

Second-Party Opinion ICG Sustainability-Linked Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the ICG Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicator (KPI)** The ICG Sustainability-Linked Bond Framework defines one KPI: the share of ICG's science-based target coverage with an SBTi-approved target (%) (see Table 1). Sustainalytics considers the KPI chosen to be strong given that it follows a clear and consistent methodology, and it is an indirect measure of emissions from companies in ICG's portfolio.
- Calibration of Sustainability Performance Target (SPT)** Sustainalytics considers the SPT to be aligned with ICG's sustainability strategy. Sustainalytics further considers the SPT to be highly ambitious as it represents a significant improvement over past performance and goes beyond the minimum requirements set by the Science-based targets initiative for the private equity sector.
- Bond Characteristics** ICG will link the bond's financial characteristics to achievement of the SPT. Failure to achieve the SPT at the target observation dates will trigger an adjustment to the coupon rate.
- Reporting** ICG commits to report on an annual basis on its progress on the KPI as part of a dedicated sustainability-linked update report on its website. ICG commits to disclose relevant information that affects KPI performance. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020.
- Verification** ICG commits to have external limited assurance conducted on its KPI performance at the communicated SPT deadline, which is aligned with market expectations.

Evaluation Date	January 10, 2022
Issuer Location	London, United Kingdom

The SPT contribute to the following SDG:



Overview of KPIs and SPTs

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
The share of ICG's science-based target coverage with an SBTi-approved target (%)	2021	Increase the share of ICG's science-based target coverage with an SBTi-approved target (%) to 50% by 2027	Strong	Highly ambitious

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Scope of Work and Limitations

Intermediate Capital Group plc (“ICG”; the “Issuer” or the “Company”) has engaged Sustainalytics to review the ICG Sustainability-Linked Bond Framework (“the Framework”) and provide an opinion on the alignment of the sustainability-linked bonds (SLBs) eventually issued under the Framework with the Sustainability-Linked Bond Principles 2020 (SLBP).¹

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent² opinion on the alignment of the reviewed Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of ICG’s management team to understand the sustainability impact of its business processes and the SPT, as well as the reporting and verification aspects of the Framework. ICG’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of Issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and ICG. Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated SPT of KPIs but does not measure the KPI performance.³ The measurement and reporting of the KPI is the responsibility of the Issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that ICG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁴ against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

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¹ The Sustainability-Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-100620.pdf>

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

³ Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under the Framework will be tied to the achievement of the SPT corresponding to the KPI included in the Framework.

⁴ Benchmarks refers to science based benchmarks

Introduction

Headquartered in London, UK, and with over 500 employees,⁵ ICG is a global alternative asset manager focusing on private debt, credit and equity. ICG is involved in the management of third-party funds and proprietary capital, primarily in closed-end funds. ICG operates across four asset classes, including structured and private equity, private debt, credit and real assets, and its strategy emphasizes a growth-oriented, activist, and long-term approach to investing. It generates revenue through interest income and secondarily through management fees. On 30 June 2021, ICG reported total assets under management (AUM) of USD 61.5 bn globally. ICG has been listed on the London Stock Exchange for over 25 years and became a constituent of the FTSE 100 Index in 2020.⁶

ICG intends to issue SLBs whose coupon rate is tied to the achievement of the SPT for one KPI, namely the share of ICG's science-based target coverage with an SBTi-approved GHG emissions reduction target (%).

ICG has engaged Sustainalytics to review the Framework and provide an opinion on its alignment with the SLBP.

The KPI and SPT used by ICG are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
The share of ICG's science-based target coverage with an SBTi-approved target (%)	<p>The KPI measures the percentage of ICG's Structured and Private Equity and Real Asset direct investments that have set an SBTi-approved GHG emissions reduction target.⁷</p> <p>ICG follows the SBTi's Private Equity Sector Science-Based Target Guidance⁸ using the portfolio coverage approach, released on 8 November 2021, calculated as:</p> $\% \text{ science-based target (SBT) coverage} = \frac{[\text{Number of portfolio companies (PCs) with approved SBTs} \times \text{selected metric}]}{[\text{Number of all existing PCs} \times \text{selected metric}]}$ <p>The SBT portfolio coverage approach is an engagement-based approach where PE firms commit to have a percentage of their portfolio companies (PCs) with SBTs approved by SBTi within a maximum of five years from the date the firm's target is submitted to SBTi for validation.⁹ Furthermore, SBTi requires firms that use SBT portfolio coverage to include 100% of PCs that meet the shares¹⁰ and board seat condition in the % SBT coverage calculation. The SBTi Guidance follows the GHG Protocol Standards in defining scopes of GHG emissions and organizational boundaries of institutional GHG inventories.</p>

Table 2: SPT and Past Performance

KPI	2021 (baseline)	SPT 2027
The share of ICG's science-based target coverage with an SBTi-approved target (%)	0%	50%

⁵ ICG reported 470 employees on its Annual Report and Accounts 2021 at: https://www.icgam.com/~media/Files/I/ICGAM-V2/annual-reports/2021/ICGAnnualReport-Complete_2021.pdf

⁶ FTSE 100 Index (UKX) comprises the 100 most highly capitalised blue chip companies listed on the London Stock Exchange, at: <https://www.ftserussell.com/products/indices/uk>.

⁷ The SBTi approves GHG emissions reduction targets that are in line with the goals of the Paris Agreement to limit global warming. The new Version 5 SBTi criteria will be effective as of 15 July 2022, mandating alignment for companies and financial institutions with 1.5°C to be validated and recognized by the SBTi.

⁸ SBTi, "Private Equity Sector Science-Based Target Guidance", at: <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

⁹ The SBTi Portfolio Coverage Method excludes real estate and electricity generation assets for which the SDA method is required.

¹⁰ Buyout and growth capital with at least 25% of the fully diluted shares of the PC.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of ICG Sustainability-Linked Bond Framework with the Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the ICG Sustainability-Linked Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020 (SLBP).



Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers the KPI – the share of ICG's science-based target coverage with an SBTi-approved target (%) – to be material and relevant based on the following:

- Overall, financial institutions (FIs) have an important role in promoting sustainability practices across market participants, particularly in decarbonizing the economy. Because PE firms entail direct investments, they are in a unique position that often allows them to gain influence or control over their PCs. In addition, scope 3 GHG emissions under "Category 15: Investments",¹¹ also called financed emissions or portfolio climate impact, represent the most significant part of FIs' GHG emissions inventory.¹² Measuring financed emissions has the potential to help FIs like ICG to set an emissions baseline, develop science-based targets, act to reduce their portfolio climate impact, and disclose progress.¹³
- In this context, ICG has identified climate change as a material ESG issue and a key priority in investing activities and portfolio monitoring. Moreover, the Sustainalytics ESG Risk Rating of ICG identified 'ESG Integration - Financials' as a material ESG issue (MEI) for the Company.^{14,15} Additionally, the Sustainability Accounting Standards Board (SASB) identifies the incorporation of ESG factors in investment management and advisory as a material issue for companies in the financial industry, as well as relevant topics for these companies to track and disclose.¹⁶

In terms of applicability, the KPI covers 100% of relevant asset classes – Structured and Private Equity and Real Assets and includes PCs over which ICG is considered to have sufficient influence.¹⁷ In addition, Sustainalytics notes that relevant asset classes under the KPI represent 22.5% of ICG's total AUM as of 30 June 2021. On this basis, Sustainalytics considers the applicability of the KPI to be high.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used; ii) whether the Issuer follows an externally recognized definition; iii) whether the KPI is a

¹¹ GHG Protocol, "Category 15: Investments", at: https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf

¹² PCAF, "The Global GHG Accounting & Reporting Standard for the Financial Industry", at: <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>

¹³ <https://carbonaccountingfinancials.com/files/2021-04/strategic-framework-for-paris-alignment.pdf?515d2dd9f1>

¹⁴ ESG Risk Rating Report "Intermediate Capital Group PLC", accessed on November 2021, at: <https://www.sustainalytics.com/esg-rating/intermediate-capital-group-plc/1007899391>

¹⁵ The MEI ESG Integration – Financials includes all ESG integration activities by financial institutions that are either driven by financial downside risk considerations or by business opportunities.

¹⁶ SASB, "SASB Standards", at: <https://www.sasb.org/standards/download/>

¹⁷ At least 25% of the fully diluted shares of the PC and at least one board seat meet the conditions needed for ICG to leverage its influence, in line with the SBTi's PE Sector SBT Guidance.

direct measure of the performance of the Issuer on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.¹⁸

Sustainalytics considers the definition and methodology to calculate the KPI performance to be clear – based on the SBTi’s PE sector SBT setting guidance (portfolio coverage approach).¹⁹ In addition, the SBTi’s methodology for the PE sector follows the GHG Protocol’s Corporate Standard. Furthermore, Sustainalytics considers the KPI indirectly related to ICG’s operations given that it is mitigating the emissions that occur at sources owned or controlled by another company (PC), as defined by the GHG Protocol – scope 3 GHG emissions “Category 15: Investments”. The KPI relies on SBTi’s Private Equity Sector Science-Based Target Setting Guidance which provides an external reference for comparability.

Overall Assessment

Sustainalytics overall considers the KPI to be strong given that: (i) it indirectly measures a highly material ESG issue with a high scope of applicability for the Company; (ii) it follows a clear and externally defined methodology, and; (iii) it can be benchmarked against external science-based contextual benchmarks, including SBTi’s Private Equity Sector Science-Based Target Setting Guidance.

The share of ICG’s science-based target coverage with an SBTi-approved target (%)	Not Aligned	Adequate	Strong	Very strong
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Calibration of Sustainability Performance Targets (SPTs)

Alignment with Issuer’s Sustainability Strategy

ICG has set the following SPT for its KPI:

- Increase the share of ICG’s science-based target coverage with an SBTi-approved target (%) 50% by 2027, compared to the 2021 baseline

Sustainalytics considers the SPT to be aligned with ICG’s sustainability strategy (please refer to Section 2 for an analysis of the credibility of ICG’s sustainability strategy).

ICG has identified climate change as one of its key ESG areas of focus, and in 2021 the Company enhanced its Responsible Investing Policy to exclude companies that generate the majority of its revenues from specific activities related to fossil fuels, among others.^{20,21} ICG is a signatory to the Net Zero Asset Managers Initiative, an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.²² ICG’s sustainability strategy is aimed at continuous GHG reduction towards achieving net zero GHG emissions by 2040. ICG is committed to reducing its scope 1 and 2 absolute GHG emissions by 80% by 2030 from a 2020 base year.. In terms of scope 3 portfolio target, ICG set a commitment that 50% of its relevant Structured and Private Equity and Real Assets direct investments by invested capital will have set science-based targets by 2026 and 100% by 2030, from a 2021 base year. These above mentioned targets are validated by the SBTi.²³

Strategy to Achieve the SPT

ICG intends to achieve the SPT through the following strategy:

¹⁸ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

¹⁹ SBTi, “PE Sector Guidance”, at:

²⁰ ICG will not knowingly make direct investments in businesses: which generates the majority of its revenue from: (i) coal exploration, extraction, production, transportation, power generation, distribution and/or storage; (ii) oil (including oil from tar sands) exploration, extraction, production, transportation, power generation, distribution and/or storage, and/or; (iii) gas exploration, extraction and/or production.

²¹ <https://www.icgam.com/~media/Files/1/ICGAM-V2/responsible-investing-documents/2021-icg-responsible-investing-policy-2.pdf>

²² ICG, “ICG commits to net zero”, at: <https://www.icgam.com/newsroom/2021/01-11-2021>

²³ SBTi, “ICG Full Target”, at: https://sciencebasedtargets.org/resources/files/ICG_final.pdf

ICG has enhanced its ESG Framework to focus on three key themes: Climate Change, Employee Engagement and Diversity and Inclusion. ICG’s Climate Change engagement strategy has been designed to reduce portfolio carbon emissions intensity by proactively engaging with portfolio companies to:

- Reduce operational emission intensity
- Source renewable energy
- Encourage companies to set science-based emission reduction target

IC’s engagement focuses on encouraging portfolio companies to:

- Assign Board level responsibility for climate-related matters
- Conduct an energy audit, as relevant, and calculate an annual carbon footprint
- Develop and submit a science-based emission reduction target to the SBTi
- Establish and monitor supporting carbon and energy-related metrics

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPT, Sustainalytics considers: i) whether the SPT goes beyond business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science.²⁴

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, and science.

Sustainalytics notes ICG’s target to increase the share of relevant Structured and Private Equity and Real Asset direct investments with an SBTi-approved GHG emissions reduction target to go significantly above historical performance as it implies an increase from 0% in 2021 to 50% by 2027.

In comparison with its peers, ICG is a precursor by setting a target for its PCs with SBTi-approved GHG emissions reductions targets in line with the SBTi guidance for the PE sector. ICG was among the first seven PE firms whose targets were approved and validated by SBTi on November 8, 2021. Based on the analysis Sustainalytics has conducted on the Banks, Diverse Financials and Insurance sector, 116 companies have committed to set SBTs aligned with the SBTi’s target-setting criteria. ICG is among the nine companies in this sector whose near-term targets have been already approved to align with 1.5°C.²⁵

ICG’s sustainability target to achieve 50% of PCs with SBTi-verified GHG emissions target by 2027 will put ICG among precursors in the sub-industry. The SBTi requires PE firms to be on a linear path to 100% SBT coverage by 2040. Achieving the SPT will imply that ICG is above the minimum ambition level required by SBTi for PE firms. Given that the SBTi will implement the new Version 5 SBTi criteria from July 2022 onwards, the SBTi-verified targets of ICG’s PCs will ultimately align with 1.5°C. In this view, ICG has communicated to Sustainalytics that it intends to work with its existing PCs to develop and set targets in line with the upcoming SBTi’s 2022 criteria..

Overall Assessment

Sustainalytics considers the SPT to align with ICG’s sustainability strategy and to be highly ambitious based on: (i) alignment with peers, (ii) significant improvement over past performance, and (iii) it going beyond the minimum ambition required by SBTi for PE firms to be consistent with the 1.5°C goal.

<p>Increase the share of ICG’s science-based target coverage with an SBTi-approved target (%) to 50% by 2027, compared to the 2021 baseline</p>	<p>Not Aligned</p>	<p>Moderately Ambitious</p>	<p>Ambitious</p>	<p>Highly Ambitious</p>
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²⁴ We refer here to contextual benchmark, that indicate the alignment of targets with ecosystem boundaries.

²⁵ SBTi, “Companies taking action”, at: <https://sciencebasedtargets.org/companies-taking-action>



Bond Characteristics

ICG will link the financial characteristics of its sustainability-linked bonds to the achievement of the SPT. Failure to achieve the SPT at its target observation date will trigger an adjustment to the coupon rate. ICG has confirmed to Sustainalytics that a financial penalty may also be applicable if ICG fails to calculate and report on the SPT in a timely manner.

Sustainalytics positively notes the requirement of meeting the SPT to avoid an increase in the coupon rate, however, Sustainalytics does not opine on the adequacy of the penalty imposed for not achieving the set SPT.



Reporting

ICG commits to report on an annual basis on its performance on the KPI, and expects to include the relevant figures in a Sustainability-Linked Bond update, which will also be included in its Sustainability Annual Report, which is aligned with the SLBP. ICG further commits to disclose relevant information that enables investors to monitor the progress of the SPT. ICG may also report the following where appropriate and feasible (i) qualitative or quantitative data associated with the main factors contributing to the progress of the selected KPI on an annual basis, and (ii) any re-assessments of the KPI or restatement of the SPT or pro-forma adjustments of baselines or KPI's scope.



Verification

ICG commits to have an external verifier provide limited assurance on the published KPI performance figures on an annual basis, which is aligned with the SLBP on verification.

Section 2: Assessment of ICG's Sustainability Strategy

Credibility of ICG Sustainability Strategy

As part of its ESG approach, ICG has identified three priority areas: (i) integration of ESG systematically into all investment activities, (ii) maintaining transparent communications with stakeholders, and (iii) ensuring strong ESG practices in its corporate behaviour. ICG identifies its investment activity as the most significant area in terms of making positive environmental and social impact. To ensure this, the Company has an overarching Responsible Investing (RI) policy in place, which covers 100% of its assets under management. This RI policy lays a procedure for investment strategies to analyze ESG issues at every stage of an investment process including deal screening, pre-investment, portfolio monitoring and exit.²⁶

The RI policy is supplemented with a Climate Change policy²⁶ which ensures that implications of GHG emissions reduction and impacts of climate change are considered during each stage of the investment processes. ICG is focused on decarbonizing its portfolio, integrating climate risk assessments into investment decisions, and improving and monitoring energy efficiency and reducing emissions at PC and fund levels. ICG has not set emission targets for its fund portfolios systematically; however, it encourages portfolio companies, where it has influence, to set targets to reduce their carbon footprint and to monitor climate-related metrics relevant to sector and geography. As of 2021, 61% of its surveyed PCs within ICG's European and Asian Corporate strategy had assigned board or management responsibility for climate change, 67% of the companies have set climate change or energy-related objectives or targets, 61% assessed their carbon footprint and 58% had evaluated their business risks and opportunities associated with climate change. Further, as part of its RI strategy, ICG declined more than 100

²⁶ Intermediate Capital Group, Responsible Investing Policy, February 2021, at: <https://www.icgam.com/~media/Files/I/ICGAM-V2/responsible-investing-documents/2021-icg-responsible-investing-policy-2.pdf>

deals for ESG-related reasons during the screening process and engaged external consultants for advice and support on ESG projects.²⁷

ICG has been working on responsible investing and ESG integration for the past eight years. It became a signatory to the UNPRI in 2013, establishing its RI policy in the same year. The Company's RI committee was formed in 2014 to oversee the integration of ESG in its investment processes. Additionally, in 2019 and 2020, the Company has been recognized with a rating of 'A-', score for leadership in sustainability, in the CDP's climate change questionnaire. ICG has also implemented and reports annually on the TCFD recommendations in its core business as well as identified PCs with higher exposure to climate-related risks based on industry classification in accordance with the TCFD.

In 2020, the Company became a founding signatory and active member of the UK network of the Initiative Climat International (iCI), a group of private equity investors that collectively commit to action on climate change. Further, ICG worked together with the Science Based Targets Initiative to develop procedures for setting SBTs for private equity portfolios. It is also a member of the Carbon Footprint working group which is developing a tool for improving and standardizing carbon reporting for the private equity industry.

Sustainalytics considers ICG to have a strong sustainability strategy and considers that the SLBs eventually issued under the Framework will further support ICG's sustainability strategy.

ICG's Environmental and Social Risk Management

Overall, Sustainalytics notes that the ESG risk management of ICG is considered strong. Sustainalytics recognizes that ICG's defined targets are impactful, but also acknowledges that achieving the SPT bears environmental and social risks related to material ESG issues, including product governance²⁸, data privacy and security²⁹, and business ethics³⁰.

Sustainalytics comments below on ICG's ability to mitigate such potential risks.

- ICG has a very strong Responsible Investing policy in place to mitigate environmental, social and climate impacts of its PCs. Further, ESG issues are analyzed at each stage of its investment processes. The implementation of the policy is guided by ICG's RI committee and overseen by the executive directors. To identify material climate-related risks in its investments, the Company uses a Climate Risk Assessment Tool. Each investment opportunity receives a climate risk rating, following which, detailed assessments are done, and investment decisions are made.²⁶
- To address risks associated with data privacy and security, ICG has in place a cybersecurity policy and the issues of cyber risks are overseen by the Company's Board committee. An externally managed security operations centre manages cyber risks by proactively detecting and preventing potential threats as well as providing recovery from security incidents, including cyberattacks. Further, in response to heightened cyber risks identified during the COVID-19 pandemic, ICG has implemented several initiatives to protect against potential leaks of sensitive data.
- As part of its responsible product offering, ICG established a Complaints Policy in March 2021, which ensures complaints from clients are reviewed objectively and treated fairly. The policy outlines a procedure for receiving, acknowledging, investigating and resolving complaints from former, current and potential clients.³¹
- In relation to risks associated with business ethics, the Company has formal policies and procedures regarding anti-bribery and corruption, anti-money laundering and conflicts of interest,³² applicable across all its operations and investments. The Issuer refrains from investing in companies or projects that engage in or have a high risk of engaging in corruption and other financial crimes. A regular training programme has also been established for employees to prevent any form of unethical behaviour.

²⁷ Intermediate Capital Group, Responsible Investing, ESG Report 2020, at: <https://www.icgam.com/~media/Files/I/ICGAM-V2/responsible-investing-documents/2020-ESG-report-2.pdf>

²⁸ Product Governance refers to asset managers' management of the quality of financial products and services they offer. It focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

²⁹ Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data. The financial industry is the one of the most regulated sectors for cybersecurity due to its high exposure to cyberattacks. In an environment of rising data privacy and security risks, strong data privacy management will be increasingly critical for operational success.

³⁰ Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

³¹ ICG, Complaints Policy, March 2021, at: <https://www.icgam.com/~media/Files/I/ICGAM-V2/documents/external-complaints-policy-and-procedures.pdf>

³² ICG has shared the Anti-Bribery and Corruption Disclosure Statement, Financial Crime Disclosure Statement and Conflict of Interest Disclosure Statement with Sustainalytics

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to the Intermediate Capital Group. Overall, Sustainalytics considers that ICG has strong management programmes and policies to mitigate risks that could emerge from the Company's investment processes.

Section 3: Impact of the SPT Chosen

Role of private equity in achieving climate action goals

The financial sector has a critical role in enabling the transition to a low-carbon economy due to its significant influence on market decisions and transactions. The finance industry plays a critical role in the transition to a net zero economy as physical and transitional climate risks pose significant threats to a wide range of business sectors. Within the PE sector, climate change is considered one of the top material ESG risks, with the potential to positively and negatively impact the value of investments. The UN-backed Principles for Responsible Investment forecasts that abrupt and forceful policy changes, such as carbon pricing policies, could eliminate up to USD 2.3 trillion in value from the world's largest companies by 2025.³³ PE firms are uniquely positioned to influence a wide range of sectors through equity and debt portfolios and to drive Paris-aligned decarbonization by helping to minimize barriers to emissions reductions. For example, nearly USD 400 billion in private capital was raised between 2015 and 2020, with ESG-related capital in PE growing by more than 30% per year during the same period.³⁴ ³⁵ However, private markets lag behind public markets for GHG emissions reporting, with only 0.03% reporting to the Carbon Disclosure Project compared to 10.2% for public markets. Furthermore, only 37% of private markets had active targets to reduce emissions compared to 79% for public markets.³⁶

The UK identified the low-carbon economy as an area of particular opportunity, with a forecast that the sector would expand at 11% a year between 2017 and 2030, almost four times the rate of the broader economy.³⁷ As of June 2021, the UK government committed to cutting GHG emissions by 78% by 2035 compared to 1990 levels and achieving net zero emissions by 2050.³⁸ The UK targets to become the world's first net zero financial centre.³⁹ As part of this goal, the UK will set requirements for its financial institutions and listed companies to publish net zero transition plans that detail how they will adapt and decarbonize. In total, 450 firms controlling 40% of global financial assets – equivalent to USD 130 tn – have agreed to limit global warming to 1.5°C above pre-industrial levels. At the beginning of November 2021, over 2,100 companies, including 115 FIs, have publicly joined the SBTi, with 1,006 companies having their targets approved.⁴⁰ ICG's goals to (i) achieve SBTs in 100% of investments within relevant asset classes by 2030, and (ii) reduce its absolute scope 1 and 2 GHG emissions by 80% by 2030 compared to a 2020 base year, will significantly contribute to international and regional climate action goals.

Based on the above, Sustainalytics is of the opinion that ICG's efforts towards decarbonizing its portfolio, integrating climate risk assessments into investment decisions, and improving and monitoring GHG emissions reductions at the PC and fund levels are aligned with its efforts towards climate change and will help further the UN Sustainable Development Goals.

³³ Financial Times, "The role of business in climate change" (December 17 2020), accessed November 4 2021, at: <https://www.ft.com/content/7ab0bfb0-b37c-463d-b132-0944b6fe8e8b>

³⁴ Private Equity Sector Science Based Target Setting Guidance, Draft for Public Consultation V1, accessed November 4 2021, at: https://sciencebasedtargets.org/resources/files/SBTi-PE-Sector-Guidance_1st-draft-for-public-consultation.pdf

³⁵ McKinsey & Company, "A Year of Disruption in the Private Markets" (2021), at: <https://www.mckinsey.com/~media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/mckinseys%20private%20markets%20annual%20review/2021/mckinsey-global-private-markets-review-2021-v3.pdf>

³⁶ Carbon Disclosure Project 2021, Data and insights, accessed November 4 2021, at: <https://www.cdp.net/en/data>

³⁷ HM Government, "The Clean Growth Strategy: Leading the way to a low carbon future" (October 2017), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf

³⁸ UK Government, Department for Business, Energy & Industrial Strategy, "UK enshrines new target in law to slash emissions by 75% by 2035" (April 20 2021), at: <https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-75-by-2035>

³⁹ UK Government, "Chancellor: UK will be the world's first net zero financial centre", at: <https://www.gov.uk/government/news/chancellor-uk-will-be-the-worlds-first-net-zero-financial-centre>

⁴⁰ Private Equity Sector Science Based Target Setting Guidance, Draft for Public Consultation V1, accessed November 4 2021, at: https://sciencebasedtargets.org/resources/files/SBTi-PE-Sector-Guidance_1st-draft-for-public-consultation.pdf

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The ICG Sustainability-Linked Bond is expected to advance the following SDG goal and target:

KPI	SDG	SDG Target
The share of ICG’s science-based target coverage with an SBTi-approved target (%)	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Conclusion

Intermediate Capital Group intends to issue Sustainability-Linked Bonds which will tie the coupon rate to the achievements of the following SPT:

- Increase the share of ICG’s science-based target coverage with an SBTi-approved target to 50% by 2027 against a 2021 baseline

Sustainalytics considers the KPI chosen to be strong based on a clear methodology and the KPI being an indirect measure of emissions from companies in ICG’s portfolio companies. The SPT is considered to be highly ambitious as it represents a significant improvement over past performance and goes beyond the minimum requirements set by the Science-based targets initiative for the private equity sector. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the ICG Sustainability-Linked Bond Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective of achievement of the SPT to be impactful.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Intermediate Capital Group

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: January 10, 2022

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- | | |
|--|--|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Intermediate Capital Group intends to issue Sustainability-Linked Bonds which will tie the coupon rate to the achievements of the following SPT:

Increase the share of ICG's science-based target coverage with an SBTi-approved target to 50% by 2027;

Sustainalytics considers the KPI chosen to be strong based on a clear methodology and the KPI being an indirect measure of emissions from companies in ICG's portfolio companies. The SPT is considered to be highly ambitious as it represents a significant improvement over past performance and is aligned with industry best practices.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations. Based on the above, Sustainalytics considers the ICG Sustainability-Linked Bond Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective of achievement of the SPT to be impactful.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable):

Sustainalytics considers the KPI chosen to be strong given that it follows a clear and consistent methodology, and it is an indirect measure of emissions from companies in ICG's portfolio.

List of selected KPIs:

- The share of ICG's science-based target coverage with an SBTi-approved target (%)

Definition, Scope, and parameters

- Clear definition of each selected KPIs
- Clear calculation methodology
- Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the Issuer's sustainability and business strategy.
- Evidence that the KPIs are externally verifiable
- Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
- Evidence that the KPIs can be benchmarked
- Other (please specify):

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable):

Sustainalytics considers the SPT to be aligned with ICG's sustainability strategy. Sustainalytics further considers the SPT to be highly ambitious as it represents a significant improvement over past performance and is aligned with industry best practices.

Rationale and level of ambition

- Evidence that the SPTs represent a material improvement
- Credentials on the relevance and reliability of selected benchmarks and baselines

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the Issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer’s peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | <input checked="" type="checkbox"/> issuer’s strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable):
 ICG will link the bond’s financial characteristics to achievement of the SPT. Failure to achieve the SPT at the target observation dates will trigger an adjustment to the coupon rate or a higher repayment amount.

Financial impact:

- variation of the coupon
- ...
- Other (please specify):

Structural characteristic:

- ...
- ...
- Other (please specify):

3-4 REPORTING

Overall comment on the section (if applicable):
 ICG commits to report on an annual basis on its progress on the KPI as part of a dedicated sustainability-linked update report available on its website. ICG commits to disclose relevant information that affects KPI performance. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020.

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs | <input type="checkbox"/> Other (please specify): |

Frequency:

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify):
- Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review):*

Where appropriate, please specify name and date of publication in the “useful links” section.

Level of Assurance on Reporting

- limited assurance reasonable assurance
- Other *(please specify):*

USEFUL LINKS *(e.g. to review provider methodology or credentials, to Issuer’s documentation, etc.)*

Section 4. Post-issuance verification

Overall comment on the section *(if applicable):*

Information reported:

- limited assurance reasonable assurance
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Material change:

- Perimeter KPI methodology
- SPTs calibration

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