

A modern office interior with large glass windows and partitions. Two women are seated at a wooden table, engaged in a conversation. The office is bright and airy, with various office equipment and plants visible in the background.

Responsible Investment

Hg ESG Report 2023/24

Responsible Investment

Hg ESG Report 2023/24

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Unless stated otherwise, this report is based on information and data from Hg's Financial year 2023/24 (1 April 2023 – 31 March 2024)

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Matthew Brockman
Hg Managing Partner

Leadership Statement

While a slower year for PE generally, 2023 remained a strong year for Hg as the performance of our resilient family of software and services companies reflected strong foundations. Our long-term approach to business growth has made a significant contribution to this; creating responsible businesses for the future, sustaining investment in products that delight customers and creating quality employment opportunities.

It is important to us that our purpose has an equally long-term horizon – **“To improve the future of millions of investors by building sustainable businesses for tomorrow”**. We work for the millions of individual investors whose pension, savings, or endowment capital we invest. Our purpose is shared with every person that joins our firm and across thousands of the employees that work within Hg portfolio companies, who hear directly from the pension programs and endowments that support our business. We will continue to deliver on this purpose if we are investing responsibly.

This report highlights some of the achievements made possible by our people collaborating with a strong sense of purpose. From tackling climate change by advocating for our portfolio companies to set science-based targets, to supporting over 50,000 people from disadvantaged and underrepresented backgrounds in accessing careers within the technology industry through The Hg Foundation, we take our responsibility as investors in this sector seriously.

We continue to learn and improve each year though, to evolve how and where we impact. And ensuring that responsibility to our investors, to portfolio employees, and my own colleagues, is embedded into the ethos of everything we do.



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Reflecting on ESG in 2023/24

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 2023/24 we are particularly proud of the following achievements:



ESG value creation

ESG continues to be a key value creation lever for Hg as we engage with and support our portfolio companies. In 2023/24 we conducted our sixth annual ESG Diagnostic of our portfolio. We have now delivered over 250 of these assessments, which means we have built a solid set of ESG benchmarks and are able to compare and score our portfolio businesses, not just on an overall ESG performance, but also on more specific KPIs such as employee engagement scores and carbon footprints.

In addition to the ESG Diagnostic, Hg's ESG team has delivered over 8 bespoke projects to portfolio companies, supporting them in defining their ESG strategies and reporting. [LucaNet](#) and [Ideagen](#) are two great examples.



Climate Change

We supported our portfolio companies to conduct company carbon footprints for the fourth year in a row and continued 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. Almost 90% of our businesses are now able to report on scope 3 emissions to some extent. We shared the results of the portfolio companies' carbon footprints, highlighting emissions hotspots and opportunities for reduction, as well as benchmarking across the portfolio to help put the numbers into context. We also advocate for portfolio companies to set science-based targets (SBTs) and we are pleased to report that as of March 2024 we had eight companies that have formally committed to set SBTs, requiring them to have validated targets by the SBTi, 24 months after the commitment was made.



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 its launch, the Foundation has committed \$25 million and now directly supports more than 50,000 students through 22 partnerships. In addition to the work conducted by The Hg Foundation, in 2023/24 our employees collectively donated almost \$300k supporting 300 causes through our charitable giving platform, Hg Giving provided by Benevity.



Diversity, Equity & Inclusion

We continue to focus on making Hg a truly inclusive workplace where everyone feels welcome and valued. Diversity and inclusion are the essential drivers of success, creating opportunity for ingenuity, collaboration, and fresh perspectives. As of March 2024, we are happy to share that our gender balance is now 50% across the entire firm, but we also appreciate diversity and inclusion is more than just about genders. We strive to build teams that reflect the rich diversity of the world around us. In 2023/24, our Culture Committee, which is reporting directly to Hg's Board, has been focusing on diversity through a cognitive lens, recognising and embracing different backgrounds, skill sets and ways of thinking when building teams. This has already influenced a number of areas across the Firm, such as how we form deal teams, our talent assessment, recruitment and internal development approaches.

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 c.\$70bn in funds under management support a portfolio of around 50 businesses, worth over \$140 billion+ aggregate enterprise value, with over 110,000 employees, consistently growing revenues at more than 20% annually.

c.\$70bn
funds under management

\$140+bn
aggregate EV

>300
clients

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

110k
employees across
portfolio

+18%¹
LTM employee growth
across the portfolio

24%²
portfolio revenue
growth

+29%²
portfolio
EBITDA growth LTM

¹ Reported

² These figures represent LTM 31 March 2024 sales and EBITDA growth of the top 20 investments held by HgCapital Trust plc (c.78% of the Hg portfolio), calculated on a weighted basis, based on the respective gross valuations of the underlying investments. HgT, whose shares are listed on the London Stock Exchange, gives private and institutional investors the opportunity to participate in all Hg's investments

Hg at a glance

\$25m

donated via the
Hg Foundation

\$297k

donated to charitable
giving via Hg Giving

325

volunteering hours

50%

female employees

39%

female employees in
Hg's investment team

34

nationalities

4.0

Glassdoor score

40

eNPS



UNPRI ratings
(96% for PE, 89% for Policies and Stewardship)³

³ Hg scores: **** (89/100) for Investment & Stewardship & Policy, and ***** (96/100) for Private Equity. See links to Hg's most recent **2022 transparency report** and **UNPRI's methodology**

Our portfolio



North America

- Invested >\$5 billion of equity in North America
- New York office opened in 2019; San Francisco office opened in 2022
- 16 investments across North America

Europe

- Led / co-led 7 of the top 20 EU software buyouts of last decade
- >3x market share of the next largest software investor in Europe
- In aggregate, Hg’s portfolio would be the 2nd largest software business in Europe

Our Value Creation team

How we create value across our portfolio

As a highly focused software and service investor, many of our portfolio companies face similar challenges and opportunities as they grow and scale. Hg’s Value Creation team consists of about 50 full-time operational experts that have deep knowledge across key functions of relevance to Hg’s businesses, including a range of functional areas – Data and AI, Growth, Technology, Cybersecurity, HR & Talent, Finance, Legal, Business Systems, ESG and Value Creation Planning. For each of these focus areas, the team leverages its depth of knowledge of best practice to help drive value creation in close collaboration with management.

The Value Creation 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.

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



External Partnerships

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:



Hg has been a signatory to PRI, a UN-supported network of investors, working to promote sustainable investment through the incorporation of environmental, social and governance topics, since 2012. Hg is fully supportive of their six principles and reports progress against these on an annual basis.



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.



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 develop tools, methodologies and standards to enable climate change action in private markets.



Hg is a member of the ESG DCI alongside almost 425 general partners (GPs) and limited partners (LPs). ESG DCI was initiated in 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.



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.



Hg has signed up to ILPA's Diversity in Action initiative which provides a roadmap to promote DEI across LPs and GPs, and their portfolios.



INVEST EUROPE

Hg contributes to Invest Europe’s ESG Working Group which is encouraging the open exchange of ideas and promotes informed discussion about responsible investment practices and ESG issues in European private equity.

It supports Invest Europe’s members in offering practical and tailored guidance on integrating ESG considerations into their business decisions.



Hg is 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.



Hg is a member of Level 20, a not-for-profit organisation founded with the aim of improving gender diversity in the private equity industry.

The Hg Foundation

In addition to the above partnerships, The Hg Foundation has over 20 partnerships across UK, Europe and North America, all with the aim to build a future pipeline of talent into technology, providing support for both young people and adults. To find out more about the Hg Foundation and the impact they are making to remove barriers to education and skills in technology, please see:

<https://www.thehgfoundation.com/>

OUT LGBT+ NETWORK INVESTORS

Hg has partnered with Out Investors, a global network for LGBT+ Investment Professionals. Their mission is to make the direct investing industry more welcoming for LGBT+ individuals, through events and programs.

SEO /LONDON

Hg is a member of SEO London, a UK-registered charity delivering superior educational, training, and mentoring support to young people from low socioeconomic and ethnic minority backgrounds.



Hg commits to blossom’s blnspired mentorship programme, where Hg employees are paired with young women (aged 17-21) in a mentoring capacity, to increase their access to role models and development pathways.



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. In 2023/24 we were humbled to receive the following awards



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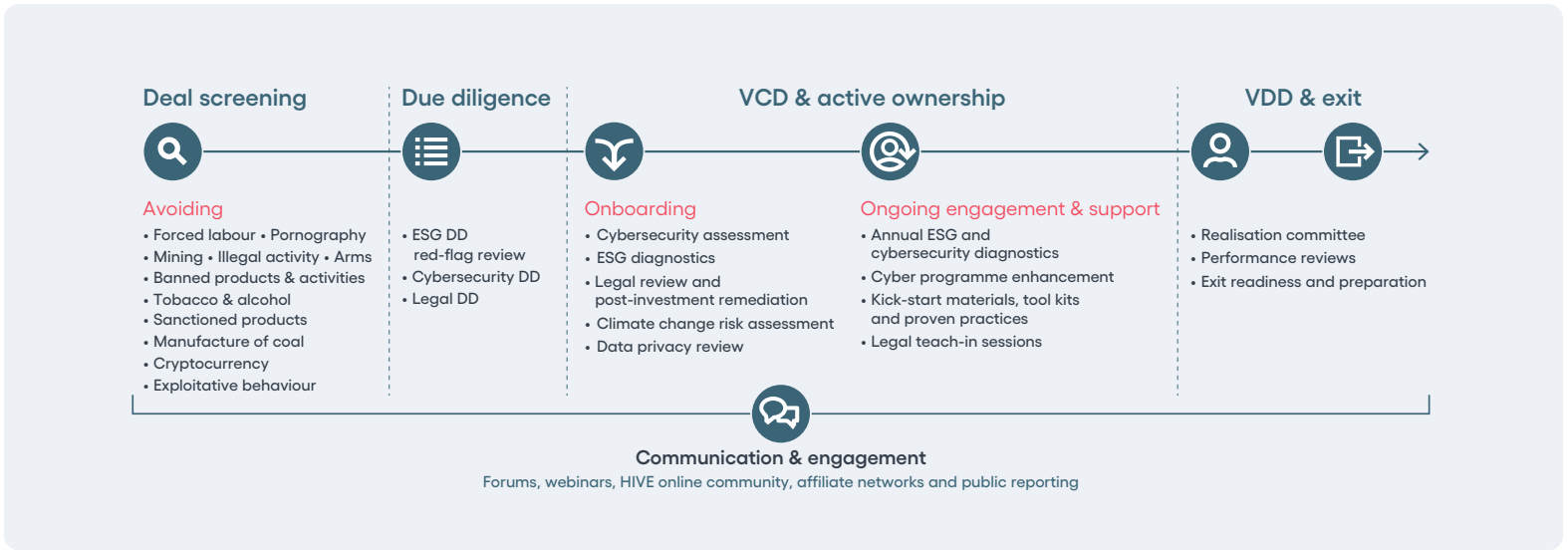
- Portfolio key metrics from 2023
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Investing responsibly

Embedding ESG into our investment process

At Hg, our purpose is to improve the future of millions of investors by building sustainable businesses for tomorrow. We are dedicated to being a responsible investor and taking an active role in how our portfolio companies manage ESG risks and opportunities. ESG topics are embedded into the investment process, from screening to exit:



Our Portfolio ESG Diagnostic

Hg’s 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. 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 most recent review resulted in an increased number of questions related to the SFDR Principal Adverse Impacts (PAIs), ESG DCI metrics, SASB Standard and ILPA’s Diversity in Action initiative. Our 2023 ESG assessment was the most comprehensive assessment to date, consisting of over 200 questions across three assessment areas.



Overview of portfolio performance in 2023

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.

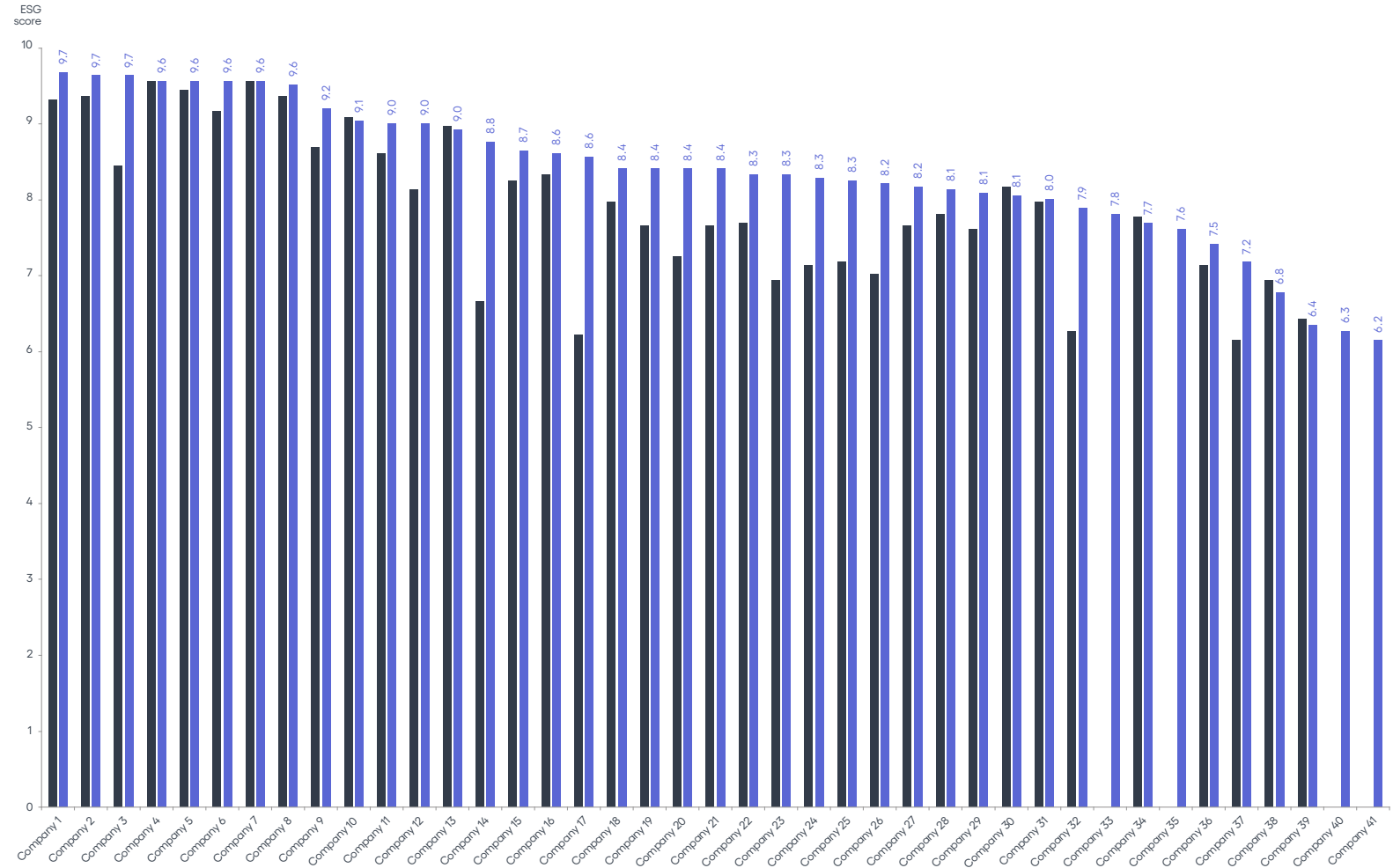
Each portfolio company responds to over 200 questions and gets a score from 0-10 to benchmark their performance across the Hg portfolio. An output report, which is shared with the company’s Board, outlines the results alongside some key actions for the next 12 months.

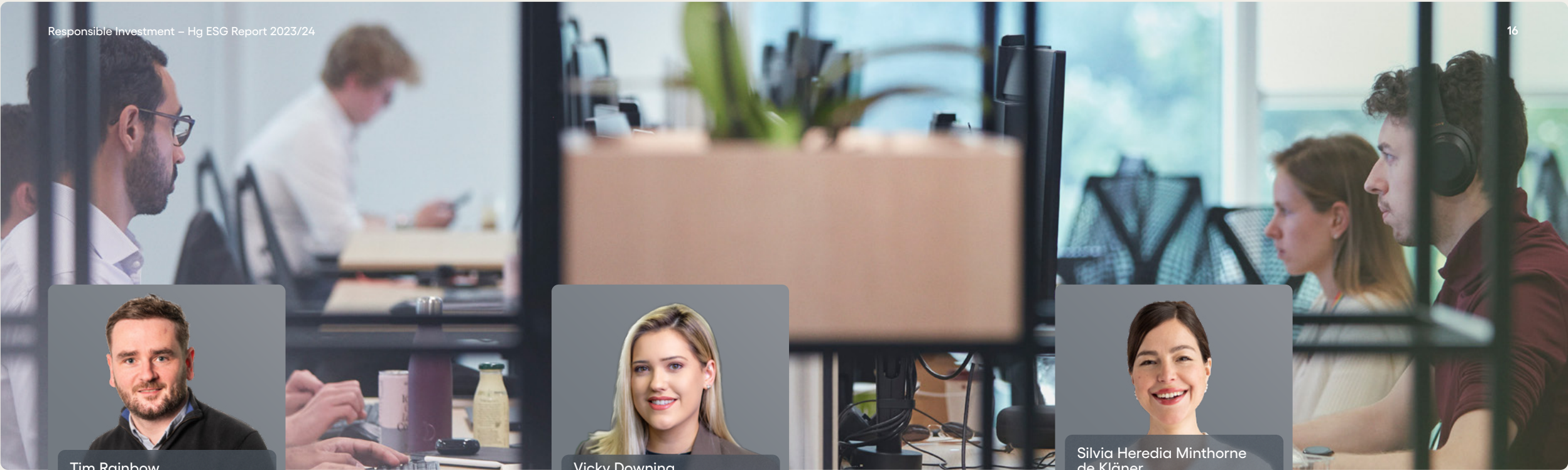
The diagnostic is conducted at least annually, and improvements are made year on year. Hg offers hands-on support to portfolio companies to drive progress on their ESG improvement plans i.e., by sharing templates, toolkits and hosting online webinars as well as in-person forums.

As part of the annual ESG diagnostic concluded in early 2024 (based on data for calendar year 2023), we assessed 41 portfolio companies, 2 of which were new to the Hg portfolio.

We saw the average ESG score increase by 6% which demonstrates our portfolio companies have taken action to improve their ESG performance. Only four portfolio companies’ ESG score decreased from last year, mostly due to our updated diagnostic criteria and scoring methodology with 22 new questions and a stronger focus on data protection, AI and climate change commitments.

The ESG diagnostic defines what ESG means to software and services businesses, providing direction to our portfolio companies whilst also bringing ESG to attention of the Board. The support we provide to our portfolio companies is having a positive impact, driving actions and improving the ESG performance across our businesses. For some key performance metrics and 2023 numbers from across the portfolio please see appendix.

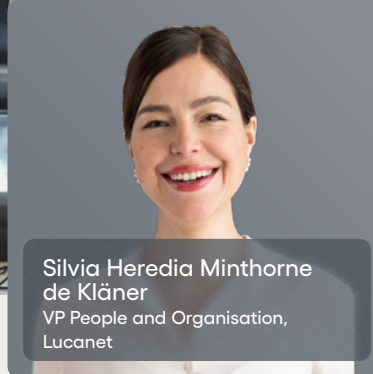




Tim Rainbow
Environmental Sustainability
Manager, Howden



Vicky Downing
Group Head of HR,
Citation Group



**Silvia Heredia Minthorne
de Kläner**
VP People and Organisation,
Lucanet

“Hg are supporting us in our ESG journey by giving us an diagnostic which allows us to then look at areas to improve and then we can take those recommendations forward to our committees and our senior leadership.”

“The ESG team at Hg have been incredibly supportive, they’ve helped us year on year for the past six years improve our ESG scores and we wouldn’t be able to do it without them. I personally work in HR, so ESG is only part of my role and I’m definitely no expert in ESG, so being able to draw on their expertise and knowledge has helped us improve and will continue to help us improve going forward.”

“Working with Hg’s ESG team has been incredibly helpful, giving us expert advice, clear guidance, and strong leadership support. One of the key projects we accomplished together was a materiality assessment, which we completed in a very short time. This assessment helps us focus on the right ESG initiatives that matter most to our customers, employees, and stakeholders.”



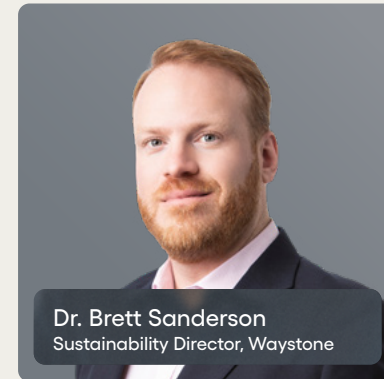
Dr. Niclas Stemplewski
Global ESG Principal, Serrala

“Hg is supporting our ESG journey by providing a vast knowledge base. That is really helpful, I think it accelerated our journey a lot. Furthermore, Hg is a multiplier for best practices, setting up the ESG forum and also touchpoints throughout the year and that’s been a really great help.”



Thomas Christiansen
VP General Counsel, Trackunit

“The ESG diagnostic that we get from Hg helps a lot on the corporate level. We get a lot of information, and it brings a bit of light to our board of directors and our C-level. They actually see how well we’re doing and where we can do better.”



Dr. Brett Sanderson
Sustainability Director, Waystone

“The annual Hg ESG diagnostic is a great way to take stock of where we’re at. It puts numbers around elements which are quite often difficult to score. It gives us a great way to compare to ourselves year on year in terms of how we’re performing as well as comparing to others in the portfolio. It also gives us an opportunity to refocus and direct our efforts to where we know it’s going to count.”

Our portfolio community

Hg facilitates active collaboration and knowledge sharing across the portfolio of Hg-backed businesses. We view executives across our portfolio as a part of the Hg family and actively promote a culture of working together to build connections, problem-solve and innovate.

To support this, Hg custom-built a collaboration platform, Hive, through which we offer our portfolio companies a full end-to-end digital engagement experience, with access to best practice tools, resources, and expert guidance. Hive provides members with a safe space to network with peers and share specialist knowledge, experience and expertise.

There are currently around 20 specialist communities on Hive, from GenAI and Technology, to ESG and Legal. There is something for everyone on Hive!

In addition to Hive, Hg's Engagement Team manages a full calendar of in-person and virtual engagement opportunities for senior executives across the portfolio:





Hangouts & Webinars

Hg runs over 100 virtual events every year across all the specialist communities, providing informal catchups and opportunities to engage live with peers, Hg experts and guest speakers on relevant issues. Topics tend to be structured around immediate needs, such as discussing emerging trends or current global issues.

Our ESG and Sustainability webinar series is very popular and well-attended with around 35-45 people joining each session. The ESG Hangouts are held approximately 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.

Forums & Summits

Hg hosts an annual forum or summit for each of our main communities, which is held in-person over 1 to 3 days. At these events, Hg will invite portfolio leaders and guest speakers to participate in a lively programme of content, including panel discussions and breakout sessions, whilst also providing networking opportunities for attendees to engage with like-minded individuals across the portfolio.

The ESG forum tends to take place in spring each year. In 2023, we focused on topics such as supply chain sustainability, materiality, and reporting, and in our most recent ESG forum in 2024 we covered topics like climate change, ESG strategies, and ethical AI.



Focusing on our most material topics

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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. Hg recognises that good governance is a foundational building block and key material topic for Hg and our stakeholders, which is why we have not featured it in our Materiality Matrix, but have it as a given and prerequisite for doing business.

Effective compliance processes and robust legal functions are pivotal to our growth, value and risk mitigation. 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.

Hg's Board monitors our firm's activities and our portfolio companies' boards monitor the activities of their businesses. Hg's Board oversees our business activities and that these are compatible with our ESG commitments.

Managing risks across our firm

Hg's Board and its subcommittee, the 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.

The Head of Compliance and Risk reports directly to the Hg Board, and is responsible for:

- establishing, implementing and maintaining adequate risk management policies and procedures;
- implementing strategies and practices for identifying, measuring, managing, monitoring, mitigating and reporting risks to which Hg is or may be exposed;
- reviewing: i) the effectiveness of Hg's risk management policies and procedures; ii) the level of compliance of Hg and Hg Staff with arrangements to manage risks, and ensuring adequate risk training is delivered to Hg Staff and the Hg Boards; and iii) the adequacy and effectiveness of measures taken to address any deficiencies in the relevant policies, procedures, arrangements, processes and mechanisms; and
- overseeing and validating Hg's external reporting of risk, where relevant.

Hg's Risk Management Framework is reviewed on an annual basis by the Hg Board. Quarterly meetings are held by the Risk Management Function with senior members of Hg Staff responsible for the various business areas to identify any new risks and monitor progress on the mitigation of existing risks.



Hg's Audit & Risk Committee

The Risk Management Function reports on risk matters (including the outcomes of the regular risk meetings referenced above) to the Audit and Risk Committee ('ARC'), which meets on at least a quarterly basis, and will warn the ARC of any specific risk issues or developments which affect or may affect Hg. The ARC is a committee of the Board, and the ARC papers also form part of the quarterly Board papers.

The ARC is responsible for reviewing and approving Hg's Risk Management Framework at least annually, to ensure it adequately identifies the risks to which Hg is, or may be, exposed.

Hg ensures that members of the ARC have the necessary knowledge, skills and expertise, and have adequate access to information on the risk profile of Hg (including, where necessary, external expert advice and support on any risk issue).



Enhancing good governance across our portfolio

Hg’s experienced in-house legal team empowers legal and compliance professionals within our portfolio, offering comprehensive, hands-on support throughout their journey with Hg – from acting as a sounding board on key strategic issues from the beginning of their journey with Hg, to providing ongoing support and assistance on material risk and value creating topics including antitrust, M&A, data privacy and Generative AI, and supporting through to exit. During 2023/24, the team continued to develop Hg’s Board Compliance Toolkit and focused on helping Hg and portfolio companies to keep pace with, and benefit from, the fast developments in Generative AI.

Being a responsible corporate citizen

Hg has a role to play in upholding good business practices and fostering structures and a culture that support:

- **The ten Principles of the UN Global Compact** which reflect a business’ fundamental responsibilities to operate in ways that, at a minimum, seek to address key areas such as human rights, labour rights, environment and anti-corruption.
- **The Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises** 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, fair competition and taxation.
- **The UN Guiding Principles on Business and Human Rights** which seeks to identify, prevent and mitigate adverse human rights impacts across a business’ operations and engage in remediation where required.

Portfolio board ESG sponsors

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 a business.

In early 2023, we introduced an ESG Board sponsor program, asking 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 business’ ESG strategy and policies.

To support the ESG sponsors, we have created a Board ESG guidance 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.



Materiality Matrix

Focusing on what is most material to us and our stakeholders

A materiality assessment 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 in 2022. 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. In 2024, we initiated a process to further align our materiality assessment to the requirements under the Corporate Sustainability Reporting Directive (CSRD, 2022/2464/EU). For the purpose of this ESG report, we are using the same materiality assessment as conducted in early 2023. We aim to report on our updated materiality assessment, in line with CSRD, once available next year.

Our materiality assessment is founded on an extensive review of primary and secondary information to identify the key ESG issues to Hg, our key stakeholders and the companies in which we invest. To develop the matrix, Hg's ESG team:

- Engaged key stakeholders across the organisation, our portfolio and externally through interviews and surveys.
- Conducted a comprehensive peer review against private equity peers and big technology players.
- Leveraged an AI-based external media scanning tool, to embed the broader view of the media into the external stakeholder analysis.
- Completed a desk-based regulatory review of key ESG regulations to identify 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. In addition to good governance, which is covered separately (see previous page), Hg identified six ESG related topics that are most material to our business and key stakeholders. Each topic is covered in a deep-dive section in the rest of this report.



Our 2023 Materiality Matrix:



1. Diversity, Equity and Inclusion
2. Cybersecurity
3. Data protection
4. Climate change
5. Anti-trust
6. Business Ethics and Culture

The following sections of this report goes into further details on Hg's six material topics.



1. Diversity, Equity & Inclusion

Hg has woven Diversity, Equity, and Inclusion (DEI) into the fabric of our business practices. We believe that diversity and inclusion are the essential drivers of success, creating opportunity for ingenuity, collaboration, and fresh perspectives. Our commitment to a diverse and inclusive workplace is not just a policy; it's a fundamental part of our DNA. We strive to build teams that reflect the rich diversity of the world around us.

We are confident that creating a diverse workforce deepens Hg's talent pool, broadening our range of perspectives. It manifests in how we navigate the business world, including the investment decisions we make.



In acknowledgment of our progress on DEI, in 2024 Hg was once again awarded 'Diversity and Inclusion Leader of the year' in the Reals Deals Private Equity Awards, for the fourth year in a row. In addition, Hg was considered a Leader in DEI by HonorDEX, 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. These are testaments to the values we hold at Hg and the effort we put into DEI, however we recognise there is more work to be done and that we are on a constant journey.

In line with our aspiration to continually improve in this area, Hg has established a Culture Committee.

Led by our Partners Martina Sanow and Steven Batchelor, with the backing of Hg's Senior Leadership Team, the committee is reporting directly to Hg's Board.

To support our portfolio companies in defining their DEI strategies and initiatives, Hg has developed a comprehensive 'Portfolio DEI toolkit' which covers everything from how to track diversity metrics and set targets, to embedding DEI into recruitment processes and guidance on how to hold inclusive meetings. The toolkit is available for all Hg portfolio companies to leverage.

39%

women on our investment teams

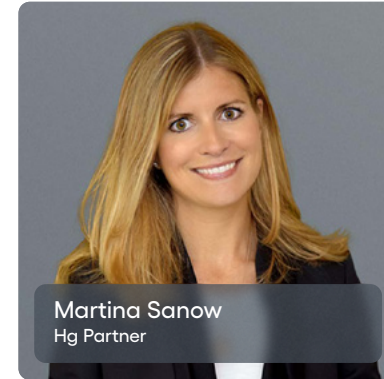
50%

women across the firm

34

different nationalities

As of March 2024



“The Culture Committee helps drive and manage a range of programmes designed to ensure fairness and equality at every level of our organisation, including diversity education, raising awareness of unconscious bias, and fostering a culture of respect and inclusion. We have over the past 12 months been focusing on diversity through a cognitive lens, which is about recognising and embracing different backgrounds, skill sets and ways of thinking when building teams. This has already influenced a number of areas across the Firm, such as how we form deal teams, our talent assessment, recruitment and internal development approaches. I am very excited to continue this work!”

2. Cybersecurity

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. The meteoric rise of Generative AI has also lowered the ‘barrier to entry’ for cyber criminals, meaning that skills which were once available only to a select few are now readily accessible to all.

Ransomware as a Service (RaaS) is a strong example of how the 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. Through the RaaS model, all an 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. Coupled with AI augmentation, it is now easier than ever for cyber criminals to conduct ransomware attacks and this is likely to drive an increase in attack volume over the coming years.

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 Generative AI 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.

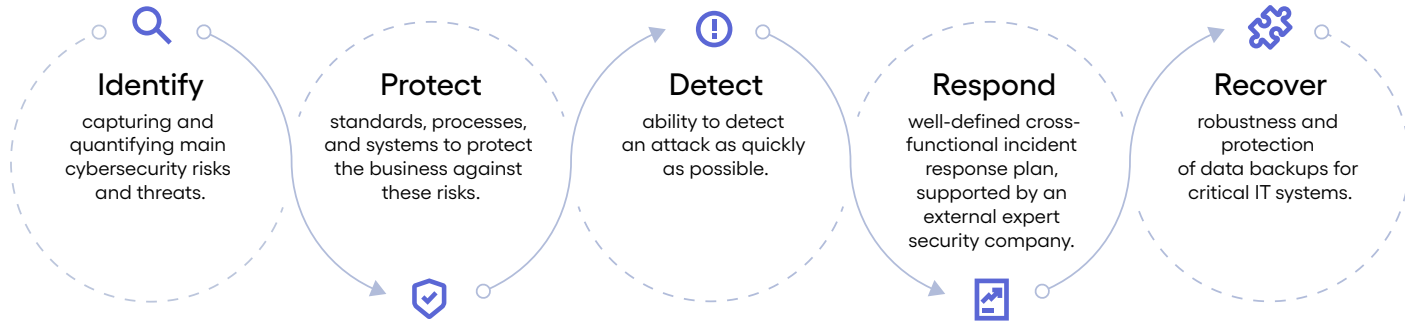
As a software investor, cybersecurity is one of our biggest risks. Hg takes this matter very seriously and have built a Technology & Cybersecurity team with deep expertise in this area. In early 2017, the team launched its Cybersecurity Risk and Maturity Assessment Programme and have conducted over 400 assessments since.

The assessment, which is based on Hg’s standard cybersecurity framework and known industry standards, 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. Where companies fall below Hg’s minimum standards, the cybersecurity team will step in to co-own delivery of improvement workstreams, operating as interim security leaders when necessary.



The framework assesses five key areas:



Calum Thompson
Cybersecurity Specialist, Hg

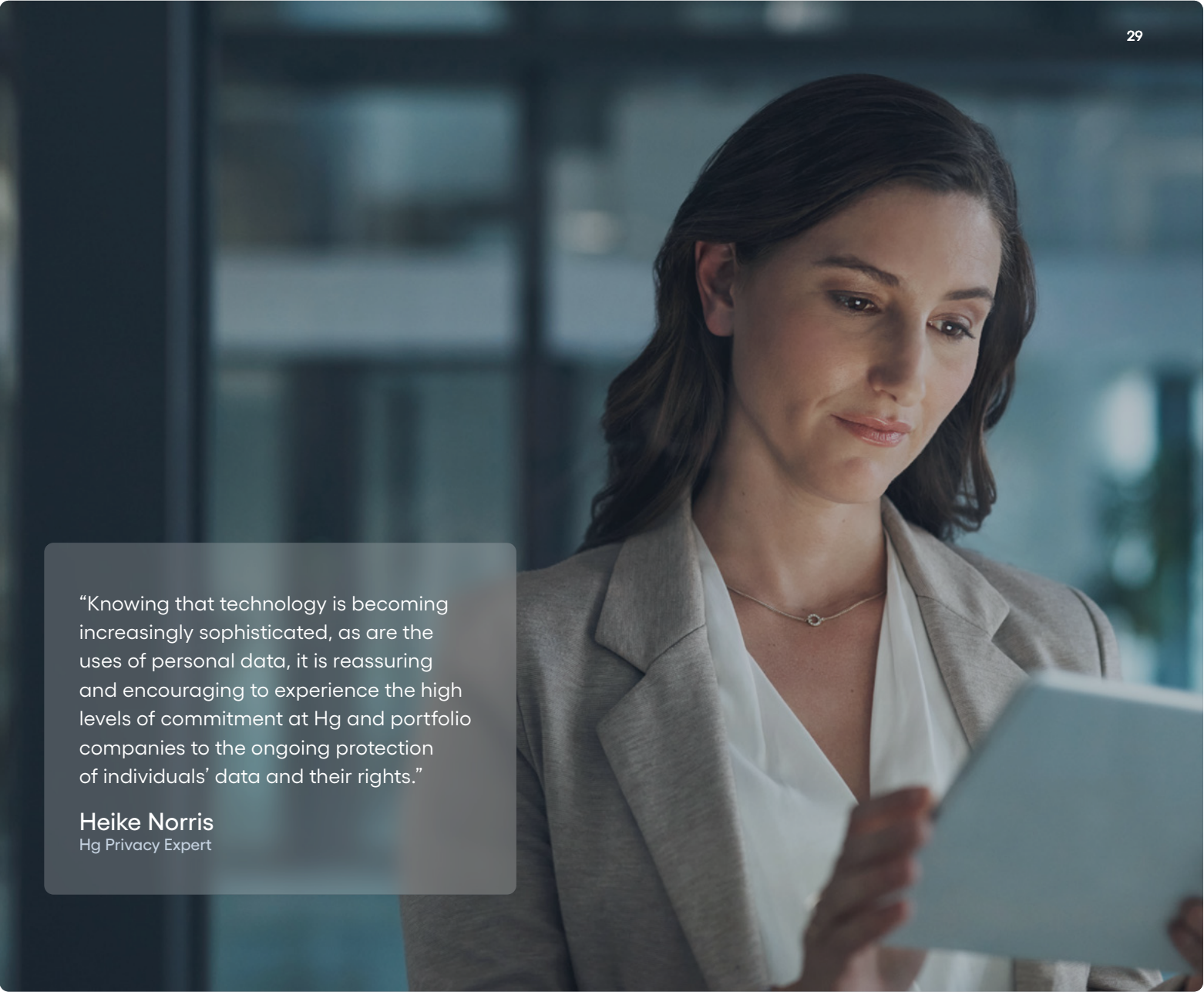
“Now, more than ever, organisations need to “get the basics right” when it comes to cybersecurity. Despite continual advances in attacker capability, most incidents are enabled by the absence, or inconsistent deployment, of foundational cybersecurity controls such as patching, multifactor authentication, 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 trend is set to continue given recent advances in Generative AI. 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.”

3. Data Privacy

Understanding it is personal

As a global business, Hg is subject to applicable data privacy laws and requirements in the jurisdictions in which it operates. But more than that, Hg understands the importance of managing data privacy risks wisely, both for Hg itself and in championing the portfolio companies we invest in, and that doing so helps us to maintain the trust of our investors, partners, staff, portfolio companies, and counterparts when processing their personal data. We want them to know that we respect their rights as individuals and that we seek to keep their personal information secure, in line with Hg's stated values.

During 2023/24 we grew our dedicated expert portfolio team onboarding a full-time data privacy SME. This enables us to lead the way in data privacy accountability and good governance at Hg and in our portfolio companies. We take a collaborative and proactive approach to data privacy compliance, understanding that many stakeholders are involved in effectively managing data privacy risks. Working closely with our dedicated ESG and cybersecurity teams and with our expert data protection network across our portfolio helps ensure we stay focused on active privacy risk management.

A woman with dark hair, wearing a grey blazer over a white top, is looking down at a tablet device. The background is a blurred office setting with windows.

“Knowing that technology is becoming increasingly sophisticated, as are the uses of personal data, it is reassuring and encouraging to experience the high levels of commitment at Hg and portfolio companies to the ongoing protection of individuals’ data and their rights.”

Heike Norris
Hg Privacy Expert



4. 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. Hg has a responsibility to encourage and support its portfolio companies to set carbon reduction targets and align to a Net Zero future. Not only is this both necessary for Hg to meet its own science-based targets, but we believe that by better understanding and managing the emerging risks and opportunities that arise from climate change we can also increase efficiency and resilience across our portfolio.

Science-based targets

The Science Based Targets initiative (SBTi) is considered a robust method for businesses to reduce emissions in their activities and investments, with over 4,700 companies and financial institutions taking action, of which about 35 are PE firms. 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.

In 2021, Hg was one of the first PE firms globally to road test SBTi's PE standard and have our carbon reduction targets approved by the SBTi. We have committed to reduce our own scope 1 and 2 emissions, as well as set a portfolio coverage target.

As of March 2024, eight Hg portfolio companies had committed to setting SBTs. In FY24, we will focus our efforts to support even further portfolio companies to do the same.

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

Carbon reduction toolkit

Setting targets and reducing emissions should not be at a cost to businesses but should lead to cost and competitive benefits in the long term as energy and fuel consumption decrease and customers are becoming increasingly demanding.

To support our portfolio companies in setting science based targets and develop a credible path to get there, we have launched a carbon reduction toolkit which covers all possible decarbonisation actions relevant for software and service companies.

Portfolio carbon footprint

To support our companies in understanding their impact on climate change, we are collecting scope 1, 2 and 3 emissions data, in line with the GHG protocol and share carbon footprint dashboards indicating each business' carbon intensity and how this compares to the rest of the portfolio. In 2024 (collecting 2023 data), we supported about 50% of our portfolio companies in calculating their footprints too, the remaining part of our portfolio using external parties to conduct their footprints. We find that one driver for higher emissions across our portfolio is if a business has company cars, which is typically more common for our service businesses.

To further support our businesses in increasing the accuracy of their scope 3 emissions, Hg co-lead an iCI working group to develop a Scope 3 GHG accounting guidance for the software and services sector. This is a [comprehensive guide](#) to help businesses understand their scope 3 emissions.

Firm-level carbon footprint

We publicly report on our carbon footprint in line with the GHG Protocol and, since 2019, we have compensated for scope 1, 2 and 3 emissions. Please see our latest carbon footprint report, published on our [website](#), for more details on our firm-level footprint and the projects we support.

Although not the largest scope of emissions, but one that we have more control of, we continue to reduce our scope 2 emissions by moving our offices to renewable energy. As scope 3 emissions from business travel makes up the majority of our carbon footprint, over 90%, Hg's Sustainability policy and Travel policy requires employees to be mindful of their environmental impact when traveling. However, we also recognise that we are relying on building strong, trusting, relationships with our investors, teams, prospective and existing portfolio companies, which often requires business travel. To the extent possible, we recommend the use of virtual meeting platforms, but if travel is essential, employees are asked to consider low-emission transport methods 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.



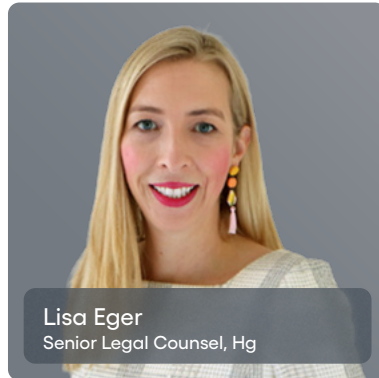
Nic Humphries
Senior Partner Hg

“We continue to focus on understanding and addressing the impact of our portfolio companies on climate change recognising that we all have a role to play in addressing this global challenge. We continue to be committed to reaching our SBTi targets across the portfolio and are engaging with our businesses to make this happen. We recognise that this not only helps future proof businesses in low carbon economy but drives resource efficiency and cost savings.”



5. Anti-trust

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"



6. Business Culture & Ethics

Good business culture & ethics involves engaging in responsible business conduct, including but not limited to anti-corruption, anti-bribery, fair competition, respect for intellectual property, and responsible tax principles. All professionals will face challenges when they need to determine what is right or wrong, navigating different interpretations of what is ethical. Business ethics enhances good governance and legal practice by defining acceptable and morally right behaviours and expectations in the workplace, such as principles and values to guide business activities. But it is also about what we do to contribute towards our greater purpose.

Our Values

We build Hg together by living our values. Our values are embedded into the company ethos; they inform our actions every day and guide us in our work within our teams and partnerships. Our four cornerstones are: Be Genuine, Go Beyond, Outlearn and Win Right. What this means in practice is that we expect our employees to be authentic in every circumstance, act with humility and be honest and speak the truth as they see it. We encourage employees to continuously challenge and adopt a growth mindset, as well as strive for excellence at all times, remembering that perspiration is as important as inspiration. At Hg we have a long-term focus and firmly believe this creates long-term value as our employees are expected to consider the long-term impact of their actions.



Our Purpose

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. Hg is entrusted with pension funds, endowments; millions of underlying investors and therefore its responsibility reaches deep and wide. Our purpose, defined in 2020, is:

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

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.

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- Cybersecurity
- Data protection
- Climate change
- Anti-trust
- Business Ethics and Culture

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- Portfolio key metrics from 2023
- GRI table



Portfolio key metrics from 2022/23

Employees	2022	2023	Society	2022	2023	Essentials	2022	2023
Employee Net Promoter Score (eNPS)	Average 36	Average 26	Percentage of energy consumption from renewable sources	Average 22%	Average 13%	ESG strategy in place	49%	59%
Glassdoor / Kununu score	Average 3.9	Average 3.8	Green initiatives in place	90%	90%	ESG board accountability	51%	93%
Monitor employee engagement	90%	90%	Carbon reduction initiatives in place	73%	78%	Anti-bribery and corruption policy in place	93%	98%
Organisation: % women	Average 37%	Average 38%	Measure carbon footprint	80%	100%	Anti-discrimination policy in place	95%	100%
Senior Management: % women	Average 28%	Average 31%	Have set carbon reduction targets	29%	32%	Competition law considered as part of compliance structure	66%	88%
C-suite: % women	Average 22%	Average 26%	Have set science-based carbon reduction targets	12%	17%	Code of conduct in place	88%	98%
DEI strategy in place	46%	59%	Use data centres with carbon reduction targets	80%	100%	Data privacy policy in place	100%	93%
DEI representative	78%	76%	Communicate externally on ESG	54%	54%	Health & Safety policy in place	93%	95%
Mental health support	85%	85%	Publish external ESG report	17%	32%	Risk register procedures in place	85%	88%
			Invest in charities or the community	98%	98%			

Numbers as of December 2022 and December 2023, covering 41 portfolio companies.

GRI

This report is prepared in reference to the Global Reporting Initiative (GRI) standards.
[Please click here](#) to access our full GRI statement and table.





We constantly try to improve in this space and are committed to provide an update towards our commitments at least annually to the public and our clients.

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