Capital Association (BVCA), Institutional Limited Partners Association (ILPA) and Invest Europe. One of the initiatives that have been particularly helpful to us is the initiative Climat International (ICI) where we are involved in the UK operating committee and the Net Zero working group, as well as leading the Tech Scope 3 working group. The Tech Scope 3 guidance, which is setting a standard for how technology businesses can calculate their scope 3 emissions, is currently under way and will be published in collaboration with ERM in mid-2023. In 2022 we reported to the ESG Data Convergence Initiative (ESG DCI) for the first time. We have used these metrics to provide more clarity to some of our investors, but also to leverage the ESG DCI platform leveraging the ESG DCI platform to benchmark our portfolio and performance against similar other technology companies. This has given us insight into where we can improve.



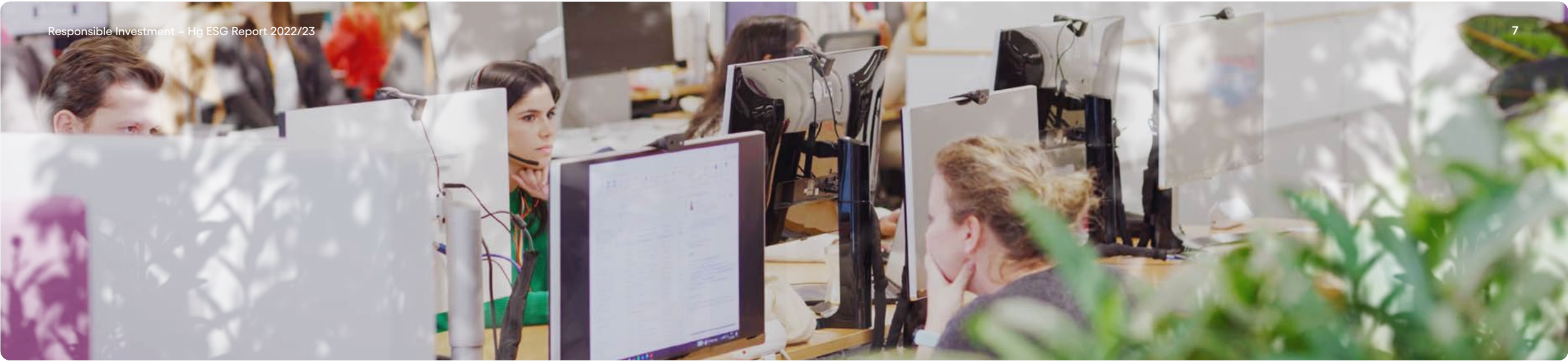
Our recent fundraising

In 2022 we raised two new funds, Saturn 3 and Genesis 10. Of the total \$18bn committed, about half came from clients asking about our ESG performance. This shows just how important ESG has become, not just to Hg, but also to our clients. We are happy to share that our recently raised funds are all categorised as Article 8 Funds under the EU Sustainable Finance Disclosure Regulation (SFDR). For further information, on Hg's approach to the SFDR, please see the SFDR disclosures on our website.



Societal contribution

Hg donates a percentage of its annual profits and carried interest from all of its funds to charitable activity via The Hg Foundation and through our internal charity committee. The Hg Foundation, launched in 2020, supports people from disadvantaged and underrepresented backgrounds in accessing education and training that will ultimately help them get sustainable, long-term careers within the technology industry. Since launching the Foundation, we have committed \$12 million and now directly support more than 8,000 students through 9 partnerships. In May 2022, we welcomed James Turner as CEO of the Hg Foundation. James has background in the charitable giving sector, most recently as the CEO of The Sutton Trust, and extensive experience in social mobility. We are thrilled to have James onboard to drive the success of the Hg Foundation. In addition to the work conducted by The Hg Foundation, in 2022/23 our employees collectively donated over £260,000 across 515 causes through our charitable giving platform, provided by Benevity.



 **Materiality**

The topic of ESG constantly evolves with new regulations, stakeholder demands and emerging topics that we need to consider. To make sure that we focus on what matters most to Hg, our portfolio, and other key stakeholders, we have refreshed our materiality analysis and matrix. We are happy to share the results of this assessment in this report. As you would expect for an investor in software and service businesses, cybersecurity, anti-trust, climate & energy and diversity & inclusion continue to be high priority topics for Hg and our stakeholders.

 **Climate Change**

We supported our portfolio companies to conduct company carbon footprints for the third year in a row. By introducing a new reporting platform and offering additional support, we continue to engage with our portfolio companies to advance on climate action. Portfolio companies report on their scope 1 and 2 carbon emissions as a minimum and we also encourage them to report on scope 3 emissions, where possible. We have shared the results of the company carbon footprints to portfolio companies, highlighting emissions hotspots and opportunities for reduction. We also advocate for portfolio companies to set science-based targets (SBTs) and we are pleased to report that we have five companies that have formally committed to set SBTs, requiring them to have validated targets by the SBTi, 24 months after the commitment was made.

 **Board ESG Sponsors**

We rolled out a new programme across our portfolio, requesting all our portfolio companies to identify an ESG sponsor on their boards. This is an individual who is already a board member, and will act as an advocate for ESG on board-level, making sure ESG topics are discussed on a regular basis and that the board has appropriate oversight of the business’ ESG strategy and policies. To support this, we have launched our ESG Board guidance outlining key aspects of good ESG management on boards. At the end of 2022/23, 81% of our port cos had ESG Board Sponsors and we are working towards increasing that number to 100% across the businesses where Hg is a majority owner.

Hg at a glance

Hg is a leading investor in European and Transatlantic software and service businesses.

We support the building of sector-leading enterprises that supply businesses with critical software applications or workflow services, delivering a more automated workplace for their customers.

This industry is characterised by digitisation trends that are in early stages of adoption and are set to transform the workplace for professionals over decades to come.

Our support combines deep end-market knowledge with world class operational resources, together providing compelling support to entrepreneurial leaders looking to scale their business – businesses that are well invested, enduring and serve their customers well.

With a vast European network and strong presence across North America, our 400 employees and \$55bn in funds under management support a portfolio of more than 45 businesses, worth over \$120 billion aggregate enterprise value, with over 100,000 employees, consistently growing revenues at more than 20% annually.

1 Reported

2 These figures represent the last 12 months (as at 31 March 2023) sales and EBITDA growth of the top 20 investments held by HgCapital Trust plc (HGT.L), calculated on a weighted basis, based on the respective gross valuations of the underlying investments

c.\$65bn
funds under management

\$120+bn
aggregate EV

>300
clients

c.400
employees across London, Munich,
New York, Paris and San Francisco

100k
employees across
portfolio

+18%¹
LTM employee growth
across the portfolio

+30%²
portfolio sales
growth

+27%²
portfolio
EBITDA growth

Hg at a glance

We look to grow sustainable businesses which are great employers and good corporate citizens, whilst also generating strong returns for the millions of pensioners and savers who are invested with us. ESG is embedded into our business practices and the way we invest and manage our portfolio.

1 Hg scores: **** (82/100) for Investment & Stewardship & Policy, and ***** (100/100) for Private Equity. See links to Hg's most recent 2020 transparency report and UNPRI's methodology

\$14m
donated via the
Hg Foundation

\$260k
donated to charitable giving

42%
female employees

38%
female employees in
Hg's investment team

48
nationalities

4.0
Glassdoor score

40
eNPS

★★★★★
UNPRI signatory since 2012 Private Equity

★★★★☆
UNPRI signatory since 2012 Investment Stewardship¹



Our portfolio

We focus on long-term, consistent and robust businesses that sit within eight industry verticals or ‘clusters’. Within this focus we seek companies which share similar characteristics, with an objective to support their long-term growth, leveraging our expertise working in these sectors, implementing initiatives designed to maximise organic expansion, as well as through M&A.

Hg’s portfolio as of March 2023

The Hg Portfolio Team

How we create value across the portfolio

We seek to capitalise on Hg’s focus and scale by offering systematic value creation support to our management teams through one of Hg’s biggest strengths, our Portfolio Team. As a highly focused software and service investor, many of our portfolio companies face similar challenges and opportunities as they grow and scale. Over the past five years, Hg has made a sustained investment to build a team of over 50 full-time operational experts that have deep knowledge across key functions of software and services businesses.

The Portfolio Team works in partnership with our management teams to build value across a range of functional areas – Data and AI, Growth, Technology (incl. engineering, product and cyber), HR & Talent search, Finance, Legal, Business Systems, ESG and Value Creation Planning. For each of these focus areas, the Portfolio Team leverages its depth of knowledge of best practice to help drive value creation in close collaboration with management.

Hg’s strategic support teams – creating value in our portfolio companies with strategy, experience and expertise:



The Hg Portfolio Team

Our Portfolio Team provides a range of support, from diagnostics to identifying new opportunities, project planning & scoping, project execution, ongoing support & advice, and exit preparation. To deliver this, our experts go deep into companies for extended periods, and are enabled by best-practice IP and tools, as well as third-party partners and proprietary datasets and benchmarks. By providing practical support to management teams, leveraging our codified IP and tooling, and facilitating the active collaboration of teams across sectors and geographies, we are able to create maximum value for shareholders.

Operational Experts

- Scale team of 50+ operational specialists, focused on developing and implementing Hg’s best practices in portfolio companies
- Deep subject matter experts, focused on supporting portcos across Hg’s key value creation areas



‘Hg Group’ Services

- Portfolio IP and support delivered as a ‘group service’ to our portcos where appropriate
- E.g. Cybersecurity, legal and ESG assessments and improvement programmes, BI reporting automation, data enrichment, DSP Accelerator Program

Active Community

- Vibrant community with rich peer-to-peer interactions and collaboration across 200+ C-level execs
- Events to foster collaboration and IP sharing (75 events in last 12 months)
- Best practice sharing via Hive, Hg’s online portal (800k page view per year)

IP and Tools

- Systematic development of Hg ‘best practice’ templates, tools, and playbooks (50+ artifacts) that are shared with our portcos for efficient value-add
- Systematic harvesting of data and KPIs to generate ‘Hg group’ insights and benchmarking

Our Responsible Investment Approach

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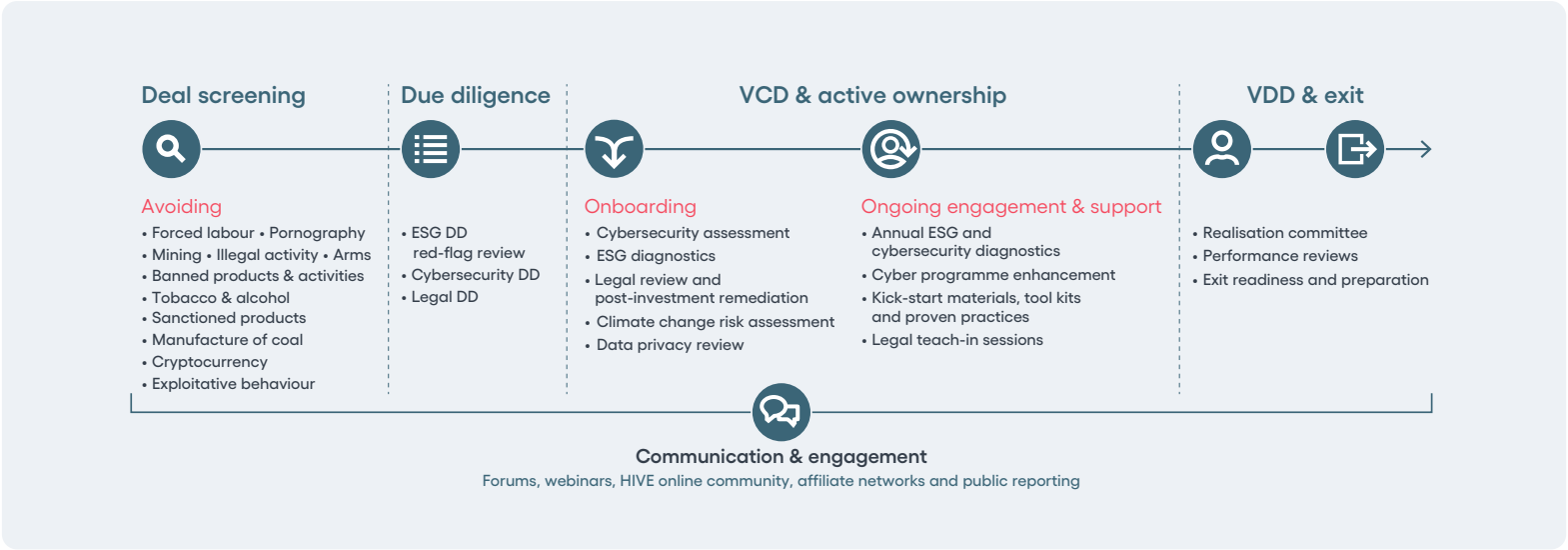
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Our Responsible Investment Approach

At Hg, our purpose is to improve the future of millions of investors by building sustainable businesses for tomorrow. We take an active role in how our portfolio companies manage ESG risks and opportunities and support them to meet high standards of social and environmental responsibility.




Collaborative initiatives and standards

Hg is proud of its involvement in major global initiatives that drive increased commitments across ESG. Working in tandem with other private market players, we are able to improve transparency, share knowledge, and measure progress, which all help to advance our collective ESG goals. Through our partnerships and initiatives, we are actively working to promote and accelerate positive ESG performance in private equity. The following are examples of some of the partnerships and initiatives we are involved in:

1 Hg scores: **** (82/100) for Investment & Stewardship & Policy, and ***** (100/100) for Private Equity. See links to [Hg's most recent 2020 transparency report](#) and [UNPRI's methodology](#)

2 Please see [Hg's 2020 transparency report](#)



Principles for Responsible Investment

The Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment. Supported by the United Nations, it works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. Launched in New York in 2006, the PRI has grown to more than 4,900 signatories, managing over \$121 trillion AUM.

Hg has been a signatory to the UNPRI since 2012. Scoring 4* (82/100) for Investment Stewardship Policy and 5* (100/100) for Private Equity in UNPRI's most recent assessment², Hg has received top ranking from the UNPRI and is fully committed to their six principles:

United nation's principles for responsible investment (UNPRI)

★★★★☆

Investment & stewardship policy (82/100)

★★★★★

Private equity (100/100).
Top ranked for 3 years.¹

1. Incorporate ESG issues into investment analysis and decision-making processes.

2. Be active owners and incorporate ESG issues into our ownership policies and practices.

3. Seek appropriate disclosure on ESG issues by the entities in which we invest.

4. Promote acceptance and implementation of the Principles within the investment industry.

5. Work together to enhance our effectiveness in implementing the Principles.

6. Report on our activities and progress towards implementing the Principles.

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Sustainability accounting standards board

SASB Standards are maintained by the Value Reporting Foundation, a global non-profit organisation that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value. The SASB Standards are aimed to guide the disclosure of financially material sustainability information by companies to their investors. Hg uses the SASB Standard for Software and IT Services, which identifies a subset of ESG issues that are most likely to impact the financial performance of a software business, to guide our portfolio ESG reviews.

Net zero asset managers (NZAM) initiative

Launched in 2020 by global coalition of asset managers, the NZAM initiative encourages signatories to set specific quantified emission reduction goals, to achieve net zero emissions across all AUM by 2050. The total assets collectively managed by all signatories to NZAM amounts to an \$57.4 trillion, which is equivalent to the combined GDP of the US, EU, China, Japan and the UK.



ESG data convergence initiative

Hg is a member of the ESG DCI alongside almost 300 general partners (GPs) and limited partners (LPs) representing \$26 trillion USD in AUM and over 2,000 underlying portfolio companies. ESG DCI was initiated in September 2021 with the purpose of providing a standardised set of ESG metrics and allows private markets to create a critical mass of performance-based ESG data.

The initiative is aligned on 6 categories and 16 metrics for the 2022/2023 cycle, up from 15 metrics last year. The categories are: GHG emissions, Renewable Energy, Diversity of Board Members, Work-related injuries, Net new hires, and Employee engagement. Data collected from the ESG DCI members is aggregated annually by Boston Consulting Group (BCG) into an anonymised benchmark. The goal is to encourage better ESG performance through improved ESG data quality, availability, and comparability in the private markets. The group meets every year to analyse the data from the prior year and add to the existing metrics.





iCI

Hg is one of the founding members of the UK branch of the iCI 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. Together, the group is committed to collaborate to develop tools, methodologies and standards to enable climate change action, such as measuring and reporting on carbon emissions across funds and setting carbon reduction targets. All iCI members are striving to promote collaboration and hasten the Private Equity industry's move towards a sustainable future through three core commitments:

1. We recognise that climate change will have adverse effects on the global economy, which presents both risks and opportunities for investments.
2. We will join forces to contribute to the objective of the Paris Agreement, to limit global warming to well-below 2°C and in pursuit of 1.5°C.
3. We will actively engage with portfolio companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance.

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 Carbon footprint working group.



Science based targets initiative (SBTi)

Hg is one of the first PE firms globally to have our carbon reduction targets approved by the SBTi. As a member of the iCI, Hg worked collaboratively with peers to support the development of the [SBTi PE guidance](#), setting a new standard for the PE industry.

The SBTi is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science. It is focused on accelerating companies across the world to halve emissions before 2030 and achieve Net Zero emissions before 2050. Please see page 44 for further information about Hg's climate change commitments and targets.



ILPA diversity in action initiative

ILPA has created a roadmap to promote DEI across LPs and GPs, and their portfolios. The framework, referred to as ‘Diversity in Action’, encourages signatories to take four essential DEI actions, as well as two additional actions from a list of initiatives, spanning talent management, investment management, and industry engagement. To further advance the DEI agenda in private markets, ILPA also holds regular roundtables, working groups and surveys.

The Invest Europe ESG working group

Invest Europe is the world’s largest association of private capital providers. Their aim is to build global understanding and awareness of private equity, and to make a constructive contribution to policy. Invest Europe has a number of Committees and working groups consisting of professionals from across their member base to help drive improvement and consistency across different topics. The ESG Committee supports Invest Europe in offering practical and tailored guidance to its members on integrating ESG considerations into their business decisions and on dealing with increasing EU regulatory requirements in the field of EU Sustainable Finance. Hg is a member of the ESG working group and the Diversity & Inclusion working group.

BVCA

BVCA is the voice of private capital in the UK comprising more than 700 firms, including over 325 private equity and venture capital firms, 100 institutional investors and 220 professional services firms across the UK. Similar to Invest Europe, BVCA has several advisory groups with the aim to foster collaboration on key topics. In 2021, Hg became a member of the BVCA’s Responsible Investment Advisory Group which meets on a quarterly basis to assist the BVCA in being able to provide practical advice to its members to help them incorporate responsible investment considerations into their business decisions.

Materiality

Focusing on where we have the biggest impact

A materiality assessment or analysis is a process in which a company identifies ESG and broader emerging issues that are most important to its business and stakeholders given its operating context.

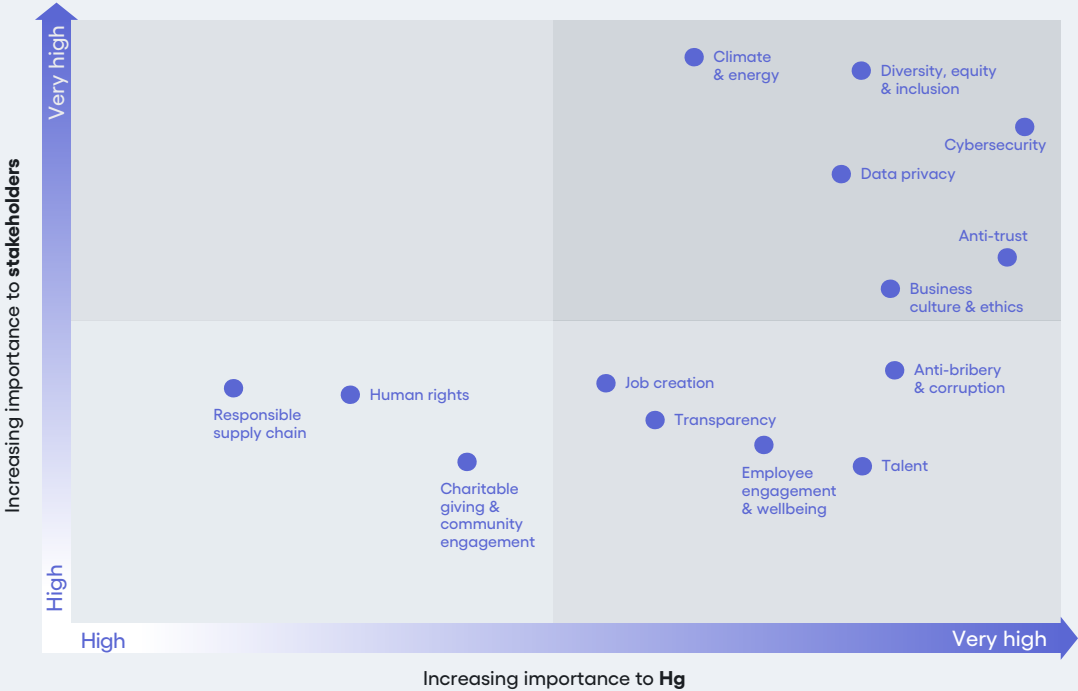
Hg undertook and published its first formal materiality assessment last year. In 2023, we re-conducted our materiality assessment, informed by the concept of ‘double materiality,’ to identify ESG topics from both an impact and financial materiality perspective. We consider impact materiality to be the impacts generated by Hg on society or the environment in the short to long term. A topic is considered material from a financial materiality perspective if it is deemed to impact our future cash flows and therefore our enterprise value in the short to long term.

Our materiality assessment is founded on an extensive review primary and secondary information to identify the key ESG issues to Hg and the companies in which we invest. Hg’s ESG team engaged stakeholders across our organisation, portfolio companies, as well as external stakeholders including investors through interviews and surveys. We undertook a peer review to identify the most material topic to our PE peers and the big players in the tech industry. We incorporated the broader view of the media into our external stakeholder view by leveraging an AI-based external media scanning tool. Our desk-based regulatory review of current and emerging regulations and standards, combined with input from legal advisors and participation in numerous ESG and PE focused initiatives, (such as SASB, ICI, ESG DCI, etc.) informed our view of the key topics on the regulatory horizon.

This rigorous process enables us to focus on the ESG topics that pose the highest risk, while offering the greatest opportunities to Hg. We have centred our ESG objectives and strategy around our most material ESG topics, continuing to focus on what matters most to Hg and our stakeholders.



In line with best practice, we undertake a review of our materiality assessment on an annual basis. This way, we can remain up to date with emerging ESG trends, pressing topics to our stakeholders, as well as the evolving regulatory landscape. The outcome of the 2023 assessment is shown as a Matrix. Stakeholder groups engaged with and sources reviewed as part of the assessment:



We identified six ESG topics that emerged as having the highest importance to Hg and its stakeholders:



- Anti-trust
- Business culture & ethics
- Climate & energy
- Cybersecurity
- Data privacy
- Diversity, equity & inclusion



Key changes from 2021/22

- Our material topics have changed slightly since 2021/22. 'Governance', previously one of our material topics, has been replaced with 'Business culture & ethics' and we have included a section on what 'good governance' means to Hg and why this is an expected as fundamental requirements for our business.
- 'Data privacy' has emerged as a material topic this year, it was previously referenced under 'Cybersecurity' but we decided to separate the topics as they have different scopes, risks and are managed by different teams within Hg and our portfolio companies.
- The topic 'Climate change' has evolved to include energy management and has been renamed to 'Climate & energy'.



Key ESG themes

Below table has an overview of our top six material topics, as defined in our Materiality Matrix, along with how these are managed and their financial and impact materiality for Hg. Under ‘further reading’ you can access the relevant sections of this report or our external resources for each of the material topics.

Topic	Description	Management of material topic	Financial materiality	Impact materiality	Further reading
 Anti-trust	<p>Competition law exists to promote healthy, fair and open competition between businesses, which in turn will create the foundation for a healthy economy, more innovation, affordable goods and job opportunities. Competition law sets out a detailed framework for both fair and ethical business conduct as well as M&A activities.</p> <p>Key relevance to Hg:</p> <ul style="list-style-type: none">• M&A activity• Complexity and rapidly evolving competitive landscape in tech	<p>We take a pro-active approach in managing competition and anti-trust compliance across our portfolio and ensuring competitive, ethical and fair market practices. This covers both day-to-day business conduct of our growing portfolio as well as M&A activities.</p>	<p>As Hg’s portfolio companies are active globally our activities can be subject to competition and anti-trust legislation at a national and regional level. Non-compliance can result in significant financial losses and reputational damage.</p>	<p>We are invested in businesses that we believe can have a positive impact on competition and challenge current conditions for the better.</p>	
 Business culture & ethics	<p>Good business culture & ethics involves engaging in responsible business conduct including, anti-corruption, anti-bribery, fair competition, respect for intellectual property, and responsible tax principles.</p> <p>Key relevance to Hg:</p> <ul style="list-style-type: none">• Policies and procedures• Upholding ethical business conduct• Board accountability and practices	<p>Hg’s Board and its sub-committees (Audit and Risk Committee) develop processes which are applied across Hg to mitigate risk and ensure the highest level of governance. An example of this is the comprehensive Risk Management Framework which is used to assess the principal and emerging risks facing Hg.</p> <p>We take a proactive approach in ensuring sound business culture & ethics practices across our portfolio.</p>	<p>Upholding strong business culture & ethics is essential for Hg to maintain its reputation as a responsible investor. This impacts our ability to pursue new business opportunities and attract high quality talent while minimising legal and regulatory risks.</p>	<p>We are committed to demonstrating high levels of transparency for key stakeholders such as our employees and investors through frequent communications and regular internal and external reporting.</p>	

Topic	Description	Management of material topic	Financial materiality	Impact materiality	Further reading
 Climate & energy	<p>Climate change is one of the biggest challenges we face globally. Climate change, natural disasters and extreme weather events continue to be top risks outlined in the World Economic Forum's (WEF) Global Risks Report 2023³ — for both the short and long term. The WEF defines 'climate mitigation failure', 'climate action failure', and 'extreme weather' as the top three long-term risks, demonstrating that climate change is a key issue and is at the forefront of most investors' minds.</p> <p>Key relevance to Hg:</p> <ul style="list-style-type: none">• Data centre energy consumption• Carbon footprint of portfolio companies• Climate change related risks• Regulatory compliance	<p>Hg takes its role in climate action seriously. We believe that by better understanding and managing the emerging risks and opportunities that arise from climate change we can enhance our investment decisions. We have aligned our operations and portfolio towards achieving Paris-aligned carbon reduction targets.</p> <p>The main source of Hg's energy consumption is in our six offices, we actively try to reduce the impact of these offices where possible.</p> <p>In addition, we assess Hg and our portfolio for climate related risks We work alongside our portfolio companies to calculate their carbon footprint and support them to set targets.</p>	<p>Physical risk from extreme weather events could disrupt Hg's portfolio companies' supply chains, negatively impacting business continuity.</p> <p>Rising energy prices directly impacts the operating costs of Hg and our portfolio.</p>	<p>Our direct impact on climate change and energy management is through Hg's own offices and activities such as business travel, commuting and working from home.</p> <p>Our portfolio companies impact the environment through the energy use of offices and owned data centres, cloud servers and business travel.</p>	Hg Responsible Investment webpage
 Cybersecurity	<p>Cybersecurity continues to be one of the top 10 risks as defined by the WEF³. It is vital for all companies in general and software companies in particular to manage and mitigate the risks associated with cyber threats and hackers. Keeping private data and sensitive information safe is essential to Hg and its portfolio companies.</p> <p>Key relevance to Hg:</p> <ul style="list-style-type: none">• Risk related to cyber attacks• Protecting sensitive company, employee and customer data	<p>We want Hg and our businesses to be as secure as possible and be prepared for the challenges and responsibilities that come with being a big tech player.</p> <p>Hg plays a key role in ensuring its investments are protected against cyber security threats. In addition to conducting rigorous due diligence on a company's cybersecurity practices before investing, Hg's cybersecurity team assesses our portfolio companies against its cyber maturity framework throughout the year and works with them to implement measures to prevent breaches and protect sensitive information on an ongoing basis.</p>	<p>A cybersecurity attack and data breaches can result in significant financial losses, damage to reputation and legal liabilities.</p>	<p>While Hg's direct impact on the field of cybersecurity is limited, we believe that by demonstrating good cybersecurity practices within Hg and driving improvements in our portfolio companies, our efforts ensure:</p> <ul style="list-style-type: none">• Safer operations• Reduced disruption to business operations• Increased efficiency due to reduced time loss	

3 World Economic Forum, Global Risks Report 2023

Topic	Description	Management of material topic	Financial materiality	Impact materiality	Further reading
 Data privacy	<p>Keeping private data and sensitive information safe is essential to Hg and its portfolio companies.</p> <p>Key relevance to Hg:</p> <ul style="list-style-type: none"> Protecting sensitive company, employee and customer data across Hg and portfolio companies. 	<p>Hg takes the privacy of the individuals it deals with seriously and recognises the importance of protecting the personal information that we hold. We have adopted a Privacy Policy, published on the Hg website (Legal + Privacy — Hg (hgcapi.com)), that sets out when we collect personal information, the type of information we collect and how we use it etc. Hg has invested in data privacy controls, both within Hg and within its portfolio companies, and has established a dedicated Portfolio Cybersecurity team.</p> <p>Hg has adopted a range of controls designed to prevent data loss including, but not limited to, an IT and cybersecurity policy.</p> <p>In addition, Hg has a process in place to (i) identify any red flag data privacy issues when acquiring a portfolio company and (ii) put in place a remediation plan for compliance at the portfolio company level.</p> <p>We appreciate the importance of this area and have recently added a new team member with data privacy expertise internally to further develop the thinking in this area.</p>	<p>Hg understands that any loss of personal data can have a range of adverse effects on individuals, which may include emotional distress, and physical and material damage.</p> <p>The financial impact of data privacy in our portfolio companies is mainly limited to the legal costs of advice in this area.</p> <p>Non-compliance with data privacy laws can result in significant financial losses and reputational damage.</p>	<p>As for cybersecurity above, we do not consider Hg to have a significant impact on the field of data privacy. However, the impact of Hg demonstrating good data privacy processes, protects private, confidential, and sensitive data as well as the critical information systems of our customers, employees and portfolio companies.</p>	Hg's Legal & Privacy webpage
 Diversity equity & inclusion (DEI)	<p>Diversity includes but is not limited to age, gender, religion, background, sexual orientation and ethnicity. The private equity and technology sectors have historically fallen short on diversity, which is why we have focused on executing our DEI strategy at the firm-level and across our portfolio companies.</p> <p>Relevance to Hg:</p> <ul style="list-style-type: none"> Recruiting the next generation of talent from a diverse candidate pool Greater representation for ethnic minorities. 	<p>Building and maintaining a diverse, equitable and inclusive workforce where everyone feels valued is what we strive to do. At Hg, we aim to drive change as part of recruitment, development and retention and by building an inclusive culture.</p> <p>The mission of the Hg Foundation is to address barriers in accessing education and employment in the tech sector. This is mostly achieved through partnerships.</p> <p>To drive DEI across our portfolio, we set up our DEI council and developed a DEI toolkit, providing organisations with guidance and tools to support them through their DEI journey.</p>	<p>At Hg we recognise that DEI improves decision-making by bringing together a range of perspectives to make better investment decisions and drive growth across the portfolio.</p> <p>Not only are there financial benefits of improving the diversity of our workforce, but there are also financial risks of inaction.⁴</p>	<p>Through the work Hg does internally, through its partnership and the Hg Foundation, Hg drives a more inclusive workforce and enabling better opportunities for everyone.</p>	Hg's DEI webpage

⁴ McKinsey & Company, *Diversity Wins*, May 2020



Good governance

Good corporate governance helps to build an environment of trust, transparency and accountability, necessary for long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies⁵. Hg seeks to promote strong oversight, transparency and risk management at all levels of the organisation and is committed to good governance through relevant metrics and procedures including, but not limited to, management structures, decision making processes, compensation structures, audit & risk controls, values & code of ethics, as well as compliance with applicable laws and regulations.

Looking beyond our most material topics, Hg is a responsible corporate citizen and has a role to play in upholding human rights across its business, its supply chain and portfolio. To that end, Hg is committed to fostering structures and a culture that supports:

- The ten Principles of the UN Global Compact⁶ which reflect a business' fundamental responsibilities to operate in ways that, at a minimum, seek to address key areas; human rights, labour, environment and anti-corruption.
- The Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises⁷ which reflects the expectation from governments to businesses on how to act responsibly and covers all key areas of business responsibility, including human rights, labour rights, environment, bribery, consumer interests, as well as information disclosure, science and technology, competition and taxation.
- The UN Guiding Principles on Business and Human Rights to seek to identify, prevent and mitigate adverse human rights impacts across operations and engage in remediation where required.

Our new Hg funds from 2022 onwards are classified as Article 8 Funds under the EU SFDR which reinforces our committed to invest in businesses that uphold good governance practices. (See our [website disclosures](#) and fund specific documents for further information about SFDR) We support our portfolio companies and work closely with them to help them strengthen their governance practices.

Hg Board ESG governance

Board oversight and accountability for ESG is increasingly demanded by regulators and other stakeholders, but it is also important so that the Board understands any ESG risks or opportunities impacting the business, particularly those outlined in the table above.

Hg's focus is on identifying high-quality and sustainable businesses and supporting their growth for the benefit of shareholders and the wider society. Hg's Board monitors our firm's activities and our portfolio companies' boards monitor the activities of their businesses to ensure that these are compatible with our ESG commitments. The Hg Board annually approves Hg's Responsible Investment policy which includes Hg's Sustainable Business Framework and how ESG is embedded into the deal process (described in detail on pages 26-27).

Further details of Hg's ESG governance can be found in the latest [Responsible Investment Policy](#).

5. [Organisation for Economic Cooperation and Development](#) (OECD)

6. [The Ten Principles of the UN Global Compact](#)





7. [OECD Guidelines for Multinational Enterprises](#), 2011 Edition

Portfolio company Board ESG governance

Each year Hg conducts a diagnosis of our portfolio, assessing our businesses against our Sustainable Business Framework (see following page). The output reports of Hg’s ESG Diagnostic are shared with portfolio company Boards. The Board is asked to discuss either the report or the business’ ESG strategy in a Board meeting with the aim that ESG is considered on Board-level at least annually but preferably more often than that.

Establishing robust governance structures is vital for the effective implementation of any ESG strategy or initiatives. In early 2023, we introduced the ESG Board sponsor program, requiring portfolio companies to designate a Board-level ESG sponsor. This sponsor serves as an advocate for ESG, facilitating regular discussions on ESG topics and providing the Board with appropriate oversight of the company’s ESG strategy and policies. To support these sponsors, we have created a Board ESG guidance document that outlines essential elements of strong ESG management at the Board-level.

We consider the role of a Board ‘ESG Sponsor’ to include:

-  **Strategy & Policy:** Being the sponsor of the ESG policy and ESG Strategy.
-  **Risk:** Understanding how material ESG topics, stakeholders demands, and emerging issue impact the business.
-  **Oversight:** Making sure material ESG topics are considered at Board level at least twice per year.
-  **Competencies:** Making sure there are enough and appropriate resources assigned to material ESG topics across the business and the Board.

Prior to rolling out this programme, 51% of portfolio companies had identified an ESG Board sponsor, at the end of 2022/23, this has increased to 81%. We will be working closely with our portfolio towards reaching 100% across business where Hg is the majority owner.



Our sustainable business framework

At Hg, we believe that financial and ESG performance are interconnected, and we are committed to driving improvements in our portfolio across the most material ESG topics. To this end, in 2017 we developed a bespoke ESG Framework centred around key ESG focus areas for software and service companies. Hg’s Sustainable Business Framework was developed off the back of extensive research, including interviews, benchmarking and external standards and forms the basis of Hg’s ESG diagnostic. The ESG diagnostic is completed with portfolio companies during onboarding and annually thereafter.

Hg reviews the Sustainable Business Framework on an annual basis to reflect key ESG trends, regulations, opportunities and risks. With ESG continuing to be such a prominent topic for businesses and regulators, our 2022 review resulted in an increased number of questions, including questions relating to the SFDR Principal Adverse Impacts (PAIs), ESG DCI, SASB Standard and ILPA’s Diversity in Action initiative. Our 2022 assessment was the most comprehensive assessment so far, covering 188 questions across three areas:



Essentials

106 questions

There are certain minimum ESG requirements that Hg expects from portfolio companies:

Governance, such as code of conduct, appropriate controls, and policies to combat bribery, corruption, money laundering, anti-competitive behaviour, harassment, Board composition and appropriate health and safety and whistleblowing procedures.

Legal & Compliance, including compliance with applicable laws and regulations, active risk management, as well as standards and policies to address tax evasion, and other malpractice.

Data & Cybersecurity, which includes Hg’s minimum standards for cybersecurity along with appropriate data protection and information security practices. Hg has a separate Cybersecurity assessment which companies are assessed against as part of onboarding and regularly thereafter (see for more information).

Legal Claims, disputes, incidents and injuries which captures any material legal claims and ESG-related incidents that may have taken place over the year.

Employees

48 questions

One of the most important assets of our portfolio companies are the employees. A diverse workplace with engaged and motivated employees is vital for growth and business success. We look at employees from four aspects:

Purpose & Culture, including an engaging mission, purpose and values, as well as positive impact or contribution to the Sustainable Development Goals.

Growth, including job growth, staff turnover and talent management.

Engage and motivate employees by promoting transparent communications, health and wellbeing, development opportunities and recognition.

Diversity of Talent, equal opportunities, and inclusion irrespective of ethnicity, gender, disability or social background.

Society

34 questions

We want portfolio companies to strive to have a low environmental footprint and make a positive impact by acting transparently and contributing to society through their business practice, charitable support and positive relations with key stakeholders. We assess external impact from four angles:

Community Engagement including apprenticeships, charitable giving and volunteering.

Environmental Impact, such as energy use, data centre carbon intensity, climate change impacts and emissions reduction targets and waste management.

Positive Relations with key external stakeholders such as customers, communities and suppliers.

Transparency of company commitments and progress, including external reporting and sustainability related communications.



2022 portfolio ESG review

Our ESG diagnostic process, which is based on our Sustainable Business Framework, is a collaborative process starting with an initial introduction session followed by a self-assessment. The ESG diagnostic is led by Hg’s ESG team, who works together with key individuals, such as the Chief Human Resource officers and Chief Compliance officers, as well as dedicated ESG professionals, from the portfolio companies. Each portfolio company responds to 188 questions, of which 121 are scored. Once completed each business gets a score from 0-10 to benchmark their performance across the Hg portfolio and an output report which forms the basis of their ESG improvement plans. The final report, which includes a scorecard and an overview of status and actions agreed by the portfolio executives, is shared with the company’s CEO and the Board.

The diagnostic is conducted at least annually, and improvements are made year on year. Hg offers hands-on support to portfolio companies to drive progress on their ESG improvement plans i.e., by sharing templates, toolkits and hosting online webinars as well as in-person forums.

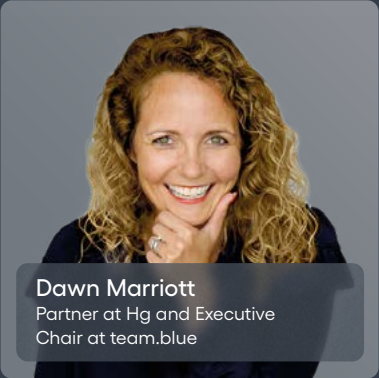
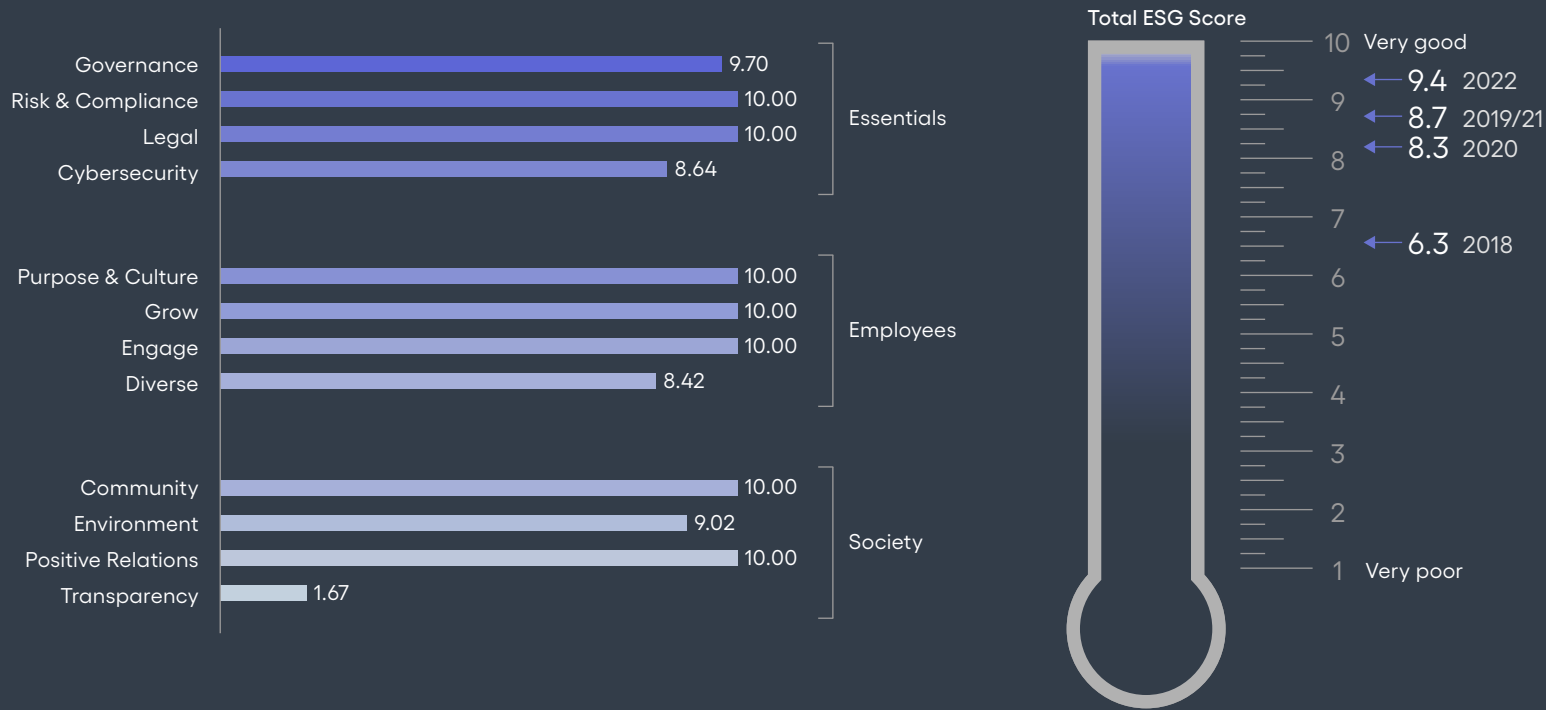


Together we build
enduring software
and services leaders
that transform how
people work

Hg. Enduring Enterprise

team.blue

team.blue was founded in 2019 and is a hosting firm and a leading digital enabler for companies and entrepreneurs. Team.blue has improved its ESG score from 6.3 to 9.4 by taking action across all three pillars of Hg’s Sustainable Business Framework and has scored particularly highly in the Essentials and Employees categories.

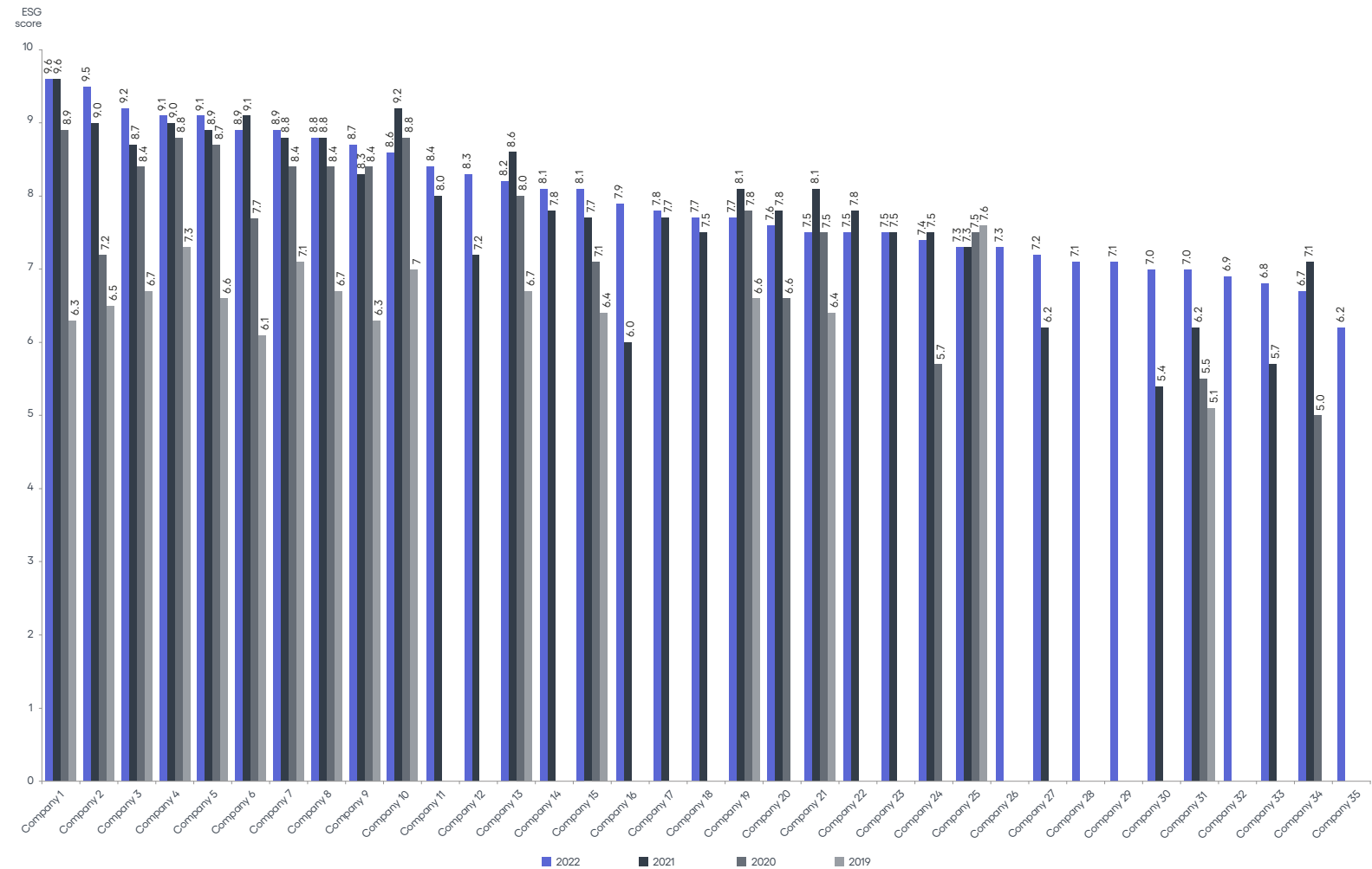


“team.blue has taken strides to improve its performance across all ESG pillars. From committing to only using data centres powered by renewable energy, to providing unconscious bias training, and introducing an ESG committee reporting to the team.blue Board. We believe in making a real impact and are proud of our achievements which have been reflected in our latest ESG score with Hg.”

ESG results overview

As part of the annual ESG diagnostic in December 2022, we assessed 40 portfolio companies, 7 of which were new to the Hg portfolio. 3 of our portfolio companies were not re-assessed at year end. We increased the level of rigour in our latest ESG diagnostic, yet we saw the average ESG score increase which demonstrates our portfolio companies have taken action to improve their ESG performance. Some of our portfolio companies' ESG score decreased from last year, either due to M&A activity or our updated diagnostic criteria and scoring methodology with 15 new questions and a stronger focus on policies and procedures.

The ESG diagnostic requires a considerable effort by portfolio companies to complete. However, we continue to receive positive feedback from our portfolio companies on the overall process. The most common view of our portfolio is that the diagnostic clarifies what ESG means to software and services businesses, providing direction to our portfolio companies whilst also bringing ESG to attention of the Board. Our diagnostic and the support we provide to our portfolio companies is having a positive impact, driving positive actions and helping improving the ESG performance of our portfolio.





Elona Mortimer-Zhika
CEO, IRIS

“When we first joined the Hg portfolio, our ESG score was below the portfolio average. We introduced a ‘Tiger team’ to identify quick-wins and we have continued to improve on ESG year-on-year ever since. We are now very proud to be the top ESG scorer in the Hg portfolio. ESG is a topic that is very close to my heart, and I am grateful to the Hg ESG team for teaching us the way and supporting us on our journey.”



Anne-Claire Berg
Chief People & Impact Officer, Gen II

“We expected this process to be long and somewhat complex. While we were ready for that, we were extremely pleased by the streamlined and practical approach of the framework. The ESG diagnostic was easy to share across our teams to gather data and then submit once reviewed. The questions were detailed yet practical and concrete. Our regular interactions with the Hg ESG team made the process both efficient and pleasant, enabling us to start building a working relationship which will be extremely helpful as we move into action planning.”



Thomas Christiansen
General Council, TrackUnit

“ESG is at the very centre of Trackunit, our purpose is to eliminate downtime in the construction industry. The assessment done by Hg is a valued tool not just for our reporting but also to benchmark us against other portfolio companies. We always strive to become better and to optimise where possible. Having an annual assessment done by an external partner, helps to add focus to the areas we need to improve. Through the dedicated work and sparring we get from Hg, Trackunit is able to do exactly that, become better.”

Supporting our portfolio

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- Hg at a glance
- Our portfolio
- The Hg Portfolio Team

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- Global initiatives and standards
- Materiality
- Key ESG Themes
- Good Governance
- Our Sustainable Business Framework
- 2022 portfolio ESG review

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- Our portfolio community
- Portfolio Diversity, Equity & Inclusion
- Portfolio Climate change
- Portfolio cybersecurity
- Portfolio governance & policies
- Portfolio anti-trust & competition law
- Portfolio employee engagement & wellbeing

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- Purpose & values
- Employee engagement
- Health & wellbeing
- Diversity, Equity & inclusion
- Climate change
- Societal contribution
- Hg giving

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- Portfolio key metrics from 2022/23
- GRI contents index



Aaron Klein
Co-Founder & CEO, Riskalyze



Tim Weckerle
CEO, Auvesy

Our portfolio community

Hg’s experienced team of almost 400 employees includes more than 210 investment and portfolio management professionals, supported by a network of portfolio partners, who support the management teams of the companies. Hg builds and shares knowledge and expertise by facilitating the active collaboration of teams across sector clusters and geographies.

“The Hg portfolio team is like having amazing management consultants just a phone call away. Whether it has been evaluating talent centres for R&D, or ways to better leverage data, or thinking about our approach to growth and sales operations, Hg has been invaluable in creating value for our business.”

“We very much appreciate having a software expert such as Hg as a partner. It is remarkable how purposefully the Hg portfolio team has used their experience and expertise to benefit our company’s international sales, marketing, and finance divisions; especially when it came to the process of merging with MDT. Our team has benefited enormously from this new source of expertise in many ways. I feel a very strong sense of pride in what we have already been able to achieve within this short period of time.”



Portfolio engagement: **Hive & events**

We view executives across the portfolio as a part of our Hg community and actively promote a culture of working together to build connection, problem-solve and innovate across the portfolio.

We manage a proprietary collaboration platform, Hg Hive, through which we offer our portfolio companies a full end-to-end digital engagement experience, hosting virtual events and sharing best practice artefacts, tools and case studies. Hive is organised into functional communities, such as Sales and Marketing, to ensure that content and sharing is focused and relevant to various groups across our portfolio. By facilitating engagement opportunities across the Hg Family, Hive provides members with a space to network with peers and share specialist knowledge, experience and expertise.



In 2022, we held ~60 events supporting our portfolio, with over 2k attendees.

- 2,750 senior executive members
- 20 live communities
- Up-to-date news and information
- Knowledge sharing amongst peers
- Access to trusted tools and best practice resources
- Opportunities to network, build connections and communities
- Connecting with an expert or supplier

In addition to Hive, Hg’s Engagement team runs a full calendar of in-person and virtual events for senior executives across the portfolio through:

1. **Hangouts.** These regular, informal, catch-ups are tailored to each individual community. Topics tend to be structured around immediate needs, such as discussing emerging trends or current global issues.
2. **Webinars.** We hold regular webinars during which an expert will typically present on topics of interest.
3. **Forums.** These are 1- or 2-day in-person, networking events consisting of external speakers, opportunities to engage with like-minded individuals across the portfolio.

Spotlight on our ESG Community

The desire to demonstrate improvement in ESG across our businesses has grown exponentially and for good reason. Although we have seen that stronger ESG performance leads to long term value creation, implementing change across a business requires expertise and resourcing. As a result, we offer a great deal of support to our portfolio in this respect. Our ESG and Sustainability webinar and Hangout series, is very popular and well-attended with around 35-40 people joining each session. The ESG Hangouts are held every 6 weeks and offer a platform to discuss various topics such as carbon footprinting and Hg’s Sustainable Business Framework, horizon scanning of ESG regulations alongside informal conversations on topics raised by the community.



“We always look forward to the Hg ESG forums and Hangouts as they offer a fantastic opportunity for professionals across the portfolio to connect, share ideas and inspire one another to improve across a range of ESG topics.”



<div>95%</div> <div>Portfolio companies have anti-harassment or equal opportunities policy</div>	<div>46%</div> <div>Portfolio companies have a DEI strategy</div>	<div>78%</div> <div>Portfolio companies have appointed a DEI representative to drive these topics across their business</div>
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Numbers as of Dec 2022

Portfolio diversity, equity & inclusion

DEI is a strongly held principle of Hg’s (see page 60-62 for further details about our firm DEI strategy). Hg believes that having a diverse workforce deepens the talent pool and brings a wider range of perspectives. We do our best to communicate and educate our portfolio on the importance of DEI, help them navigate DEI matters and measure their performance and impact. Our latest ESG diagnostic (see page 27-28) includes 20 questions relating to DEI including policies, gender & ethnicity pay gap reporting, measurements of gender & broader diversity, and diversity initiatives.

To implement DEI strategies and advance DEI maturity across our businesses, Hg set up a DEI Council and invested in a toolkit to help provide guidance (more details on following page).

Portfolio DEI council

In 2022, we set up a DEI Council comprised of nine of our portfolio companies, led by a representative, typically from the DEI, ESG or HR departments. The forum created a space for companies to discuss, exchange views and advance the topics for DEI within their businesses. The main aim of the council was to:

- 1. Support the development of a DEI toolkit and
- 2. Bring together DEI professionals to discuss challenges and opportunities faced within their companies.

Over the course of 2022 we held bi-monthly sessions and focused on four topic areas; DEI Strategies, People, Culture and Communication, across the different geographies our portfolio companies operate in. On several occasions, we were joined by external speakers to provide clarity and expertise on more challenging topics.



Portfolio DEI toolkit

Hg’s DEI toolkit is a practical guide containing insights and success stories from Hg portfolio companies alongside academic research and best-practice examples across the industry. Over a four-month period, the ESG team worked with the DEI Council and the [Equality Group](#) to conduct surveys, interviews and case studies. The output is a 98-page document with practical steps and guidance for our portfolio companies to help them embed DEI practices into their organisations. The toolkit is split into the below four sections:



Eva Lauerbach
Partner, Equality Group

“Collaborating with Hg on their DEI portfolio toolkit was a prime example of thoughtful and collaborative project work. Together we developed a practical and impactful resource which will bring portfolio companies together around the DEI topic and share best practice. Having a cross-portfolio DEI Council ensured that we incorporated resources that are helpful to the whole portfolio and sharing case studies highlighted progress and recognised DEI successes, small and big.”

Published in June 2022, the DEI toolkit has already been leveraged by numerous portfolio companies as they progress along their DEI journey.

01



DEI Strategy

How to get started

02



People

Tools and processes to help you attract, assess and retain strong diverse talent

03



Culture

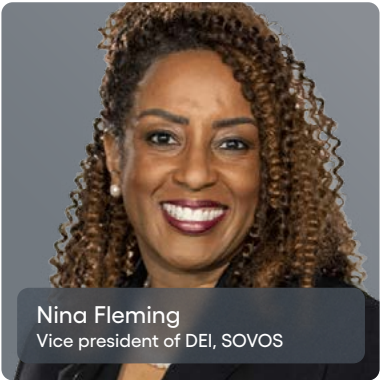
Concepts, behaviours and techniques that can help create an inclusive work environment

04



Communication

Inclusive language systems, and how to embed inclusivity in your communication



Nina Fleming
Vice president of DEI, SOVOS

The Hg DEI Toolkit is tremendously valuable to Sovos in our DEI journey. Successful DEI involves change and continuous improvement – referencing demonstrated best practices is frequently necessary and the Hg DEI Toolkit has them all assembled in one guidebook. The Toolkit helps us be more efficient and effective.



James Turner
Chief Executive, The Hg Foundation

“During my career in the social mobility sector, I’ve come across lots of resources to help firms increase diversity and inclusion – but none of them combine practicality with comprehensiveness and accessibility as well as the Hg DEI toolkit.”

Below is a sneak peak of what a portfolio company can find in the toolkit:





DEI case study – IRIS

IRIS Software Group (IRIS) helps improve the way people work by making business processes more efficient. Its software and services are used by accountancy and education professionals, and teams in payroll, HR and finance to solve the most essential operational business problems. From submitting a tax return and being paid on time, to improving work experiences and engaging with a child’s school, our customers save money, save time, and know it’s right, first time, every time.

In 2019, Elona Mortimer Zhika, CEO, and Stephanie Kelly, CPO, set an aspirational goal; for IRIS to be a leading supporter of diversity and inclusion in all its forms.

The company first set its sights on being recognised as a Great Place to Work® and is now consistently ranked highly on the UK’s Best Workplaces™ for Women, Tech, and Wellbeing lists in the ‘Super Large’ (1,000+ employees) category. In the Great Place to Work® survey, employees anonymously score IRIS particularly highly on statements concerning fair treatment regardless of race, sexual orientation, gender, and age, and making employees feel they can bring their whole selves to work.

Adding to this recognition, IRIS is a signatory to The Race at Work Charter, a Stonewall Diversity Champion and a Disability Confident Committed Employer.

IRIS places DEI at the forefront, inviting individuals to join a range of affinity groups, including LGBTQ+ and ethnic minority communities, working families, women and neurodivergent employees. It has also created the Belonging Group, a fifty-strong team of volunteers passionate about cultivating an inclusive workplace where everyone is welcomed. Each IRIS office has a social committee which encourages celebrations of national, social, and religious days.

IRIS is also paving the way for women in tech, with its THRIVE programme, setting ambitious targets for gender equality, such as 50% equally qualified female candidates in shortlists. Setting audacious goals underpinned by extensive developmental activities has meant that women’s representation at IRIS has increased to 47%, a big achievement for a tech business. To create a strong pipeline of generational talent, IRIS has implemented ACTIVATE, a programme to nurture young people’s progress, and is also establishing a 50 years+ network to ensure older generations flourish.

With a social purpose ‘to inspire younger generations’, IRIS is proud to work with charities such as Bookmark and the Princes Trust. Employees are encouraged to use their three annual CSR days to visit schools across the UK to inspire people from diverse backgrounds to take their rightful place in tech and make IRIS more inclusive in doing so. Individuals from all walks of life are encouraged to work at IRIS and social mobility is key. IRIS partners with the Universiteti Metropolitan Tirana in Albania and the University of Salford in Manchester to offer internships to students from lower socio-economic backgrounds.

IRIS recognises there is always more to do but is incredibly proud of its progress so far. Increasing equity, diversity and inclusion is the right and fair thing to do and reaps undeniable business benefits.



DEI case study – VISMA

Visma is one of Europe's leading software companies, providing business optimisation and management tools to the private and public sectors in Europe and Latin America. The Group covers a wide range of business areas, including accounting, financial management, procurement, HR and payroll, e-government, school administration and welfare. At Visma, sustainability is all about people: how they take care of their employees, how they help their customers and how they support the societies they operate in. The more employees complement each other, the more effective and adaptable Visma can be.

In Visma's group of 170 software companies, diversity is not only about gender, ethnicity, and sexual orientation. It is also about making the most of each other's strengths, perspectives and opinions – regardless of age, physical and/or mental abilities, educational background and life experiences.

Visma believes that building a software powerhouse is only possible if it:

- Actively works to close the gender gap.
- Is aware of and manages the impact of biases.
- Appreciates and utilises people's uniqueness.
- Has zero tolerance for discrimination of any kind
- Takes into account that diversity is much more than gender.

You can only manage what you measure

As part of its monthly employee engagement survey, Visma asks its employees how they perceive DEI across the group. In February 2023, Visma's Diversity and Inclusion index (measured as a D&I Net Promoter Score) was 62. This is based on a scale from -100 to +100. The score puts Visma in the top 10% of tech companies, according to the benchmarks provided by the employee survey provider. The index consists of four questions related to employees' experience of diversity, inclusion, and non-discrimination, and provides leaders with real-time data and insights that they can act upon.

How Visma approaches inclusion

To support a more inclusive organisation, Visma is providing training to business leaders in inclusive leadership, including exploring conscious and unconscious biases and the impact these can have on decision-making. 'Inclusion' is one of Visma's core values and an important part of the Group's DNA. The organisation engages in activities to visualize and learn more about each other's differences to ensure that their teams have complementary strengths, where trust and inclusion are central. This helps create an engaging and inspiring place to work for their people, as well as create solutions and products that their customers enjoy.

Portfolio climate change

Climate change is one of the most pressing issues faced globally and there is an urgent need for action to both mitigate further warming and adapt to the changes already underway. The latest Intergovernmental Panel on Climate Change (IPCC) report warns of irreversible climate change impacts “as natural and human systems are pushed beyond their ability to adapt” and that “climate resilience pathways are progressively constrained by every increment of warming, in particular beyond 1.5°C”. Concerns continued to heighten around COP27 in November 2022 with the Global Carbon Budget report’s warning of a 50/50 chance of 1.5°C overshoot by 2030⁸.

As a software and services investor, Hg has a responsibility to encourage and support its portfolio companies to set carbon reduction targets and align to Net Zero. Not only is this both necessary for Hg to meet its own targets, but we believe that by better understanding and managing the emerging risks and opportunities that arise from climate change we can enhance our investment decisions and increase efficiency across our investments.

8. [University of Exeter's Global Systems Institute, Global Carbon Budget](#), Nov 2022



Portfolio carbon footprint

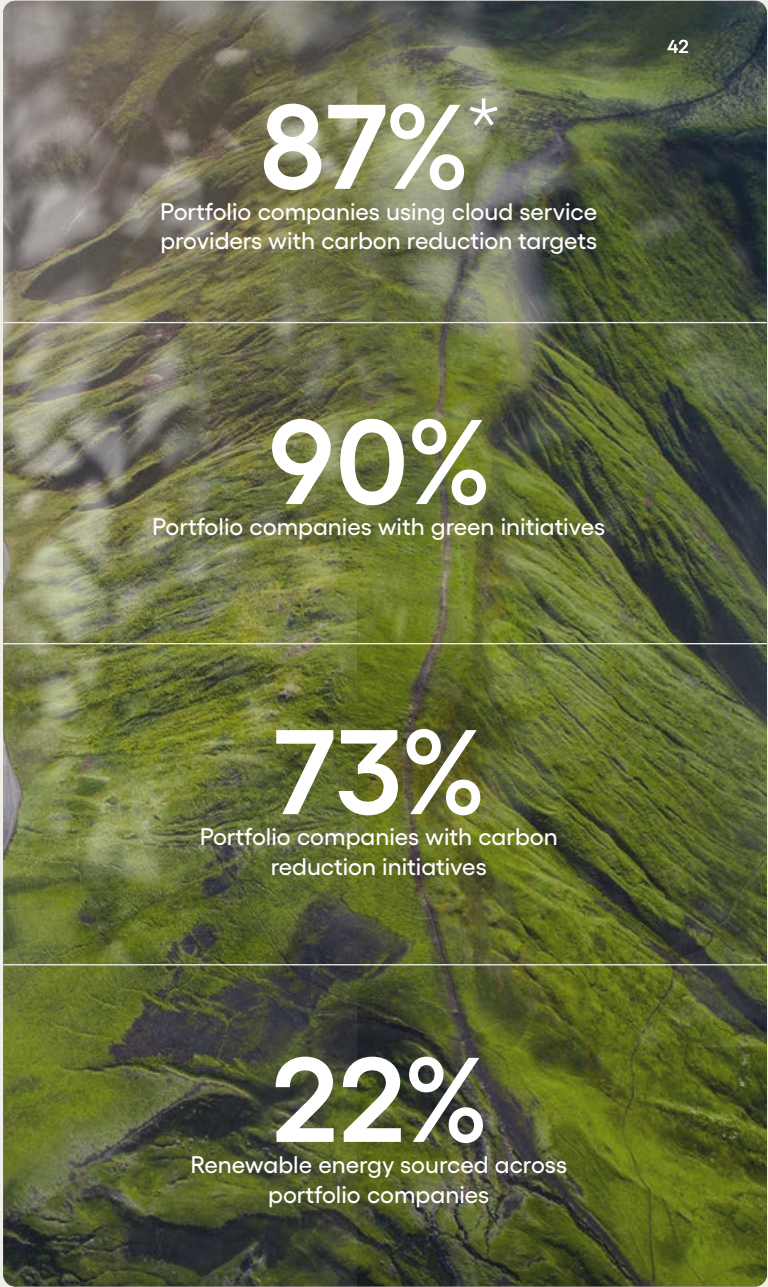
Hg is committed to cutting carbon emissions across our portfolio in line with the SBTi PE standard with the ultimate goal to achieve Net Zero by 2050. We have conducted a carbon footprinting exercise of our portfolio companies by collecting scope 1, 2 and 3 emissions data, in line with the GHG protocol for three years now. In 2022, we introduced a new carbon reporting platform and offered more hands-on support to portfolio companies to calculate their emissions. As in previous years, we have shared carbon footprint dashboards back with portfolio companies, which indicate their carbon emissions intensity compared to the rest of the portfolio. To further improve the accuracy of scope 3 accounting for software companies, Hg is co-leading an iCI working group to develop a guidance document for scope 3 GHG accounting in the software and services sector. The document aims to support software companies to account for, and calculate, material scope 3 emissions categories. It provides an overview of current state of disclosures, commitments, and initiatives of software companies globally, highlighting what best practice looks like across the sector.

By supporting our portfolio companies to calculate their carbon footprints, we hope to enable them to think more strategically about how to mitigate climate-related risks and identify opportunities for reducing their carbon emissions. It will also better position them to comply with current and future GHG reporting requirements and improve credibility and reputation among stakeholders, potentially increasing profitability and benefiting from cost savings through operational efficiency measures.



“Over the last year we have continued to focus our efforts on understanding and addressing the impact of our portfolio companies on climate change. In 2022/23 we have been focused on improving the data quality of our portfolio company’s carbon footprints, to allow us to rely less on assumptions and estimations. Our ESG team has provided hands-on support throughout the process and is encouraging our portfolio companies to set Science-Based carbon reduction targets and take actions to reduce emissions. We recognise that this not only helps future proof business in low carbon economy but drives resource efficiency and cost savings.”

*Excluding portfolio companies not relying on the cloud
Numbers as of Dec 2022





TRANSPOREON

Climate change case study – Transporeon

Transporeon's Transportation Management Platform empowers shippers, forwarders, carriers and retailers to move, manage and monitor freight in a world in motion. Transporeon's Application Hubs digitalise end-to-end transportation management processes — from procurement to settlement — and everything in between. Transporeon has a comprehensive logistics network with 1,400 connected shippers, 158,000 carriers, and 100 retailers. Hg invested in Transporeon in 2019 and exited the business in April 2023.

Investing in technology for emissions reductions

Fuelled by the desire to progress and backed by the support of Hg, Transporeon focused its investments over the past 12 months to business solutions that help pave the way to climate-neutral commercial transport:

The new '[Carbon Visibility Solution](#)' was established as the tool to measure and report on carbon emissions across the entire supply chain and all transport modes. With this solution Transporeon, currently supports around 400 customers to:

- Generate certified emission reports.
- Accurately measure carbon emissions from primary data.
- Develop carbon reduction strategies with the help of carbon experts and AI.

In the transport logistics business, sustainability and efficiency go hand in hand. Transporeon's '[Transportation Management Platform](#)' empowers its customers to:

- Minimise their empty runs and costly waiting times.
- Calculate and reduce carbon emissions.
- Avoid manual processes.

Transporeon acquired "[Tracks](#)" a company that uses AI-based analytics and prediction tools enabling shippers, carriers and logistics services to collect and optimise emissions data at the source.

The use of primary data alongside AI technology generates insights into the consumption of fuel and energy which is critical to implement successful measures reduce consumption and associated emissions and cost.

Journey towards Net Zero

As well as being dedicated to building out its sustainable product offering, Transporeon is focused on improving the sustainability of its own operations and has taken big steps on their own "journey to Net Zero" this year.

- Transporeon became a climate neutral company in 2021 offsetting 100% of its emissions through a hydro-power plant project.
- Transporeon has committed to the SBTi to set carbon reduction targets to reduce carbon emissions in line with the Paris Agreement's goal of limiting global warming to 1.5°C above pre-industrial levels.
- To help meet these targets, Transporeon has started taking action to reduce its carbon footprint by increasing the percentage of renewable energy and moving its headquarters into a new office building with a higher energy standard to conserve energy.

More details can be found in [Transporeon 2021/22 ESG report](#)

Portfolio carbon reduction targets

The SBTi is considered a robust method for the corporate sector to reduce emissions in their activities and investments, with over 4,700 companies and financial institutions taking action, of which 16 are PE firms. Hg was one of the first PE firms globally to road test the standard and have our carbon reduction targets approved by the SBTi. It is based on the principle that emissions must be halved before 2030 and drop to Net Zero by 2050 to not exceed 1.5°C and avoid catastrophic impacts of climate change.

Hg’s detailed targets include:

50%	reduction in our direct emissions (scope 1 and 2) by 2030
26%	of portfolio companies to have set SBTs by 2026
100%	of portfolio companies to have adopted SBTs by at least 2040

Setting targets and reducing emissions should not be at a cost to businesses but should lead to cost benefits in the long term as energy and fuel consumption decrease. In 2022, the energy market went through turmoil caused by global events and energy prices skyrocketed in most of Europe. A strong focus on actively reducing energy consumption can future proof against pricing shocks in the market.

In 2022/23, we are pleased to report that five portfolio companies have committed to setting SBTs. In FY24, we will focus our efforts to encourage portfolio companies to set SBTs. We expect 8 portfolio companies to set SBTs by 2026, which would likely enable Hg to meet its interim target of 26% invested capital with approved SBTs by 2026.


5

Portfolio companies currently committed to signing SBT

9

Expected number of portfolio companies with approved science-based targets by 2026

Numbers as of March 2023



In 2022/23, Hg has made 9 new acquisitions, has exited 4 companies and currently has 45 companies in its portfolio.

Portfolio climate change risks

Hg specialises in the software and services sector, which generally has lower financial risks related to climate change compared to other sectors that rely on energy-intensive processes or sourcing raw materials with complex, and sometimes vulnerable, supply chains. Furthermore, our portfolio companies are businesses headquartered in cities predominately in Northern Europe and North America, which generally are areas that are less vulnerable to climate change risks and have more stringent policies in place.

Hg assess climate change risks and resilience of our businesses as they join the Hg family. As a private equity firm, our typical hold period is between 3-5 years, but it can go beyond that. We recognise that climate change has a longer-term impact than our investment timeline which is why our climate change risk assessment covers risks and opportunities at the portfolio level until 2030, the timeframe that most externally recognised climate risk frameworks currently align to.

At Hg, climate-related risks and opportunities are covered across the investment process – from screening to ownership. Throughout the investment process we focus on two main categories of climate-related risks:

- Transition risks, arising from the shift to a lower-carbon economy, which include policy and legal risks, technology risks, market risks, and reputational risks.
- Physical risks, arising from a changing climate, which include acute risks (such as extreme weather-related events), and chronic risks (such as sea-level rise).

Our climate change risk assessment tool, developed by PwC, highlights if and where these risks occur and considers how resilient each portfolio company is in managing any potential risks.

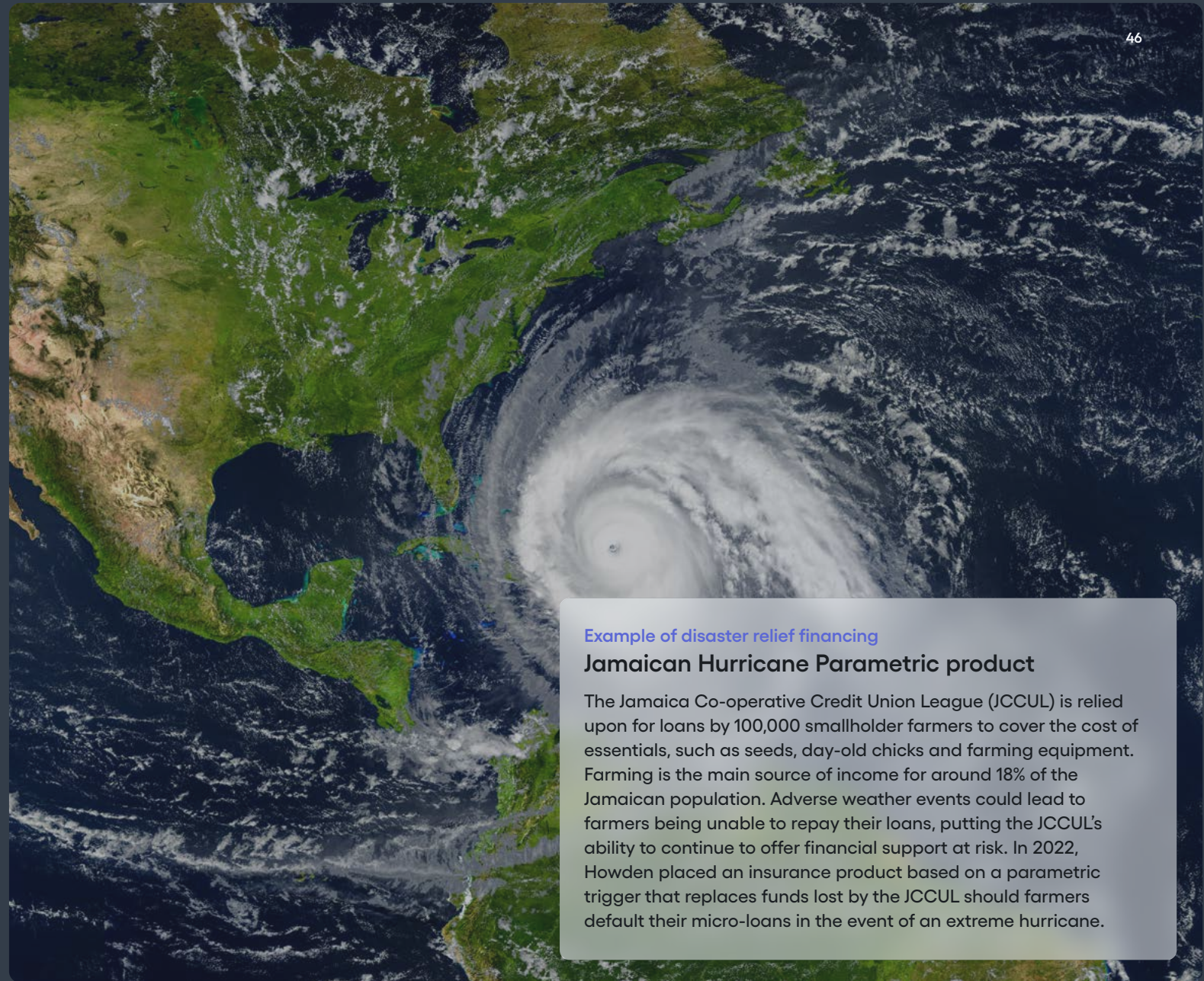


Climate change case study – Howden

Howden is a leading global insurance group with employee ownership at its heart. Founded in 1994, it operates in 50 countries across Europe, Africa, Asia, the Middle East, Latin America, the USA, Australia and New Zealand, employing 14,500 people and handling \$30bn of premium on behalf of clients.

Howden recognises that the insurance market plays a crucial role in helping build resilience for societies against the increasing volatility and uncertainty of climate change over the coming decades. Howden's Climate Risk and Resilience team focuses on research and product development, to promote the role of insurance in climate risk and sustainability with a focus on several key aspects:

- De-risking the carbon market: using insurance to add a layer of security and increase confidence in the voluntary carbon offset market as it continues to grow.
- Enabling the energy transition: risk transfer solutions that help accelerate and de-risk global investment into infrastructure, and the development of technology and innovation needed to reduce and reverse the effects of climate change.
- Climate Analytics: data analytics that help clients better identify, evaluate and manage their natural catastrophe and climate risks.
- Disaster relief financing: scalable, sustainable solutions for financing disaster relief by unlocking private capital for social good.



[Example of disaster relief financing](#)

Jamaican Hurricane Parametric product

The Jamaica Co-operative Credit Union League (JCCUL) is relied upon for loans by 100,000 smallholder farmers to cover the cost of essentials, such as seeds, day-old chicks and farming equipment. Farming is the main source of income for around 18% of the Jamaican population. Adverse weather events could lead to farmers being unable to repay their loans, putting the JCCUL's ability to continue to offer financial support at risk. In 2022, Howden placed an insurance product based on a parametric trigger that replaces funds lost by the JCCUL should farmers default their micro-loans in the event of an extreme hurricane.



Portfolio cybersecurity

The cybersecurity threat landscape continues to evolve and change at pace. Alongside developments in threat actor sophistication, the continuing “democratisation” of cyber-crime introduces further challenges for organisations worldwide. Through this evolution, malicious groups can now develop deep expertise and capabilities in specific disciplines, and delegate other tasks to other, similarly specialised criminal groups. This has had two notable effects:

- Firstly, the barrier to entry for cyber-crime has been lowered significantly, as aspiring cyber-criminals can now delegate most of the work to affiliate criminal groups.
- Secondly, the technical capabilities of attacker groups have increased, as they now apply huge amounts of focus and effort to developing their specific discipline, rather than taking a more general approach.

To underpin this, there are now examples of “nation state” level groups, which typically have the most advanced cyber capabilities, copying techniques which were developed by cyber-criminal gangs – historically, this would have been the other way round.

Ransomware as a Service (RaaS) is a strong example of how democratisation of cyber-crime has exacerbated an existing threat. Ransomware continues to be one of the biggest cyber-threats faced by organisations worldwide and can cripple businesses in a matter of hours. Historically, the same criminal group would have been responsible for writing the ransomware software, breaking into a victim environment, distributing the ransomware and, ultimately, managing any ransom payments. Through the RaaS model, all the attacker needs to do is distribute the ransomware in a target environment – the ransomware itself, and payment management, are all provided as part of the service, with the provider usually taking 20-30% of profits.

Alongside ransomware, email-enabled financial fraud and ‘Business Email Compromise’ (BEC) attacks continue to offer malicious actors an easy way to manipulate victims and to steal funds. Advances in artificial intelligence, such as the well-known Chat GPT service, have made it easier for attackers to create convincing “lure” emails – this is especially relevant when considering criminal groups which speak a different language from their target victims.

As a software investor cybersecurity is one of our biggest risks. Hg takes this matter very seriously and have built a Technology & Cybersecurity team with deep expertise in this area. In early 2017, the team launched its Cybersecurity Risk and Maturity Assessment Programme for both prospective investments and existing companies within the portfolio. Over 350 assessments later, Hg has learnt from experience and evolved with the ever-changing threat landscape to make cybersecurity a true organisational strength.

The assessment, which is based on Hg’s standard cybersecurity framework, leveraging ‘industry standards’ such as NIST V1.1 and CIS V8, begins during the early stages of due diligence for prospective investments, then continues for the entire ownership lifecycle as and when a company joins the Hg portfolio.

Focused on action and operating on a model of continuous improvement, the programme ensures that portfolio companies are assessed on a rolling basis, with frequency of assessment determined by their individual risk and maturity score. The goal is that every company is assessed at least annually, with less mature companies undergoing much more regular checks.

Companies with cyber maturity below Hg’s minimum standard are placed on rapid improvement programmes, in which the Hg Cybersecurity team defines and co-owns delivery of pragmatic, accelerated remediation plans. Alongside this, a suite of specialised partners can be deployed to provide key cybersecurity services, such as security monitoring, incident response, and penetration testing, with the ultimate goal being that cyber risk is reduced as quickly as possible.



The framework assesses five key areas:



“Now, more than ever, organisations need to “get the basics right” when it comes to cybersecurity. Despite continual advances in attacker capability, most incidents are enabled by the absence, or inconsistent deployment, of foundational cybersecurity controls such as patching, multifactor authentication, effective security monitoring, and user education. The key challenge faced by defenders is that malicious actors have become very good at detecting these coverage gaps, via indiscriminate, automated means, and exploiting them at pace. This underpins the importance of deploying defensive controls consistently across all parts of an organisation (including newly acquired entities), to avoid giving attackers easy wins. When adversaries do find a way in, the consequences can be significant, particularly in the case of ransomware, so businesses should ensure that they can detect malicious activity quickly and respond effectively, with urgency, to limit the impact, and repel the attack.”

Cybersecurity case study

In cases where cybersecurity capabilities are below Hg standards, organisations are placed on 'Get Well Plans' (GWPs) to rapidly improve cyber maturity. GWPs are clearly defined, prioritised and pragmatic remediation plans, which are supported and tracked at board level, with the Hg Cybersecurity Team and cyber leadership from the target Portfolio Company co-accountable for delivery. These plans take a comprehensive end to end approach and focus on deploying/coaching effective security leaders, promoting a strong cybersecurity culture, and implementing effective technical controls and processes.

As a recent example, an organisation joined the Portfolio in early 2022, which had limited cybersecurity capabilities in most areas. Through the GWP initiative, an experienced cybersecurity leader was onboarded, within two months, to work alongside the Hg Cybersecurity team and drive improvements at pace. To support this, Hg's Board members worked with the Portfolio Company Executives to support the prioritised cyber improvements and supported the decisions that needed to be made. This collaborative effort led to the deployment of robust cybersecurity controls – reaching the Hg Cyber Security Standard requirements, including 24/7 security monitoring and ransomware resilient backup systems, in less than six months. Alongside this, there has been a mindset shift within the organisation, with cybersecurity now front of mind for staff at all levels.





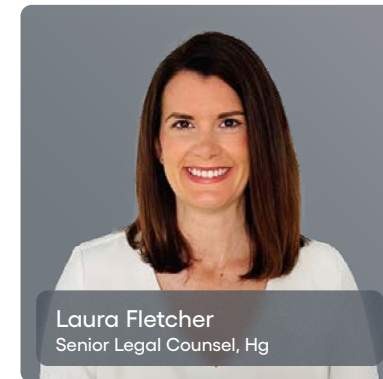
Portfolio governance & policies

Hg believes that good governance is a foundational building block for our portfolio companies. Enhancing their compliance processes and procedures enables our portfolio companies to grow, achieving their ambitions, whilst maintaining a strong reputation.

This year saw the development of Hg’s Board Compliance Toolkit. The toolkit acts as a great foundation for Hg’s portfolio by suggesting a minimum set of 12 policies and procedures in respect of good governance and serving as a starting point to work from for each portfolio company.

2022/23 also saw the escalation of war in Ukraine, as a result of which the sanctions regimes became increasingly complex overnight. Hg engaged the help of several specialist advisors to help guide our portfolio companies on how to navigate that increased complexity and comply in an ever-changing world.

Hg’s legal team helps legal professionals across the portfolio to reach their full potential, enabling them to align with business ambitions and deliver outcomes supporting key initiatives. The team provides hands-on support across the lifecycle of a portfolio company’s journey with Hg: from guidance towards best-in-class compliance policies (as highlighted above) and how to professionalise by adopting legal tech and operational efficiencies, through to access to expertise on data privacy, M&A and anti-trust.



Laura Fletcher
Senior Legal Counsel, Hg

“With a network of close to 50 like-minded General Counsels sharing best practices and the full-time support of Hg’s dedicated legal team, legal teams within our portfolio companies find themselves on the fast-track to becoming a top-tier, professionalised legal franchise adding real value to their businesses.”

Portfolio anti-trust & competition law

Hg firmly believes that competition drives our businesses to be the best they can. Competition creates an incentive for our portfolio companies to excel, thereby stimulating diversity of products and services, productivity, economic growth and prices that reflect real value for consumers and businesses. Competition helps Hg’s portfolio companies to innovate and identify new needs and then develop better services accordingly.

As Hg’s businesses are active globally our activities can be subject to anti-trust legislation at a national and regional level. We take a proactive and stringent approach to managing anti-trust compliance, starting during the due diligence process and continuing through investment periods. We have a dedicated in-house anti-trust lawyer to support Hg and its portfolio companies with M&A, compliance programmes, ethical awareness initiatives as well as advice on a day-to-day basis.



“We are committed to an anti-trust compliance culture from the ‘top down’ and across the entirety of Hg and our portfolio companies. Acting fairly and ethically in all of our business conduct is embedded in everything we do.”

<div>90%</div> <div>Of portfolio companies conducted an employee engagement survey</div>	<div>36</div> <div>Average eNPS across our portfolio*</div>	<div>3.9</div> <div>Average Glassdoor / Kununu score across our portfolio</div>	<div>85%</div> <div>Of portfolio companies have initiatives to promote mental health</div>
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Portfolio employee engagement & wellbeing

Employees are the most important asset to most businesses, particularly software and service companies. The number of employees across the Hg portfolio has increased over 3-fold since 2018 and is now at over 100,000. Maintaining good health, engagement, and wellbeing across the Hg Family is vital to us not least because it makes business sense. A more engaged and united workforce contributes to increased productivity, customer loyalty and lowers staff turnover.

We encourage our portfolio companies to conduct surveys to measure levels of engagement among their workforce and our ‘HR, People and Culture’ community and Hangouts collaborate on these topics. Gathering data on what is working, and what could be improved in an organisations is the first step to improving engagement.



Numbers as of Dec 2022

* An employee Net Promoter Score (eNPS) is a basic positive/ negative feedback score which is calculated based on the percentage of promoters minus detractors in a business. To put this into context; an eNPS score between 10-30 is considered good. eNPS benchmarks are industry specific, the average eNPS score in SaaS software businesses is proximately 33.



Employee engagement case study – Trackunit

Trackunit is the leading SaaS-based IoT solution and machine insights provider to the global construction equipment industry. Trackunit collects and analyses machine data in real-time to deliver actionable, proactive, and predictive information, empowering customers with data-driven foresight.

Recognising that success of Trackunit hinges on creating the right conditions for its talent to thrive, Trackunit prides itself in fostering an environment where employees are given the autonomy to work creatively, intelligently and take ownership of their work. To support this and bring the company’s vision and mission to life, Trackunit organises a number of events:

Trackunit Next

Since 2021, Trackunit has hosted an annual 3-day forum. ‘Trackunit Next’, a virtual event for its customers, business partners and employees to come together, to explore what’s next, be inspired, and celebrate.



Coming Together – “Downtime Festival”

In 2022, Trackunit’s employees came together for a ‘festival-inspired’ week in Italy. The aim of the event was to bring colleagues together to create a sense of belonging, alignment, and coherence across departments. It is Trackunit’s belief that through sharing both personal and professional stories, employees are able to relate, engage and understand one another better. The event included activities such as Award Ceremonies, a Trackunit Exhibition, key notes & industry speakers along with various social networking events such as mornings runs, yoga sessions, guided meditations, waterpark activities, talk shows, meet-ups and more. Trackunit employees gave talks on topics they felt passionate about such as communication skills and personal development.

TIDE

Finally, as part of continuous employee engagement, Trackunit has employee resource groups and networks. One example is ‘Trackunit Inclusion Diversity Equality’ (TIDE), a grassroots initiative with the aim to strengthen DEI across the business through various initiatives. For example, in 2022 the group embedded an ‘Inclusion’ measurement in Trackunit’s employee engagement survey and rolled-out a software to ensures the use inclusive language in job advertisements to attract a more diverse pool of candidates.



Employee engagement case study – Access

The Access Group is one of the largest UK-headquartered providers of business management software to small and mid-sized organisations in the UK, Ireland, US and Asia Pacific. It helps 75,000+ customers across commercial and non-profit sectors become more productive and efficient.

Access' mission, values and purpose are delivered 'The Access Way':

- **Deliver value for customers**
work smart, at pace and be open and transparent.
- **Make Access better every day**
challenge and make things happen and learn from each other.
- **Love Work, Love Life, Be You**
care about each other and have fun.

Recognising the importance of good mental health in delivering 'The Access Way', Access offers comprehensive wellbeing support to all employees. Whether that be, using the Headspace App for meditation, undertaking mindfulness courses, engaging with Learning Content Squad who provide tips to improve financial health, or using Access' Employee Assistance Programme (EAP), there is something for everyone.

Access believes in the power of praise in driving engagement, aiding retention, boosting productivity, increasing morale, and helping an organisation to achieve its true purpose. This is why Access developed its 'Access Applause' software which is used internally to reward employees for going the extra-mile.

Life at Hg

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Life at Hg

A company’s culture is one of the few things that sets it apart from its competitors. Like a fingerprint, it may share some similarities with others, but it is uniquely distinct to the business. While products, strategies, marketing, and even innovations can be copied, the values and norms of an organisation – its culture or personality – are truly unique. The culture of Hg is much more like a tech company than a traditional PE firm and that is what makes us so special. It enables us to attract some of the best talent and management teams, all being proud of being part of the Hg family.

For Hg it is important that we walk the talk and act as a good role model for our businesses – if we ask them to take ESG seriously, we need to do so too.



Awards and recognition

Over our 30 year history, we have thrived to become a leader in our sector. We are proud to say that our efforts have not gone by without recognition.



Purpose & values

Our work as a private equity firm is more than just profit and growth. A sense of purpose and meaning fuels good work and drives positive change. Our purpose, defined in 2020, is:

“Trusted to improve the futures of millions of investors by building sustainable businesses for tomorrow”

Hg is entrusted with pension funds, endowments; millions of underlying investors and therefore its responsibility reaches deep and wide. Furthermore, the businesses we invest in are in an industry characterised by digitisation trends that are in early stages of adoption and are set to transform and enhance the workplace for ‘white collar’ professionals over decades to come.

Hg has embedded its values into the company ethos such as they inform our actions every day. They guide us in our work within our teams and partnerships. The four cornerstones are:

Be genuine

- Be authentic
- Be honest
- Speak the truth as you see it
- Retain humility

Outlearn

- Leverage Collective Experience
- Smart and Entrepreneurial
- A Growth mindset
- Continuously challenge



Go Beyond

- Be ambitious
- Strive for excellence
- Perspiration as well as inspiration
- Take ownership

Win Right

- A “One Firm” & inclusive mindset
- Consider our long-term impact
- Play hard but always play fair

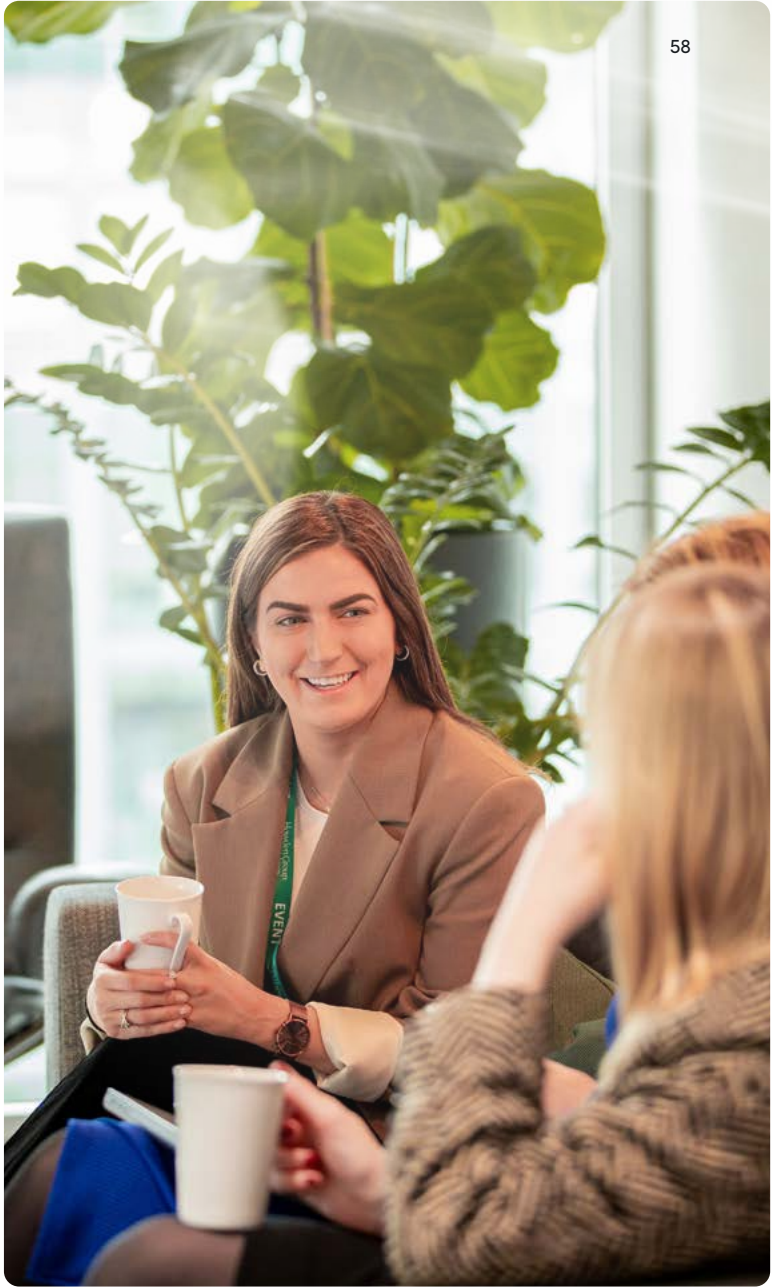
Employee engagement

Great Place To Work® is an independent workplace assessment survey providing insight into how employees view a company’s culture. Hg used to conduct the survey across our offices every two years. Our most recent assessment was conducted in 2021, when 89% of respondents (90% completion rate) said Hg is a great place to work.

In 2023, we evolved how we capture and respond to employee feedback and partnered with an external employee engagement platform to run more frequent employee engagement surveys ensuring there is an employee voice in everything we do. Our first employee survey on the new platform was completed in early 2023 and gave us insight to what we do well and what we can do differently.

<div>84%</div> <div>Of employees responding to our latest employee engagement survey</div>	<div>40</div> <div>eNPS score*</div>	<div>4.0</div> <div>Hg Glassdoor score</div>
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* 16 above True Benchmark®
True Benchmark® utilises a Diversified Financials benchmark adjusted for factors that could skew the engagement score (e.g. location, tenure, age) to provide greater accuracy when comparing engagement across segments. Diversified Financials includes approx. 60 firms across Private Equity, Venture Capital, Financial Banking and Investment Banking. More than half are a similar size to Hg with the majority based in UK/Europe.”



Health & wellbeing

At Hg, we believe that healthy individuals are key to a healthy organisation. Supporting our employees’ physical, emotional and financial wellbeing remains an important area of focus and we are proud to offer a range of holistic health and wellbeing services for our employees and their families.

To care for employees physical wellbeing we offer private medical insurance which covers dependents, discounted ClassPass memberships which offer employees access to a range of home or studio based workouts, a cycle to work scheme and we run a number of sporting charity events to get employees up and moving for good causes such as the ‘February Step Challenge’, the ‘10-mile hike’ and encouraging employees to take part in the London Marathon.

Navigating a global pandemic really shone a light on how important our mental and emotional wellbeing is, and we have a range of benefits and services in place for employees to lean on when they need them. For example, our firm has many Mental Health First Aiders who have been trained to support colleagues and we provide free Headspace subscriptions for all employees, a science backed meditation app with numerous benefits from decreasing stress and sadness to increasing focus levels and happiness.

Finally, following feedback from our employees that Hg supporting their financial wellbeing would be appreciated, we ran a number of sessions aimed at just this throughout 2022. We believe this holistic approach to our employees wellbeing makes balancing a work and personal life that little bit easier.



Diversity, equity & inclusion

Hg believes that having a diverse workforce deepens Hg’s talent pool and brings us a wider range of perspectives. It manifests in how we navigate the business world, including the investment decisions we make. Hg proudly won the Real Deal’s Diversity and Inclusion Leader of the Year Award GP Upper Mid-Market in 2021 and 2022. In addition, Hg was considered a Leader in DEI by Honordex⁹, ranking 2nd place in the 2023 Inclusive PE Index (up from 3rd place in 2022) and was the most improved firm in the top 10 for two consecutive years.



“Hg has over 20 years’ experience in partnering with rapidly growing innovative software businesses. This experience has demonstrated that diversity in leadership often leads to better investment and business decisions. Diversity in the technology sector continues to be a priority for us, the businesses we invest in.”

9 Equality Group, Honordex: Inclusive Index Score 2023, Mar 2023



Recruitment

Recruiting the next generation of exceptional Hg talent is crucial to our success and we recognise that we need to work hard to attract the best talent, and in recent years we have been ensuring we attract a broad range of truly diverse candidates. We have done this in multiple ways. At our junior levels we have continued to form connections with groups who are traditionally under-represented within our industry via inclusive recruitment events, industry wide mentorship schemes, providing internships with the #10,000BlackInterns scheme and through talent engagement programmes with our trusted partners such as SEO. At more senior levels, we ensure our recruitment partners extend our reach to a broad range of profiles and we go to great lengths to ensure an engaging, fair and consistent recruitment process.

Throughout 2022/23 we have continued to work with many inspirational partners who have supported us on our journey in attracting and retaining truly exceptional and diverse talent, and we will continue to build on these partnerships in the year ahead as we continue to drive change within Hg and our industry.

Development and retention

Developing, supporting and retaining our people is crucial to ensure we maintain talent for the long-term. We want individuals from all walks of life to have an equal opportunity to reach their full potential and become a leader of the future.

To ensure Hg is a place where everyone can thrive, we have a comprehensive benefits programme that caters to the individual needs of our employees. We have support in place for employees who are planning to start a family, from preconception and fertility treatment to pregnancy and postpartum with Maven Clinic. We understand there can be difficulties perfectly combining work with families and so we provide a variety of resources to help with this, such as access to holiday activity sessions and children clubs, and several free days of child-care support each year. Further to this, we recognised a gap in our family care offering and that our employees could benefit from more support with caring for elder dependents too, so we launched a service that supports with just this.

Our maternity, paternity and adoption leave includes 26 weeks of fully paid parental leave, with no proration on bonus for taking leave.

When it comes to career development, we believe a transparent and fair approach to career development is fundamental for success and we build our talent development programmes around this ethos. To support our talent as they build exciting and rewarding careers with Hg we have a team dedicated to their learning and development, from 2 week onboarding Academies for our newest investors and an expert investor series where our talent learn from industry experts on a range of topics, to executive mentoring and coaching to assist our people as they reach their potential, there is no shortage of learning opportunities for those who want them.

Inclusivity

We strongly believe that our inclusive culture, established in the very early days of Hg, has been key to the success of the firm. Inclusivity remains a big part of life at Hg, but that does not mean we can ever afford to stand still.

Each year we host multiple educational and awareness events across a range of topics such as Black History and the challenges marginalised groups within the LGBTQ+ community face. Our employee resource groups also foster relationships between groups of employees based on common interests, backgrounds or demographic factors to ensure a support network for all.

We run regular employee engagement surveys to solicit candid feedback to discover where we can make material improvements to be more inclusive, with action plans always taking place once feedback is analysed. As a further safeguard, we have our annual managing unconscious bias programme for all new joiners which features guidance on how everyone can play a role in ensuring an inclusive culture at Hg.

Our DEI steering group and targets

At the end of 2019 the Hg Board set two gender balance targets, one near- and one medium-term. The first, near term, was to reach more than 30% female executives by March 2021. We achieved 30% female representation within our executive teams in March 2021 and in the past two years have continued to set and achieve goals to target a more gender balanced executive team, we are pleased to report that our executive teams are currently 38% women with further targets being set for 2023.

The medium-term target is to reach more than 20% females at the senior executive level, and we are working hard to ensure progress is made year on year here too. This mirrors the target set by Level 20, a not-for profit organisation dedicated to improving gender diversity in the European private equity industry.

Hg’s DEI Steering Group, who is reporting directly to the Board, has the mission to lay the foundations for a fully inclusive culture and environment at Hg where all diversity is welcomed, encouraged and celebrated, and they have been working hard throughout this year to ensure that progress is made each day.





Climate change

Our firm carbon footprint

We publicly report on our carbon footprint in line with the GHG Protocol and publish an annual Carbon Footprint Report on our [website](#). We have compensated for scope 1, 2 and 3 emissions since 2019 and will continue to do so this year. Please see our latest Carbon Footprint Report for more details on our firm-level footprint and the projects we support.

Taskforce on climate-related financial disclosure (TCFD)

Hg publishes a voluntary annual [TCFD Report](#), outlining our governance, strategy, risk management and metrics and targets related to climate risks and opportunities. We support the disclosure of clear, comparable and consistent information on these areas.

This year, we have continued sourcing renewable energy for our London office. A top priority for next year remains exploring the use of renewables across all of our office locations. We will continue to lobby our international landlords to also move over to renewable energy supplies.

Hg is relying on building strong, trusting, relationships with our investors, teams, prospective and existing portfolio companies. This often requires business travel, as such business travel makes up the majority of our carbon footprint, Hg's Sustainability policy and Travel policy encourage employees to be mindful of their environmental impact when traveling. The policies recommend the use virtual meeting platforms and online collaboration tools, where appropriate. If travel is essential, employees are asked to take low-emission transport methods, such a rail, electric vehicles or travel by foot, where possible. Recognising that air travel is unavoidable in some cases, employees are advised to consider the number of people required in attendance and fly economy-class, particularly for short-haul flights. Flexible working continues to be offered to Hg employees which offers emissions reductions, especially for employees with a lengthy commute.

Societal contribution

The Hg foundation

At all levels, and across the globe, there are significant skills shortages in the technology sector and an urgent need to prepare the current and future workforce for modern jobs. At the same time, some groups – especially women and girls, those from low-income backgrounds and from certain ethnic groups – are far less likely to gain good tech qualifications and access tech jobs. This is both unfair and a significant waste of talent.

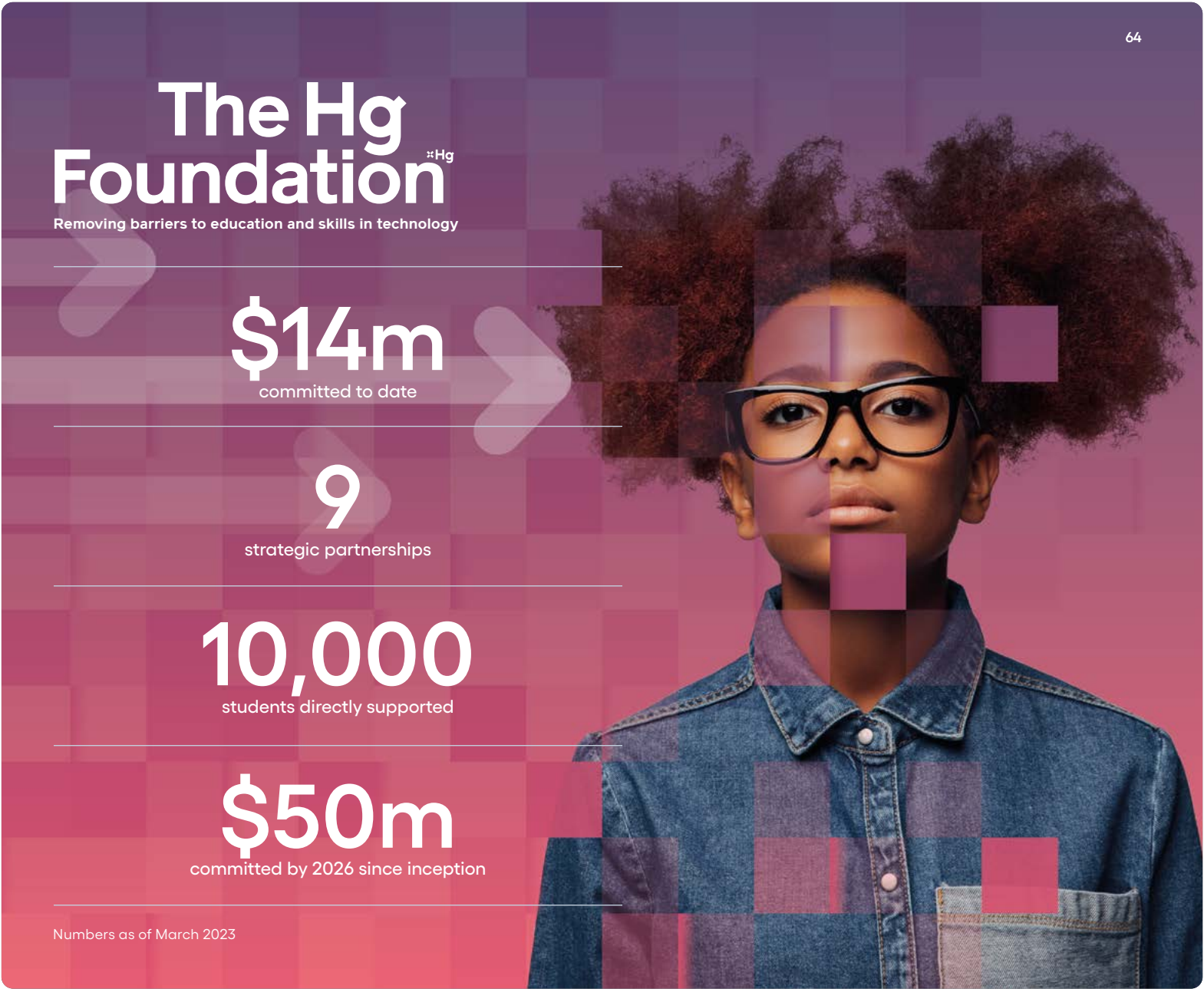
The vision of The Hg Foundation is that the tech workforce of the future harnesses the talents of all, regardless of background. To achieve this, the Foundation helps under-represented groups to access high quality jobs in tech by supporting education- and employment-based programmes across the UK, Europe and the US.

The Foundation’s work is solely funded by Hg, through a portion of carried interest from current and future funds, and a percentage of annual profits.

Current partnerships and future plans

Since its launch in 2020, the Foundation has committed over \$14m and supported projects that will benefit 10,000 learners from under-represented communities in the UK, France, Germany and the US.

The next three years will see the Foundation grow further as we invest up to \$50m since inception in the mission. Its partnerships will grow significantly across the globe, backing non-profits with a proven track record to expand their reach, evaluate their impact and, if successful to scale further still.





“The Foundation’s over-arching goal is high quality employment in the tech sector; and we tackle both education- and skills-related barriers to achieving this outcome. We concentrate our work on those groups facing the biggest barriers to opportunity – whether because of their income, gender, ethnicity, geography or for other reasons. And we want to forge long term, genuine partnerships with high impact organisations, learning from their expertise, and helping them grow further. In all we do, we want to develop deep knowledge in the areas we support and focus where our input – both financial and in terms of the incredible expertise and network of Hg – can make the most difference. And like Hg, we want to be the best informed and have the greatest and widest impact from what we do and where we invest.”



“Hg’s support for The Hg Foundation is long term and will sustain for decades to come. The inequalities we seek to address are complex and deep-rooted and there are no quick fixes. That is why the Foundation has been established as an independent registered charity with its own board of Trustees with long-term financial support from Hg. This allows the Foundation to continue to develop as an influential actor in supporting education and tech skills, backed by our capital resources and personal energy. I am very proud that as a business we are committed to supporting the Foundation’s long-term growth, helping to unlock the potential of many talented individuals.”





Imperial Further mA*ths Online

Further mA*ths is a pioneering and scalable approach to boosting achievement in A-level Further Maths for state school students aged 17/18, developed by Imperial College, London – one of the UK’s leading universities. It provides a package of support through mass online learning, e-mentoring, as well as intensive support to 450 disadvantaged students over three years. The open access online platforms are expected to reach around 2,000 young people of all backgrounds. The scheme will also provide professional support for 150 further maths teachers, creating the potential for a wider multiplier effect, as teachers spread new resources and learning through the education system.



upReach Tech500

The upReach Tech500 is a new programme to support talented undergraduates from less advantaged backgrounds secure graduate roles in the technology sector. It will reach 500 young people across three years, in addition to giving hundreds more low-income students training in digital skills relevant to the modern workplace. Tech500 offers participants comprehensive and exclusive training, networking and development opportunities to boost their success rates in progressing to top jobs

“Tech500 has been instrumental to my successful placement application. The ongoing CV and application reviews were extremely useful and insightful. Having never applied to a position before, these resources made me understand what employers were really looking for and enabled me to craft and tailor my applications... The events were great to get a real insight into companies and develop my understanding of what they do and the people who work there.”

Alexandru
upReach Associate, University of Nottingham





SEO Career
Tech Developer

SEO Career – Tech Developer

The SEO Tech Developer programme aims to increase the numbers of undergraduate students from minority groups effectively competing for graduate roles in the tech world. The Hg Foundation is the seed-funder of the programme and has been heavily involved in its development, which draws on SEO’s 40 years of experience of running programmes in other competitive professional sectors, such as law and finance. The programme is intensive and immersive, offering training that provides sustained exposure to tech industry professionals, educators and recruiters through seminars, coaching and mentoring with senior tech executives, as well as access to internships.

“I feel empowered, confident, and knowledgeable after this program. It was overwhelming and difficult but well worth it. I appreciate the teamwork and leadership skills I acquired. I feel like I have been equipped with the industry “must-haves” like grit and agile-development. The fireside chats and Q&A technical panels were also very informational and made me feel more confident about my prospects in this field.”

Inioluwa Davies
Tech Developer participant

Generation
FRANCE

Generation France

The collaboration between The Hg Foundation and Generation France aims to bridge the gap between the many employers who struggle to recruit entry level tech talent and young people from disadvantaged backgrounds who are not in any form of training or work. The programme comprises specific technical, behavioural, mindset and professional skills training, as well as mentoring during and after the programme. It will reach several hundred unemployed learners in France through expanding Generation’s existing employability programmes and developing new employment tracks in tech-related roles.

“Everything was great, both in terms of coaching and training. Our trainers were available to answer our questions, we could express ourselves freely, they were really there to help us progress, to take us to another level, they encouraged us at every step. The Generation training really taught me a trade, it gave me the tools to give a new dimension to my career. That training literally changed my life. I have since gotten married, moved on with my personal life and signed a lease on an apartment. I am truly grateful to Generation for making such a big impact in my life.”

David-André
Generation alumni



Technische Universität München

Die Technische Universität München (TUM)

MINT-Impulse an der Schule, run by the Technical University of Munich, one of Europe’s leading universities, encourages girls to study mathematics, information technology, natural sciences and technology (MINT) by providing inspirational enrichment activities, boosting confidence and breaking down in-grained gender stereotypes. The project, seed-funded by The Hg Foundation, reaches 600 girls per year aged 14 to 16 at select schools in rural Bavaria which struggle to take part in extracurricular programmes because of a lack of resources and geographic isolation.



Merit America

Merit America supports unemployed adults, and those earning low wages, into higher salary roles in the technology sector. The programme provides flexible pathways for those without college degrees, which combine training for in-demand careers with coaching and peer support, both in person and online. To recruit the participants who can benefit most from the programme, Merit partners with a range of organisations serving low-income communities. At the other end of the chain, Merit connects with firms such as Google, Amazon and IBM to place its participants into well paid employment opportunities in the tech sector. The Hg Foundation is specifically sponsoring the data analytics and evaluation strategy workstream from this already successful programme.

“Merit America has changed so much for me that I could not be more grateful. I’ve felt like I would never get out of the dead-end that I was in.”

Rey
Merit America Alumni



Generation

Case study: Generation

A global approach to understanding and tackling recruitment challenges in the tech sector for under-represented communities

The Hg Foundation is the main funder of a landmark research project which will give an unparalleled insight into current employment trends in the technology sector. Developed by our partners at Generation, the study will survey thousands of individuals seeking and already in entry level technology jobs, as well as those charged with making hiring decisions in over 1,200 tech firms. The sample will be drawn from eight countries to give the research a truly global relevance. The overall aim is to identify interventions that can be made to support under-represented communities to access and thrive in entry-level tech jobs, and to inform the debate around solutions to increasing the supply and diversity of talent.



Hg giving

Hg Giving, launched in 2021 via the Benevity platform, allows Hg employees to:

- Make personal donations to the causes they care about via payroll, credit card or PayPal.
- Receive automated 1:1 matching on their contributions, doubling the impact of their giving.
- Sign up to volunteering campaigns and events and receive rewards for any logged volunteering hours.
- Create their fundraising pages to share with colleagues, friends and family.
- Keep up to date with charities, internal Hg fundraising and volunteering events.

Since the platform was launched in 2021, over \$550,000 has been collectively donated across 515 causes, with around 240 hours volunteered by Hg employees.

As well as personal donations by employees, the Hg Charity Committee made donations to a number of organisations linked to key giving events such as International Women's Day, Pride Month, Earth Day and Mental Health Awareness Week.

Hg employees enthusiastically support charity fundraiser events and are often keen to financially support them too.

Giving campaigns are often made fun and help connect people from across all parts of Hg.





Mental Health Awareness Week

As part of Mental Health Awareness week in May 2022 we held a 'Player 2' Gaming campaign supporting Winston's Wish, a childhood bereavement charity who provide emotional and practical bereavement support to children, young people and those who care for them. Many of them have shared that gaming helps them cope with their grief. Some have shared that the person who died is someone they used to game with – their Player 2.



10-mile hike

In September 2022, 18 employees took part in a 10-mile hike from the village of Westerham, through the Kent Downs and then descending back to Westerham. £2,500 was raised for Sarcoma UK, the only national charity that gives specialised support, focused research and targeted information to sarcoma patients and their families.



London Marathon

In October 2022, London staff members took part in the London Marathon. The 9 runners, trained with the Hg Running Club Coach for 4 months and together, raised £30,000 for charities of their choice.



Giving Tuesday

Giving Tuesday is the biggest day of global generosity; a day when people all around the world spread awareness of volunteering and support the causes they love. Giving Tuesday took place on the 29th November in 2022. This year the Charity Committee offered ‘triple matching’ for all donations and gifted £100 to all employees. Almost £28,000 was raised, up from £10,900 in 2021.



February Step Challenge

Throughout February 2023, around 90 employees took part in a challenge to take 10,000 steps every day to support Gemeinnützige PS Philanthropie Oesterreich a non-profit foundation that supports the research project for (Diamond Blackfan Anemia (DBA). The Charity Committee sponsored each participant with £100 and by matching their donation and overall the Giving campaign raised nearly £11,500.



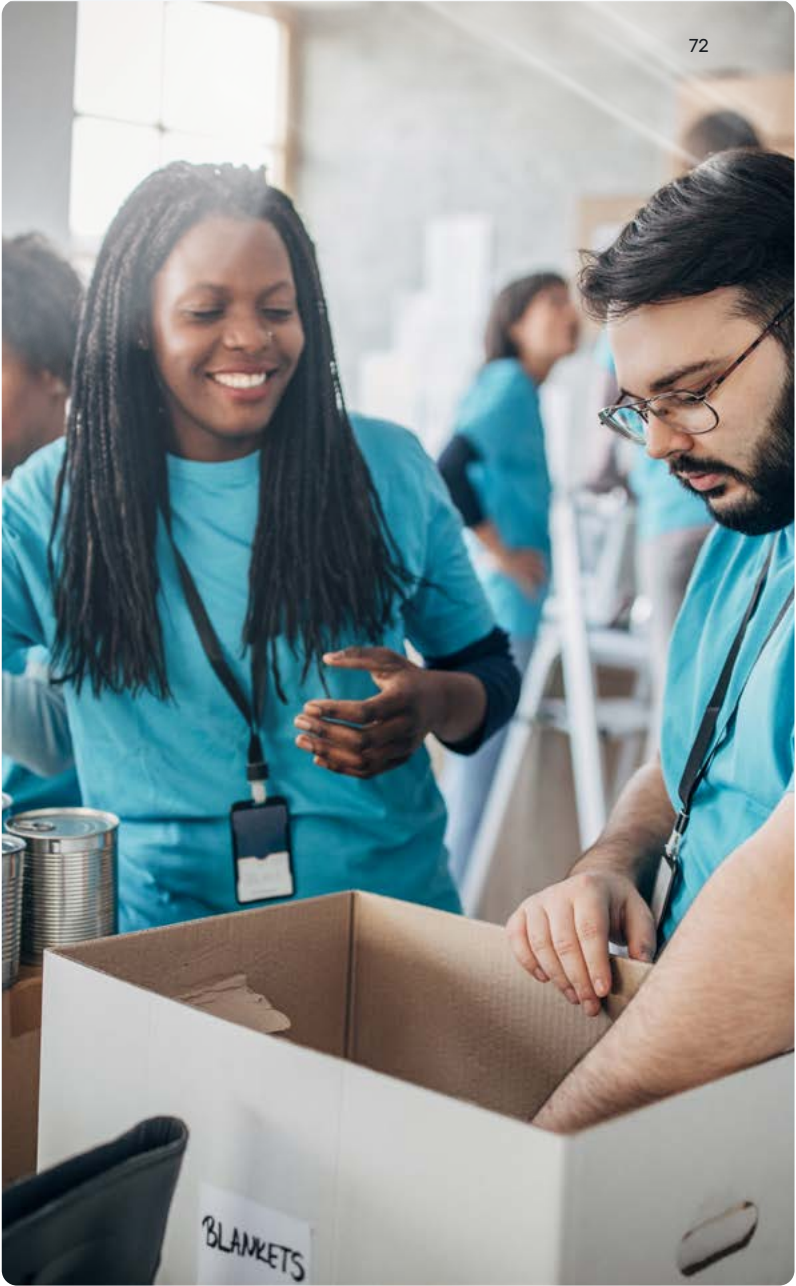
12 Days of Christmas

For the second consecutive year, in 2022 we ran our 12 Days of Christmas fundraiser. Every day from the start of Advent every employee who made a donation to Save the Children was entered into a daily raffle for the chance to win £250, or local equivalent if based in Germany or the US, to give away to the charity of their choice. On the 12th day, the winner won £2,000 to donate to their selected charity. The Giving campaign itself raised £4,243 for Save the Children.



Rescue and Recovery Efforts in Turkey and Syria

In the way of the earthquake in Syria and Turkey in early 2023, the Charity Committee made donations to International Medical Corps and Save the Children. To encourage donations from Hg employees, the Charity Committee double- and triple-matched any donations.





Volunteering at Mossbourne Community Academy

Hg employees supported A-level students of Mossbourne Academy undertaking 30 mock interviews for STEM subjects and humanities. This opportunity was encouraged by the Hg Foundation and aligned with the Foundation's aim to support more disadvantaged students with education opportunities. Mossbourne students secured a total of 15 Cambridge, and 5 Oxford offers following their applications. This is an overall success rate of 44%, considerably higher than the average acceptance rate of 17% for Cambridge and 14% for Oxford. A further 5 students were admitted to the August Reconsideration Pool.

"I cannot thank Hg's volunteers enough for their support. It made a major difference to our students' applications and directly contributed to their success. All applicants found the opportunity to discuss their subject with Hg volunteers immensely rewarding."

Tom Cranston
Higher Education Leader, Mossbourne Academy

Appendix

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- Portfolio cybersecurity
- Portfolio governance & policies
- Portfolio anti-trust & competition law
- Portfolio employee engagement & wellbeing

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- Portfolio key metrics from 2022/23
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Portfolio key metrics from 2022/23

Employees		Society		Essentials	
eNPS	Average 36	Percentage of energy consumption from renewable sources	22%	ESG strategy in place	49%
Glassdoor / Kununu score	Average 3.9	Green initiatives in place	90%	ESG Board accountability	51%
Monitor employee engagement	90%	Carbon reduction initiatives in place	73%	Anti-bribery and corruption policy in place	93%
Organisation: percentage of female employees	37%	Measure carbon footprint	80%	Anti-discrimination policy in place	95%
Senior Management: percentage of female employees	28%	Have set carbon reduction targets	29%	Competition law considered as part of compliance structure	66%
C-suite: percentage of female employees	22%	Have set SBTs	12%	Code of conduct in place	88%
DEI strategy in place	46%	Use data centres with carbon reduction targets	80%	Data privacy policy in place	100%
DEI representative	78%	Communicate externally on ESG	54%	Health & safety policy in place	93%
Mental health support	85%	Publish external ESG report	17%	Risk register procedures in place	85%
		Invest in charities or the community	98%		

Numbers as of December 2022

GRI contents index

Statement of use – GRI 1 used

GRI standard		Disclosure		Location
GRI 2:	General Disclosures 2021	2-1	Organizational details	(a) HgCapital LLP (b) Privately owned (c) London, UK (d) Hg has five investment offices based in UK (London), Germany (Munich), France (Paris), USA (New York & San Francisco).
		2-2	Entities included in the organization’s sustainability reporting	This report covers our five investment offices and HgCapital LLP’s approach to responsible investment across our funds.
		2-3	Reporting period, frequency and contact point	(a) 1st April to 31st March 2023, reporting annually (b) This is the same as our financial reporting (c) Publication date: 28th June 2023 (d) Caroline Löfgren, Chief Sustainability Officer, ESG@hgcapital.com
		2-4	Restatements of information	No restatements required as this is the first year Hg reports in reference to GRI.
		2-5	External assurance	(a) This report has been reviewed by senior executives at Hg (b) This report has not been externally assured.
		2-6	Activities, value chain and other business relationships	See Company Factsheet (updated on an ongoing basis)
		2-7	Employees	(a) Hg employs c.400 people
		2-8	Workers who are not employees	
		2-9	Governance structure and composition	
		2-10	Nomination and selection of the highest governance body	
		2-11	Chair of the highest governance body	
		2-12	Role of the highest governance body in overseeing the management of impacts	
		2-13	Delegation of responsibility for managing impacts	
		2-14	Role of the highest governance body in sustainability reporting	
		2-15	Conflicts of interest	
		2-16	Communication of critical concerns	

GRI contents index

GRI standard		Disclosure	Location	
		2-17	Collective knowledge of the highest governance body	
		2-18	Evaluation of the performance of the highest governance body	
		2-19	Remuneration policies	
		2-20	Process to determine remuneration	
		2-21	Annual total compensation ratio	
		2-22	Statement on sustainable development strategy	See section with leadership statement and for a strategy update
		2-23	Policy commitments	
		2-24	Embedding policy commitments	
		2-25	Processes to remediate negative impacts	
		2-26	Mechanisms for seeking advice and raising concerns	
		2-27	Compliance with laws and regulations	
		2-28	Membership associations	(a) Hg is a member of the British Venture Capital Association (BVCA), Invest Europe, the UN Principles Responsible Investing (UN PRI) and the Initiative Climat International (iCI)
		2-29	Approach to stakeholder engagement	(a) See and stakeholder map section
		2-30	Collective bargaining agreements	
GRI 3:	Material Topics 2021	3-1	Process to determine material topics	See section
		3-2	List of material topics	See section
		3-3	Management of material topics	See section
GRI 201:	Economic Performance 2016	201-1	Direct economic value generated and distributed	
		201-2	Financial implications and other risks and opportunities due to climate change	Climate change is a material topic to Hg and our stakeholders and we are committed to understanding the risk and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in a changing world. We publish a voluntary annual TCFD report which outlines our climate-related risks and opportunities available on our website
		201-3	Defined benefit plan obligations and other retirement plans	
		201-4	Financial assistance received from government	

GRI contents index

GRI standard		Disclosure		Location
GRI 202:	Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	
		202-2	Proportion of senior management hired from the local community	
GRI 203:	Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	
		203-2	Significant indirect economic impacts	
GRI 204:	Procurement Practices 2016	204-1	Proportion of spending on local suppliers	
GRI 205:	Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	<p>Hg’s procurement is mostly limited to professional or business services suppliers, such as catering, professional services and office equipment.</p> <p>Hg has assessed the level of corruption risk associated with its business and has put in place appropriate policies and procedures to mitigate such risks. These include but are not limited to an anti-bribery and corruption policy, a financial crime policy, a gifts, entertainment & other benefits policy, and a whistleblowing policy.</p> <p>(a) Hg operates across five investment offices and 100% of these operations have been included in the risk assessment.</p> <p>(b) In our risk assessment we consider that certain jurisdictions (by reference to external data such as the Transparency International Corruption Perceptions Index), business activities, and/or business dealings involving Public Officials may give rise to elevated corruption risks. Taking these factors into account, Hg considers that the overall level of corruption risk in its business is low.</p> <p>Furthermore, 40 of our portfolio companies have been assessed on their bribery and corruption policies as part of our annual ESG review.</p>
		205-2	Communication and training about anti-corruption policies and procedures	<p>Hg’s compliance team provides regular training to its staff, including all new joiners, on its anti-corruption policies and procedures.</p> <p>All Hg Portfolio Companies are required to have anti-bribery and corruption policies and procedures in place.</p> <p>Other business partners (e.g. suppliers, contractors etc) are subject to written contractual provisions relating to anti-bribery and corruption.</p>
		205-3	Confirmed incidents of corruption and actions taken	

GRI contents index

GRI standard	Disclosure	Location
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	(a) Hg is involved in an antitrust proceeding relating to a historic investment in a portfolio company which Hg sold in 2012. Hg has been included in this case simply due to its fund’s historic ownership of the business and the proceedings are currently under appeal. It is important to note that Hg has not invested in the same industry since this investment. Hg also has a strict competition compliance policy in place and has a senior in-house competition law specialist who works closely with Hg’s investment professionals and our portfolio companies to ensure compliance. Responsible investment is core to Hg’s values and Hg has therefore been open and transparent throughout the investigation. (b) Not applicable
	207-1 Approach to tax	Please see Governance page on our website
GRI 207: Tax 2019	207-2 Tax governance, control, and risk management	
	207-3 Stakeholder engagement and management of concerns related to tax	
	207-4 Country-by-country reporting	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	As an asset manager, the use of raw materials is not material to Hg, therefore we will not be reporting on this topic for 22/23.
	301-2 Recycled input materials used	
	301-3 Reclaimed products and their packaging materials	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	(a) 102,852 kwh of natural gas
		(b) None
		(c) i. 560,641 kwh ii. 0 kwh iii. 0 kwh iv. 0 kwh
		(d) Not applicable
		(e) 673,775 kwh
		(f) Hg’s carbon emissions are calculated in line with the Greenhouse Gas Protocol Corporate Standard, using the operational control approach. Activity data is collected partly using excel-forms from local offices. The data is gathered and calculated using a centralised software platform using relevant emissions factors for each activity. Emissions factors are sourced from relevant industry bodies such as Defra and AIB. Estimations have been made for leased offices with fewer than 6 FTEs as they are both leased square footage and number of employees.
		(g) 1 m³ natural gas = 10.55 kwh

GRI contents index

GRI standard	Disclosure	Location
	302-2 Energy consumption outside of the organization	(a-c) We do not report on the energy consumption outside of Hg due to lack of available data.
	302-3 Energy intensity	(a) 10,677 kwh/FUM (b) FUM (c) Fuel and electricity (d) Inside, only
	302-4 Reduction of energy consumption	(a-d) In 2022/23 Hg's headcount increased by 10% from 299 to 329 employees globally and our FUM grew by 54% from \$41bn to \$63.2bn. Furthermore, Hg opened two new offices, one in Paris and one in San Francisco, as well as relocated to a bigger office space in New York. As a result, despite making efforts to drive energy efficiency in our offices, we have not seen a reduction in our firm's energy consumption. We are striving to reduce the proportion of non-renewable energy supplied into our offices. See our latest carbon report for more details.
	302-5 Reductions in energy requirements of products and services	(a-c) Not applicable
	303-1 Interactions with water as a shared resource	Water consumption and water effluents are not material to Hg. Our only source of water consumption and water effluent within our organisation is through our offices (cleaning, drinking and facilities).
GRI 303: Water and Effluents 2018	303-2 Management of water discharge-related impacts	
	303-3 Water withdrawal	
	303-4 Water discharge	
	303-5 Water consumption	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Based on currently available data, we can confirm that we do not have operations in or near areas of high biodiversity value for three of our five investment offices and are working to have the data available for all offices by the next reporting period.
	304-2 Significant impacts of activities, products and services on biodiversity	
	304-3 Habitats protected or restored	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	

GRI contents index

GRI standard	Disclosure	Location
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	<div><div>(a) 20 tCO₂e</div><div>(b) CO₂ only. There were 0 tonnes refrigerant gases lost in 2022.</div><div>(c) None</div><div>(d) 2019 (our SBT baseline year)</div><div>(e) DEFRA 2022</div><div>(f) Operational control</div><div>(g) Hg’s carbon emissions are calculated in line with the Greenhouse Gas Protocol Corporate Standard, using the operational control approach. Activity data is collected partly using excel-forms from local offices and centralised vendor reports. The data is gathered and calculated using a centralised software platform using relevant emissions factors for each activity. Emissions factors are sourced from relevant industry bodies such as Defra, AIB, Quantis and from suppliers where available. Estimations have been made for leased offices with fewer than 6 FTEs as they are both leased square footage and number of employees.</div></div>
	305-2 Energy indirect (Scope 2) GHG emissions	<div><div>(a) 200 tCO₂e</div><div>(b) 131 tCO₂e</div><div>(c) Not available</div><div>(d) 2019 (our SBT baseline year)</div><div>(e) AIB (2021); Defra WTT (2021); Green-e (2022)</div><div>(f) Operational control</div><div>(g) Paris and Luxembourg offices, Purchased Electricity. With only 6 FTE’s across both leased locations we have estimated electricity use based on the electricity used in the London office taking the premises square footage / number of employees.</div></div>

GRI contents index

GRI standard	Disclosure	Location
	305-3 Other indirect (Scope 3) GHG emissions	<p>(a) 4,728 tCO₂e</p> <p>(b) Not available</p> <p>(c) None</p> <p>(d) 1: Purchased Goods and Services (Excluding Consultancy Spend); 2: Capital Goods; 3: Fuel-and Energy-Related Activities Not Included in Scope 1 or Scope 2; 4: Upstream Transportation and Distribution; 5: Waste Generated in Operations; 6: Business Travel (including hotel stays); 7: Employee Commuting and homeworking</p> <p>(e) 2019 (our SBT baseline year)</p> <p>(f) Quantis (2021), Apple Product Environmental Report (2022); Logitech Carbon Footprint (2022); NTM (2021); Defra (2022 & 2021); AISBL (2021); Hotel Footprinting Tool (2022)</p> <p>(g) For two offices, waste has been estimated based on the waste in the London office taking number of rubbish bags per number of employees. Employee commuting has been estimated based on the 55% of responses to a survey on commuting habits. Data has been extrapolated to account for all employees.</p>
	305-4 GHG emissions intensity	<p>(a) 78 tCO₂e/FUM</p> <p>(b) FUM</p> <p>(c) Scope 1, 2 and 3</p> <p>(d) CO₂ only</p>
	305-5 Reduction of GHG emissions	<p>(a-d) In 2022/23 Hg’s headcount increased by 10% from 299 to 329 employees globally and our FUM grew by 54% from \$41bn to \$63.2bn. Furthermore, Hg opened two new offices, one in Paris and one in San Francisco, 2022/23 also saw an increase in business travel as COVID-19 travel restrictions loosened. As a result, despite making efforts to increase the proportion of renewables in our office energy supply, reduce unnecessary business travel, and offer flexible working to employees, we have seen a net increase in our firm’s GHG emissions across scopes 1, 2 and 3. See our latest carbon report for more details.</p>
	305-6 Emissions of ozone-depleting substances (ODS)	<p>(a-d) We do not report on emissions of ozone depleting substances as these are negligible for Hg and our business’ operations.</p>
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	<p>(a-c) We do not report on emissions of Nitrogen oxides (NOx), sulphur oxides (SOx), and other air pollutants as these are negligible to Hg and our business operations.</p>

GRI contents index

GRI standard	Disclosure	Location
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	The production and management of waste is not currently a material issue for Hg. The main source of waste is through our offices. We track the volume of waste product and implement measures to increase recycling and reduce waste production across our offices. Any electronic waste is dealt with in line with the WEEE guidelines.
	306-2 Management of significant waste-related impacts	
	306-3 Waste generated	
	306-4 Waste diverted from disposal	
	306-5 Waste directed to disposal	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	The environmental impact of suppliers is not a material topic for Hg. However, we include suppliers in our carbon footprint assessment which enables us to identify and address hotspots if their carbon footprint is disproportionately high.
	308-2 Negative environmental impacts in the supply chain and actions taken	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	See our
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	As an office-based organisation, occupational health and safety is not currently a material issue for Hg. However, Hg has a health and safety policy in line with UK regulations and actively engages with employees on health-related topics such as mental and physical health. For example: <ul style="list-style-type: none">– We conduct desk assessments for all employees and provide equipment to support.– Six employees are trained as first aiders and 15 are trained as mental health first aiders. In 2022/23 Hg had six reported injuries.
	403-2 Hazard identification, risk assessment, and incident investigation	
	403-3 Occupational health services	
	403-4 Worker participation, consultation, and communication on occupational health and safety	
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-8 Workers covered by an occupational health and safety management system	
	403-9 Work-related injuries	
	403-10 Work-related ill health	

GRI contents index

GRI standard	Disclosure	Location
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Training and education is not currently a material topic for Hg so we have not reported on this topic. We have training programmes and provide each employee with training allowance, renewed annually.
	404-2 Programs for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	<p>(a) i. Hg has a Board of 8 members of which 2 are Non-Executive Directors. All members (100%) of Hg Board are male.</p> <p>ii. We do not have D&I/personal data on the non-executive board members, however of the Hg board members: 33% 30-50 years old and 67% 50+ years old.</p> <p>iii. 0% of Hg Board members self-identify as belonging to minority or vulnerable groups.</p> <p>(b) i. We publish a separate Diversity & Inclusion report, in which we report on overall gender representation and then gender representation of our investment teams. The latest report is available on our website</p> <p>ii. 31% of Hg employees are under 30 years old, 63% are 30-50 years old and 6% are over 50 years old.</p> <p>iii. See latest Diversity & Inclusion report for all available Hg diversity metrics</p>
	405-2 Ratio of basic salary and remuneration of women to men	<p>(a) Hg is not yet in scope of UK Gender Pay Gap reporting and does not currently report externally on these figures, however we are getting ready to publish this in April 2024. Additionally, Hg has structured salary banding and a robust annual compensation review process in place to ensure equal pay for employees in equivalent roles.</p> <p>(b) Not applicable</p>
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	<p>(a) We have not had any issues of discrimination involving Hg within the reporting period.</p> <p>(b) Not applicable</p>
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Hg has a zero-tolerance approach to modern slavery in its various forms (slavery, servitude, forced and compulsory labour and human trafficking) and we are committed to acting ethically and with integrity in all our business dealings and relationships and to conducting assessments to ensure that modern slavery is not taking place in our own business or in our supply chain. For further details, see Hg's modern slavery act statement on our website
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	

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GRI standard		Disclosure		Location
GRI 410:	Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	
GRI 411:	Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	Hg has not been involved in any violations involving the rights of indigenous people.
GRI 413:	Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Hg engages with local communities through the independent charity 'The Hg Foundation' to which Hg donates part of its profits and carry. The Hg Foundation is focusing on development programmes enabling access to jobs in technology. See more on the Hg Foundation website
		413-2	Operations with significant actual and potential negative impacts on local communities	
GRI 414:	Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	We seek to work with external professional services partners and suppliers who respect human rights, care about their own working conditions and adhere to the UN Guiding Principles on Business and Human Rights. Our Modern Slavery Act statement, which is updated and approved by our Board annually, explains our approach to human rights within our direct supply chain. For further details, see Hg's modern slavery act statement on our website
		414-2	Negative social impacts in the supply chain and actions taken	
GRI 415:	Public Policy 2016	415-1	Political contributions	Hg does not make political contributions; therefore this topic is not currently material to Hg.
GRI 416:	Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Hg is an asset manager, and its fund products are not sold to end-consumers. Hg's portfolio companies are B2B SaaS companies, most of which do not sell physical products to end-users, therefore customer health & safety is not a material topic for Hg.
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
GRI 417:	Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Hg is a UK-authorized Alternative Investment Fund Manager (AIFM) and markets its funds into certain EEA jurisdictions under applicable National Private Placement Regimes (NPPRs). Hg is therefore subject to the FCA's Rules on Financial Promotions, and specific requirements on the information required to be provided to both prospective and existing investors, as well as to the Sustainable Finance Disclosure Regulation (SFDR) requirements on product labelling. All Hg funds created since 2022 are classified as Article 8 under the SFDR regulations. There have been no incidents of non-compliance concerning marketing communications for the reporting period.
		417-2	Incidents of non-compliance concerning product and service information and labeling	
		417-3	Incidents of non-compliance concerning marketing communications	
GRI 418:	Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	(a-b) There were no complaints concerning breaches of customer privacy and losses of customer data involving Hg in 22/23. (c) Not applicable

Disclaimer

Hg is reporting 'in reference to' (rather than 'in accordance with') the Principles of the GRI Standards. Therefore, Hg has prepared the reported information in accordance with the requirements specified in 'Reporting with reference to the GRI Standards' at the end of section 3 in GRI 1 (and, for the avoidance of doubt, the disclosures are therefore not necessarily fully compliant with all nine requirements set out in section 3 of GRI 1).