UK Stewardship Code

Statement of Compliance and Disclosure

31 October 2024

Contents

Foreword

Dear ICG stakeholders,

I am pleased to share the updated report by Intermediate Capital Group PLC and its subsidiaries (**"ICG"** or the **"Group"**) detailing how we implement the UK Stewardship Code 2020 (the **"Code"**). This report provides an overview of our stewardship approach and sets out how we have applied the Code in the twelve months to 30 September 2024.

We report annually on our activities in line with the Code's requirements. This report has been compiled with input from the breadth of the business including those working in our Structured and Private Equity, Private Debt, Real Assets and Credit strategies in addition to the Sustainability & ESG, Legal, Risk, Compliance and Internal Audit teams and benefits from Executive Director oversight.

These reports are publicly available on our website and supplement our other ongoing disclosures and reporting. As a UK-listed company and member of the FTSE 100, we produce an Annual Report and interim trading updates, along with an annual Sustainability and People report, which are all also publicly available on our website (www.icgam.com). In addition, we provide regular updates on our funds and investments to our clients on a private basis.

As a responsible steward of our clients' and our own capital, ICG has a clear purpose to provide capital to help companies develop and grow. We do this by investing across the capital structure, with the vast majority of our investments being in unlisted companies. The level of direct influence we have over our investments varies substantially across our investment strategies given the range of different types of capital we are able to provide. However, our overall belief is consistent: that we are active stewards of our clients' and our own capital, and that we have an obligation to systematically incorporate a range of stewardship considerations into each investment decision we make and in the way we manage portfolios. Amongst these considerations we also pay due regard to macro trends and environmental, social and governance (ESG) factors. This is not new for ICG; we have long believed that carefully considering these matters as part of our investment process will lead to long-term value creation for our clients and other stakeholders.

I hope you will find this report informative, and we look forward to continuing to focus on stewardship of our clients' and our own capital and of our portfolio companies.

BENOÎT DURTESTE

Chief Executive Officer and Chief Investment Officer

Intermediate Capital Group PLC

31 October 2024

Note on the use of case studies

Case studies can be a useful mechanism within reports such as these to provide tangible examples of turning policies and processes into practice. However, in order to be useful and relevant, case studies need to be specific. As a result, a case study taken individually is unlikely to provide a complete picture of how ICG approaches stewardship. This challenge is further complicated given the variety of investment strategies we manage, and the different routes we have to exercise active stewardship.

In order to address this, we have ensured that the case studies included in this report are drawn from a range of investment strategies across all our asset classes and the different regions in which we operate, which we have identified as a sub-heading for each case study, as well as some Group-level examples of stewardship. All case studies are relevant to and/or occurred during the reporting period of this report (twelve months to 30 September 2024) (the "**Reporting Period**"). The majority of the case studies listed provide new examples from the Reporting Period, but in some cases we have indicated where previous case studies from our 2023 Stewardship Code Report continue to apply to the Reporting Period, for example where our policies or processes have not required amendment. Taken as a whole, we believe that the case studies represent a diverse variety of tangible examples that help to illustrate the Code's principles are enshrined into our approach to stewardship.

To assist the reader in navigating the body of case studies as a whole, the table below sets out those that are included in this report with the corresponding principle.

Principle		Case study title	Relevant asset class(es) or Group level
2	Governance, resources and initiatives	Updated sustainability training offered to all ICG staff	Group
2	Governance, resources and initiatives	ESG-linked compensation for all ICG portfolio managers	Group
3	Conflicts of interest	Managing strategy-by-strategy conflict (different strategies pursue same investment opportunity)	Private Debt, Structured and Private Equity
4	Promoting well-functioning markets	Market-wide and Systemic Risks	Group
4	Promoting well-functioning markets	Investment Risk Management Assurance	Private Debt
4	Promoting well-functioning markets	BVCA Regulatory Committee	All asset classes
4	Promoting well-functioning markets	Declining investment opportunities where climate-related risk was a contributing factor	All asset classes
5	Review and assurance	Enhancing Sustainability and ESG integration in investment decision making in the Reporting Period	All asset classes
6	Client and beneficiary needs	Adapting for Client Needs – Enhanced Sustainability Reporting	All asset classes

7	Stewardship, investment and ESG integration	Updating our Climate Risk Assessment methodology	Structured and Private Equity, Private Debt
7	Stewardship, investment and ESG integration	Enhancing our annual sustainability survey for companies	Structured and Private Equity, Private Debt
7	Stewardship, investment and ESG integration	Investment declined for governance reasons	Private Debt
7	Stewardship, investment and ESG integration	Investment declined for social and governance reasons	Credit
7	Stewardship, investment and ESG integration	Investment declined for incompatibility with ESG objectives (Exclusion List)	Credit
7	Stewardship, investment and ESG integration	Investment declined for governance reasons	Credit
7	Stewardship, investment and ESG integration	Investment declined for incompatibility with ICG's ESG objectives and potential reputational risk	Structured and Private Equity
8	Monitoring managers and service providers	Service providers in the investment process	Credit
8	Monitoring managers and service providers	ESG Due Diligence advisors	Structured and Private Equity, Real Assets
8	Monitoring managers and service providers	Cyber and Information Review	Group
8	Monitoring managers and service providers	Third-party administrator default	All asset classes
9	Engagement	Setting science-based emissions reduction targets	Structured and Private Equity, Real Assets
9	Engagement	Engagement in our Liquid Credit & CLO strategies	Credit
9	Engagement	Achieving higher sustainability standards with the Green Loan Framework	Real Assets
9	Engagement	Incentivising green retrofits of existing building stock	Real Assets
9	Engagement	Annual ESG survey	Private Debt
10	Collaboration	Tools and frameworks to measure attainment of decarbonisation progress across asset classes	All asset classes
10	Collaboration	Collaboration with portfolio companies and other lenders	Private Debt
11	Escalation	Escalating and addressing concerns in a scenario of financial underperformance	Credit

11	Escalation	Escalating our ESG concerns	Structured and Private Equity
12	Exercising rights and responsibilities	Exercising our ESG responsibilities	Structured and Private Equity
12	Exercising rights and responsibilities	Influencing terms and strategy	Private Debt and Structured and Private Equity
12	Exercising rights and responsibilities	Using long-term and sustainable investment solutions to preserve and grow investor capital	Private Debt
12	Exercising rights and responsibilities	Incentivising sustainable business practices by introducing ESG KPIs through continued engagement	Private Debt

Purpose and Governance

Principle 1 – Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Introduction

ICG is a global alternative asset manager, investing on behalf of a global client base and providing flexible and sustainable financing solutions across the capital structure to help companies develop and grow. Headquartered in London, we manage $98bn[1] in third party assets under management (**''AUM''**). We believe that as stewards of our clients' capital[2], we are obliged to manage our business and investments actively and responsibly in order to unlock sustainable value. We take a long-term view on investing for future growth, hiring selectively across the firm and investing balance sheet capital in seed assets for a number of investment strategies. We also develop enduring relationships with our business partners to deliver value for clients, shareholders and employees.

We aim for our employees to feel a sense of wellbeing and promote an inclusive working culture where they can freely question current practices and suggest alternatives. We offer access to a range of flexible, market-leading benefits in terms of parental and carer benefits, mental and physical wellbeing and career sustainability. We ensure our levels of overall remuneration are without gender bias and designed to attract, develop and retain talented employees. During the Reporting Period we updated our mentoring and people manager development offerings to help continue to foster an inclusive high performance culture and to increase engagement and collaboration, resulting in comprehensive development offerings for employees across different career stages through our global development platform, individual programmes, and employee networks. We have also developed a more inclusive leadership model, with more input from larger representative groups sharing a vision, ideas and challenge and enhanced cultural cohesion amongst senior leaders.

Our culture is entrepreneurial and our current business model as a third-party asset manager was a result of a pivot in strategy commenced over a decade ago to respond to the market climate. We manage our clients' assets across a broad range of products, spanning the entire capital structure from common equity to senior debt. From the perspective of our portfolio companies or borrowers, we are a partner who can provide the most appropriate form of capital to meet their needs. For our clients, this diversification allows us to help them achieve their investment objectives in their alternative asset allocations – whether in Structured and Private Equity, Private Debt, Real Assets, or Credit. For shareholders, the diversity of our business is a powerful driver of resilience and growth, providing multiple avenues to increase our AUM and thereby develop further long-term streams of management fee income.

Our business is organised to seek to maximise our ability to meet our clients' needs. Each investment strategy is managed by a dedicated investment team who are focused on generating appropriate returns with regards to the risk appetite of clients investing in that strategy. This wide range of investment teams is supported by a central operating platform, including staff dedicated to client engagement in our Marketing and Client Relations function and our Corporate Business Services division, including functions such as Operations, Treasury and Legal which help manage the Group in a way that benefits our clients.

Our AUM by investment strategy is summarised below:

[1] Numbers are rounded and shown as at 31 March 2024.
[2] Where we refer to "clients" or "investors" in the context of this report we mean investors in our funds. References to "shareholders" mean holders of ICG shares.

Strategy	Type of capital provided	AUM[1]
Structured and Private Equity	Structured and equity financing solutions to private companies	$40.87bn
Private Debt	Debt financing to high-quality corporate borrowers	$28.30bn
Real Assets	Debt and equity in the real estate and infrastructure sectors	$10.81bn
Credit	Investing in primary and secondary public credit markets	$17.94bn

The funds we manage are typically closed-ended vehicles with contractual lives of 7 to 12 years. Each fund contains a number of investments in order to mitigate concentration risk, and within each fund we typically intend to hold each investment for a period of up to 7 years. We believe this time horizon enables us to focus on creating long-term value and aligns our clients' interests with those of the portfolio company, borrower or real assets' counterparties. As an organisation, this long-term approach to creating value and ability to provide flexible financing solutions drives our culture.

Our teams are empowered to source investment opportunities, while operating within the broader architecture and governance of ICG. As part of the ICG platform, our investment teams also have access (within the confines of regulatory and legal confidentiality requirements) to our valuable and proprietary information database to gain market intelligence and unique insight for the benefit of our clients.

Our Investment Committee process is a key conduit for our culture throughout the investment teams. The Investment Committee members are senior investment executives within ICG, and these committee members collaboratively debate and decide what investments we make on behalf of our clients and when we exit from them. As such, the committees' approaches to risk (including sustainability risk), the range of factors they focus on when deciding whether to approve investments, and the way in which committee members interact with each other and their colleagues, all drive and reinforce ICG's investment and stewardship culture more broadly.

We ensure economic alignment between our clients, our investment teams and the Group. This is largely through co-investment, whereby both our investment teams and the ICG Group itself commit capital alongside our clients, demonstrating our conviction in the capital allocation decisions we are making on behalf of clients. The reward schemes for our investment teams are also linked to the performance outcomes achieved for clients.

As an asset manager and an institutional investor, ICG has a long-standing commitment to sustainability and due consideration of environmental, social and governance ("**ESG**") factors. ICG recognises that ESG factors are important drivers of investment value and sources of investment risk as well as opportunity. We make concerted efforts to reduce our environmental impact and to enhance diversity, equity and inclusion (**"DEI"**) in the workplace. We were amongst the first group of alternative asset managers to commit to net zero (by 2040) across our operations and relevant investments[3] and we exceeded our commitment made under the UK Women in Finance Charter in 2021 to having at least 30% of management roles filled by women, two years earlier than planned, with that figure climbing to 36.3% by September 2023. During the Reporting Period we also completed an extensive review of our DEI practices with a specialist DEI consultant to inform the next steps of our strategy and reviewed these findings at a session of our Board.

Our Responsible Investing Policy provides the overarching framework for our approach to responsible investing and covers 100% of our AUM. We believe that by identifying and assessing ESG factors as part of our investment process, and by ensuring that these factors are properly managed over the lifetime of our investments, we can

[3] Relevant investments are defined, in line with the Science Based Targets Initiative (SBTi), as buyout-style investments where ICG has at least 25% of the fully diluted shares and a board seat.

help to create more sustainable businesses or real assets over the long-term and generate enhanced value for our clients.

We have a diversified group of blue-chip clients, which we have grown by 43% since 1 April 2021 (from 476 to 681 as at 31 March 2024). These new clients contributed 35% to our fundraising for that period and while this is only one measure of success, our ability to grow the number of clients who entrust their capital to us, and the amount of capital they want us to manage on their behalf, is a good indicator of how we have historically served our clients' interests. Principle 6 below sets out how we have been effective in meeting our clients' needs.

Further information about our business model as a whole can be found in our Annual Report & Accounts 2024, and our Sustainability & People Report provides additional insight into ICG's commitment to sustainable business operations and investment practices.

Purpose and Governance

Principle 2 – Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Governance

ICG has been a publicly listed company since 1994 and is a constituent of the FTSE100. We adhere to the UK Corporate Governance Code and seek to promote the highest standards of corporate governance throughout our structures and culture to act in the best interests of our clients.

Our governance structure has evolved over the years to ensure we meet applicable governance standards and provide adequate control and challenge across our business. Some aspects of these structures are required by law or guidance applicable to listed public companies; we have sought to enhance these base requirements through the use of further responsible bodies, oversight structures and reporting lines to ensure robust and sustained oversight of the business as a whole. Our Board (which has a majority of independent non-executive directors) regularly reviews our internal governance framework in the light of regulation, guidance and industry best practice to ensure that we have the appropriate structure at every level of our operations.

ICG Board

The Board currently comprises three Executive Directors, a Non-Executive Chair, and five other Non-Executive Directors (all of whom are independent) who have a broad and diverse set of skills and experience.

Non Executive Director area of expertise

Name	Asset Management	Investment	UK Corporate Governance	International	Risk Management	Financial
William Rucker (Chair)	●	●	●			●
Virginia Holmes	●	●	●	●	●	
Amy Schioldager[1]	●	●		●	●	
Andrew Sykes (SID)	●	●	●		●	●
Stephen Welton	●	●			●	●
Rosemary Leith			●	●	●	●
Matthew Lester	●	●	●		●	●

1. Retired from the Board on 16 July 2024

The Board has also appointed an additional Non-Executive Director, Sonia Baxendale, who will join the Board on 1 January 2025 and serve on the Risk and Audit Committees.

Further details of the Board, including their biographies, are available on ICG's website and pages 70 – 71 of ICG's Annual Report and Accounts 2024 ("**ICG's Annual Report 2024**").

The Board provides leadership and oversight within a framework of prudent controls which enable risk to be assessed and managed to ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Board's principal functions include, but are not limited to, determining the Group's strategy and basis on which it is managed, upholding the Group's culture and shaping the Group's risk appetite. Moreover, the Board has overall responsibility for ICG's internal control system to give reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are prevented or detected. A number of committees support the work of the Board, including the Audit, Risk, Nominations and Governance and Remuneration Committee; each of these four committees are constituted solely by Non-Executive Directors. The Board's performance is reviewed annually. This assessment covers the effectiveness and performance of the Board as a whole, the Board Committees and an individual evaluation of each Director. It is typically led by the Chair, with support from the Company Secretary, and includes an independent evaluation of the Chair by the Senior Independent Director.

Once every three years, the Board's performance review is conducted as a formal external review led by independent experts. The results of the most recent internal review were disclosed in full in the Annual Report for the year ending 31 March 2023, and during the Reporting Period the Board has continued to progress the areas of refinement identified. From January to March 2024, an external review was conducted by Raymond Dinkin of Consilium Board Review, an independent consultancy. Once completed, the results of the review were presented to the Board and relevant actions and development points were agreed. The lead evaluator received briefings from the Chair and Company Secretary before reviewing all Board and Committee materials from the prior year. A detailed bespoke questionnaire was issued to each Director as well as a number of other senior executives who regularly present to, engage with or observe meetings of the Board or one or more Committee. Each participant then met privately with the evaluator to discuss the points raised in the questionnaire. The evaluator also attended a meeting of the Board and the Audit Committee. A formal written report was provided to the Board and the evaluator presented on his findings at the May Board meeting. The review results of the external review were disclosed in full in the Annual Report for the year ending 31 March 2024.

The ICG Board is strongly engaged in our focus on stewardship, regularly receiving reports on client considerations, client experience, investment performance and sustainability matters. We have a Non-Executive Director with a specific responsibility for Employee Engagement and our Chief Executive and Chief Investment Officer oversees our investment business, including the engagement by our investment teams with all investee entities. The Board will continue to keep our stewardship approach under review as the obligations of ICG and expectations of our clients develop.

Stewardship is embedded within investment decision making in our view and we do not believe that it should be solely the responsibility of a separate team.

ICG's Governance Framework

Extract from page 72 of ICG's Annual Report 2024 (where more detail is available)

Executive Directors

The Executive Directors are responsible for ensuring the effective implementation of the strategy and policies set by the Board. They are supported by a Senior Leadership Group of senior executives drawn from across the business who help to assess relevant strategic and business initiatives, talent management, risk, compliance, operational, financial and IT (including cyber) matters. In particular, the executive team oversees risks and opportunities related to our investment activities and to our own operations, addressing issues if they arise and approving new investment strategies, including those with specific sustainability or climate-related objectives and targets. We believe that this level of oversight and accountability is appropriate given the importance of stewardship at ICG and our desire to demonstrate to all stakeholders our commitment in this area.

In considering new potential investment strategies, our executive leadership is supported by a New Product Working Group, which is responsible for assessing any potential new fund in the light of relevant client requirements. This includes input from a wide range of operational, legal and compliance functions and the relevant product manager, and ultimately makes a recommendation as to the suitability of any new product.

Investment Committees

ICG has a number of Investment Committees – one dedicated to each investment strategy – which typically comprise the most senior investment executives within the relevant strategy. Each Investment Committee is responsible for scrutinising, challenging and, ultimately, approving or denying every investment proposed by the relevant investment team, in line with the investment objectives of the fund in question. It is also responsible for the ongoing monitoring of the performance of investee businesses, including stewardship related activities, and the ultimate divestment of investments. Each Investment Committee is made up of a number of experienced executives who have significant industry experience in making investments of client's capital and all of whom receive regular training on sustainability, responsible investing, and other stewardship matters.

Investment Committees for all strategies meet regularly. By way of example, for our Structured and Private Equity asset class, a typical investment approval process is as follows:

- Investment teams undertake an initial assessment of a potential deal and prepare a paper which is submitted to the Investment Committee for an initial review. Prior to this stage, the investment team must ensure the potential investment does not contravene ICG's Responsible Investing Exclusion List, which prohibits investment in certain sectors and businesses;
- If the deal is approved at the initial Investment Committee, the team undertakes extensive analysis on the business in question, sector in which it operates, valuation, structure and any key concerns or issues raised. There is a thorough pre-investment Sustainability & ESG assessment completed as part of this phase, which is integrated into the Investment Committee papers. These findings are presented at a second Investment Committee. If the deal is approved at this stage, budget for enhanced due diligence is agreed; and
- Once due diligence is complete, investment teams return to the Investment Committee for final approval. This meeting decides whether to proceed with the investment and will cover any key issues raised in the process so far, final valuation and final deal terms. This step in the process may be iterative, depending on the circumstances. Unanimous approval is required by all Committee members present at the meeting, with a minimum quorum of three members required to approve the investment.

Investment Committees for our other strategies follow the same or a similar process, but may have a condensed number of meetings, depending on the nature of the transaction and/or strategy in question. Sustainability and ESG considerations are similarly reviewed and incorporated into every pre-investment process.

In addition, Investment Committees for all strategies undertake a quarterly review of each of their investments, which includes a performance evaluation and an update on the progress of any strategic initiatives, including Sustainability and ESG initiatives.

Responsible Investing Committee

ICG's Responsible Investing Committee promotes, supports and helps to integrate responsible and sustainable business practices across ICG's investment strategies and the businesses in which we invest, in line with our Responsible Investing Policy and Sustainability and ESG Frameworks. The Responsible Investing Committee is made up of the Head of the Investment Office, the Global Head of Sustainability & ESG, and senior investment professionals from across ICG's investment strategies. The Responsible Investing Committee works closely with an experienced Sustainability & ESG team with significant expertise in integrating Sustainability and ESG factors across a wide range of alternative asset classes and industries.

The day-to-day implementation of our Responsible Investing Policy is the responsibility of investment professionals across our investment strategies, who integrate Sustainability and ESG considerations, among other relevant factors, into investment decisions and active ownership activities, where applicable. ICG's Sustainability & ESG team provides specialist input and expertise, working closely with investment professionals across our strategies to ensure effective integration of Sustainability and ESG factors into decision-making and engagement with investments.

Building knowledge, understanding and expertise on stewardship matters

Throughout the year, Executive Directors receive regular briefings and training sessions (including from external advisors) on emerging topics to ensure they are able to exercise effective oversight of ICG's stewardship activities.

All ICG personnel also regularly undertake other focused training, including Compliance training on matters such as anti-bribery, money laundering, and cybersecurity to ensure they are well placed to meet the obligations we have to clients.

As noted previously, the Sustainability & ESG team and Responsible Investing Committee ensure that our investment teams have the required skills and understanding to effectively assess, monitor and engage with investments on sustainability matters, cognisant of the fact that this is a rapidly evolving area in which new issues can rapidly emerge.

We are committed to ensuring that the knowledge of our teams remains current and therefore provide mandatory Sustainability and ESG training for all employees, as well as bespoke Sustainability and ESG training, comprehensive responsible investing guidance and access to online Sustainability and ESG tools to relevant employees to ensure they can identify, assess and manage Sustainability and ESG risks and opportunities in investment activities.

Case study: Updated sustainability training offered to all ICG staff

Asset classes: All; Regions: Global.

During 2022 and 2023, ICG enhanced its training programme by developing a bespoke course for Executive Directors and investment, marketing and client relations staff to continue to build our teams' knowledge and to capitalise on the expertise we are building internally.

The training incorporates core understanding of sustainability, responsible investing and ESG at ICG to help participants gain a better understanding as to why responsible investing is important, what it involves and what ICG has to do to apply key ESG concepts and invest responsibly. It also extends the opportunity for more advanced specific knowledge-building for relevant professionals such as investment executives in key topics that relate to their role.

Our Sustainability & ESG team regularly reviews the training materials to maintain relevance and introduce customised content on ESG regulations and emerging ESG risks which may affect our funds and our stewardship efforts.

This case study was included in ICG's 2023 Stewardship Code Report and continues to apply for the Reporting Period - in 2024 the training has been refreshed and rolled out to all ICG staff globally as part of our mandatory training programme.

Incentives and compensation

All investment teams have a responsibility to consider relevant risks and opportunities in their investment decisions (including sustainability-related matters) and the extent to which they have done this effectively is taken into account when determining performance-related compensation levels. Each year, the Executive Directors are set targets by the Board for the variable elements of their remuneration, which include KPIs linked to non-financial factors, such as Culture, Diversity & Inclusion (see page 102 of ICG's Annual Report 2024).

Following an extensive review of the performance criteria for Executive Directors, we expanded our KPIs relating to Culture, Diversity & Inclusion to include Sustainability to reflect the Board's strong focus on sustainability metrics overall. During the year to 31 March 2024, 10-15% of Executive Directors' annual variable pay was linked to targets set in respect of ICG's progress on Culture, Diversity & Inclusion and Sustainability; the criteria measured are set out in detail on pages 102-103 of ICG's Annual Report 2024. We believe that setting targets in these areas for our senior management is an important factor in enabling ICG to act as an effective steward of our clients' assets. The performance targets set for Executive Directors for the financial year ending 31 March 2025 also contain targets in these stewardship related areas, and the reward opportunities for Executive Directors will therefore be impacted by whether these targets are met (which will be publicly disclosed in the annual report for the year, to be published in June 2025).

Case study: ESG-linked compensation for all ICG portfolio managers

Asset classes: All; Regions: Global.

At the end of 2022, ICG incorporated a sustainability and ESG assessment into the annual performance appraisals of portfolio managers across the firm with the outcome of variable reward opportunities being linked to this assessment. The aim of this practice is to reinforce alignment and accountability at the right levels for achieving sustainability excellence and delivering long-term value to our clients, while ensuring we comply with a growing body of relevant regulatory requirements. It will also position portfolio managers to lead by example, ensuring sustainability and ESG factors are being appropriately and consistently considered in their teams' approaches to investment.

This case study was included in ICG's 2023 Stewardship Code Report and continues to apply for the Reporting Period.

Purpose and Governance

Principle 3 – Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

ICG seeks to operate in accordance with the highest standards of compliance, ethics and corporate governance across all of our operations and investments. Moreover, all of our personnel have a responsibility to act in the best interests of our clients. To this end, we maintain an extensive framework of internal policies, procedures, systems and controls, including a comprehensive conflicts of interest policy, which is applicable to all personnel.

Our conflicts of interest policy assists with the identification, prevention and management of actual, potential or perceived conflicts to ensure we take all appropriate steps to prevent conflicts from adversely affecting the interests of our clients and/or unduly impacting our stewardship practices on their behalf. In certain circumstances it may be deemed appropriate for ICG to decline to act where it deems a conflict cannot be managed. The conflicts of interest policy is subject to annual review and is available to all personnel on our intranet page. In addition to this, all new joiners and personnel annually thereafter are required to undertake conflicts of interest training.

Conflicts of Interest Principles

ICG has adopted the following principles in relation to identifying, preventing, managing, and mitigating potential, actual or perceived conflicts of interest. ICG:

- seeks to manage conflicts of interest in a way that is in the best interests of each of its funds, and therefore the overall best interests of each of its investors;
- has established and implemented written policies and procedures to identify, manage and appropriately mitigate conflicts of interest throughout the scope of business that ICG conducts;
- utilises mitigation techniques which provide the most effective mitigation and greatest level of protection and clarity to investors;
- has established and implemented a clearly documented and defined process which facilitates investor consultation regarding matters relating to conflicts of interest;
- discloses the substance of opinion given through the investor consultation process and any related actions taken to all affected investors in a timely manner (save where to do so would breach any other legal or regulatory requirement or duties of confidentiality); and
- seeks to ensure that all disclosures provided to investors are clear, complete, fair and not misleading.

The overall management and mitigation of conflicts of interest is the responsibility of the ICG Board, implemented on a day-to-day basis by relevant senior executives with support, oversight and monitoring from the Compliance function. We conduct regular reviews of potential conflicts of interest, which is an important part of the initial investment approval and on-going investment management process.

Actual or potential conflicts may be managed in a number of ways, depending on the circumstances and type of conflicts involved. All ICG personnel are expected to use good judgement in the determination of how best to resolve a potential conflict, including through appropriate escalation to the Compliance department. All new joiners undertake training on areas relating to conflicts and all personnel receive mandatory annual compliance training, which focuses on identifying and managing areas of conflict. Compliance also undertakes monitoring of the business to help identify potential conflicts. Our objective is to create a culture of awareness and appropriate action in identifying and reconciling any conflicts.

ICG maintains a centralised conflicts register, which consists of each identified conflict across the business, the strategies that are impacted and the actions undertaken to manage or mitigate the conflict.

Potential conflicts broadly fall into four main categories:

- deal by deal conflicts;
- strategy by strategy conflicts;
- conflicts between ICG's own interests and those of a client; and
- conflicts between the interests of ICG personnel and those of ICG or a client.

For the purposes of identifying the types of Conflicts that arise, or may arise, ICG will take into account whether ICG or a person directly or indirectly linked by control to ICG, or any of their respective managers or personnel:

- is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of one client or group of clients over the interests of another client or group of clients;
- carries on the same business as a client; or
- receives or will receive from a person other than a client an inducement in relation to a service provided to a client, in the form of monies, goods or services, other than the standard commission or fee for that service.

There are separate Investment Committees for each strategy to assist in the effective management of conflicts of interest. Where a deal by deal or strategy by strategy conflict is identified, conflict mitigation is typically handled as follows:

- conflict issues identified and notified to senior individuals in the relevant team;
- potential conflicts are escalated to the Compliance department and logged in the centralised conflicts register;
- employees who have identified the conflict will be expected to prepare a paper detailing the terms of the conflict and proposals to avoid or manage the conflict;
- the conflict may need to be escalated to the relevant Investment Committee and where Investment Committee members may, themselves, be conflicted they would be recused from the relevant Investment Committee meeting; and
- access to information which is the subject of the conflict will be managed through physical, information and technological barriers, including separate electronic storage sites, secure access areas, password protected documentation and ‘‘follow me’’ printing procedures.

In addition to the above, members of the Compliance department may act as an intermediary between conflicted teams or individuals and the potential conflict may be disclosed to clients where necessary or appropriate for best practice.

Case study: Managing strategy-by-strategy conflict (different strategies pursue same investment opportunity)

Asset classes: Private Debt and European Corporate; Regions: Europe

ICG's European Corporate team were considering entry into an investment opportunity (the acquisition of a company in the professional audio industry). In parallel, our Senior Debt Partners team were invited to support a separate sponsor on a potential acquisition which turned out to be the same opportunity. Upon conducting conflict searches, Compliance identified the potential involvement of the European Corporate team. Certain members of the European Corporate team sit on the Investment Committee for Senior Debt Partners and, to avoid any potential conflicts between the strategies, Compliance required that those members from the European Corporate team be recused from the Senior Debt Partners IC. The two funds then pursued the investment opportunity independently of each other with regards solely to the interests of their own fund investors.

Managing employee conflicts

Employee conflicts are managed through our personal account dealing, gifts and entertainment and outside business interests policies. Information walls are used to prevent the exchange of information between different businesses and functions within ICG and aid in the detection and management of actual, potential or perceived conflicts. ICG staff are only permitted to share information on a “need to know” basis in accordance with ICG policy, client confidentiality obligations and applicable law and regulation. Where employees identify a potential, actual or perceived conflict, they must report it to relevant senior management and the Compliance department as soon as possible.

Where it is determined that a potential conflict of interest cannot be managed by the processes above, then ICG will seek to avoid the conflict in the most appropriate way, which may be by declining to participate in the relevant transaction.

Our full conflicts of interest policy is available in more detail to our clients upon request.

Grievance procedures

ICG is committed to promoting a ‘‘speak up’’ culture where staff feel they can raise concerns, including those related to conflicts of interest, without fear of retaliation and in the knowledge that the matters they report will be taken seriously. Our Speak Up Policy outlines how staff may report a concern through both internal channels (including to a Non-Executive Director) and external routes. All personnel globally have access to a 24/7 anonymous and confidential service to make a report, which is operated by the independent third party EthicsPoint.

In addition, all external stakeholders can file a complaint by following ICG’s Complaints Policy (which is available on our website: ICG Complaints Policy). We support anyone who, in good faith, discloses a failure to meet our high standards of business conduct.

Purpose and Governance

Principle 4 – Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Corporate Risk Management

Our approach to risk management

The Board is accountable for the overall stewardship of the Group's Risk Management Framework (RMF), internal control assurance, and for determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives. In so doing the Board sets a preference for risk within a strong control environment to generate a return for investors and shareholders and protect their interests.

Risk management is embedded across the Group through the RMF, under which current and emerging risks are identified, assessed, monitored, controlled, and appropriately governed based on a common risk taxonomy and methodology. The RMF is designed to protect the interests of stakeholders and meet ICG's responsibilities as a UK-listed company, and the parent company of a number of regulated entities. The Board reviews the RMF regularly and it forms the basis on which the Board reaches its conclusions on the effectiveness of the Group's system of internal controls.

We operate a risk framework consistent with the principles of the 'three lines of defence' model. This ensures clarity over responsibility for risk management and segregation of duties between those who take on risk and manage risk, those who oversee risk, and those who provide assurance.

- The first line of defence is the business functions and their respective line managers, who own and manage risk and controls across the processes they operate.
- The second line of defence is made up of the control and oversight functions, including the Legal, Risk and Compliance teams, who provide assurance that risk management policies and procedures are operating effectively.
- The third line of defence is Internal Audit who provide independent assurance over the design and operation of controls established by the first and second lines to manage risk.

Assessing risk

We adopt both a top-down and a bottom-up approach to risk assessment:

- The Risk Committee undertakes a top-down review of the external environment and the strategic planning process to identify the most consequential and significant risks to the Group's businesses. These are referred to as the 'principal risks'. The Risk Committee works closely with senior management to oversee the ongoing improvement and refinement of the Group's internal controls in order to ensure that they remain effective for future growth.

- The business undertakes a bottom-up review which involves a comprehensive risk assessment process designed to facilitate the identification and assessment of key risks and controls related to each business function's most important objectives and processes. This is primarily achieved through the Risk and Control Self-Assessment process (RCSA). The risk assessment process is supported by the Group's Risk Taxonomy which is a top-down comprehensive set of risk categories designed to encourage those involved in risk identification to consider all types of risks that could affect the Group's strategic objectives.

The Group is exposed to a diverse array of threats that can impact our operational resilience, including natural disasters, cyber threats, environmental issues and pandemics. Any critical system failure or material loss of service availability, regardless of source, could adversely affect the Group's reputation and ICG's ability to maintain business continuity and deliver services to our clients.

Operational resilience, in particular cyber security, is one of the key priorities for the Group's Board and Leadership and the adequacy of the Group's response is subject to ongoing review. The Group's Business Continuity and Disaster Recovery plans are reviewed and approved by designated plan owners at least annually. Moreover, the Group's technology environment is continually maintained and regularly tested through measures such as penetration testing, vulnerability scans and patch management to ensure a robust defence against potential threats.

Case study: Market-wide and Systemic Risks

Asset classes: All; Regions: Global.

We take our responsibility to identify and navigate material market-wide and systemic risks seriously, as doing so successfully enhances our ability to help preserve investors' capital and, ultimately, enables them to achieve their long-term financial objectives. We are always actively monitoring wider market conditions and will take necessary steps depending on the situation as it arises. An example of a material market-wide risk which the ICG Group identified and has sought to mitigate during the Reporting Period is detailed below:

Uncertainty in financial markets

In March 2023 the collapse of Silicon Valley Bank and Credit Suisse Bank caused widespread concern and highlighted the potential for uncertainty and instability in financial markets. At the time of the banking crises, ICG's immediate priority was the protection of capital and at the first sign of issues our Treasury and Operations teams worked to identify any bank accounts or other exposures that could be affected. Although ICG already had robust procedures in place to safeguard capital, the incident reiterated the importance of being able to access the Group's live cash balances at very short notice.

The Group implemented a plan with its third party administrators to respond to the challenges faced during the banking crises, which we have continued to expand and develop. During the Reporting Period our primary focus has been to develop internal systems and leverage third party software to ensure that we can access all live cash balances of the Group and its funds and collate data on thousands of accounts at very short notice.

Investment Risk Management

Within our investment activities, risks are assessed and managed by investment teams and overseen by the Investment Committee. The investment teams and Investment Committees therefore assess each investment opportunity within the context of the broader fund investment strategy to ensure an appropriate level of diversification across for example sector and geography and in line with the funds' defined investment restrictions.

The risks that specific investments are exposed to varies by strategy and by fund. A wide-range of market-wide risks as well as company-specific risks are factored into our pre-investment diligence and presented to the Investment Committee as part of the investment decision. In each instance, we will look to ensure that the investment decisions we make represent an appropriate risk / reward profile for the clients in the fund whose capital we are deploying. Post investment, we continue to monitor how the risk profile of each investment changes and whether we should be taking proactive measures to ensure an appropriate portfolio risk / reward profile is achieved. In particular, early identification of a potential deterioration in a portfolio company's performance can help us preserve the value of the investment and therefore be more effective stewards of our clients' capital.

Case study: Investment Risk Management Assurance

Asset classes: Private Debt; Regions: Europe and North America.

Risks associated with specific investments differ based on strategy and fund. For example, with respect to the Direct Lending strategy, complexity increases when dealing with funds structured as single investor mandates, securitisation vehicles and traditional commingled funds, all of which ultimately invest in the Direct Lending strategy's exposures to corporate entities.

During the Reporting Period ICG enhanced the assessment framework of pre-investment due diligence, which ensures that all relevant risks are considered during investment decision-making. The framework enhanced the checks on responsible investing, legal compliance, and on each fund's defined exposure allocation limits.

ICG has also expanded coverage and robustness of the second line of defence processes on the Direct Lending strategy. ICG's risk management function enhanced the funds' risk profiling assessment, including financial, operational and sustainability risks to refine fund-specific key risk indicators and their respective thresholds and limits. These indicators are monitored periodically throughout the lifetime of the funds, benefiting from the risk management function's regular engagement with the first line of defence, and leveraging insights from the various workstreams of the second line of defence, which all work towards early intervention and proactive measures to prevent potential portfolio risk / reward profile deterioration.

Where necessary, the risk management function proceeds independently with escalation and reporting within ICG's risk governance framework and to the governing bodies of the relevant funds.

Case study: BVCA Regulatory Committee

Asset classes: all; Region: Europe

ICG is a member of the board of the British Private Equity and Venture Capital Association (BVCA) regulatory committee. The role of the BVCA regulatory committee is to monitor UK and European regulatory policy developments that may impact the UK private equity and venture capital industry and to advocate regulation which is fit for purpose for the industry. The committee regularly meets with regulators and policy makers. It responds to relevant consultations published by the UK Financial Conduct Authority and other regulators, and publishes updates for members through a technical bulletin. The committee co-hosts an annual conference for members on current topics of interest to the regulated community, at which ICG is represented as panel speakers. The committee is made up of private equity and venture capital firms, as well as advisers to the industry. ICG actively contributes to the work of the committee through the General Counsel of ICG, who is a longstanding member of the committee.

As a member of this committee ICG has been involved in engaging and collaborating with the FCA and other regulators on a number of issues such as increasing retail investor access to the private equity industry, the appropriate use of leverage in the industry and proposed changes to the SMCR regime. This involvement encourages change and improvement to financial and regulatory structures and a way in which to agree best practice which in turn supports business and clients to invest and grow within a responsible framework.

For example, in December 2023, the BVCA submitted a detailed response to the FCA's consultation on Diversity and Inclusion in the financial sector to input on the UK Senior Manager and Certification Regime, informed by the BVCA regulatory committee discussions (including individual member input). The BVCA's response was supportive of the move for greater diversity and inclusion in the industry and gave a number of detailed responses in terms of nuances of the FCA's proposals.

Sustainability-related risks

We have a responsibility to shareholders, clients, and all stakeholders to assess, report on, manage and mitigate sustainability-related risks. ICG utilises its RMF to assess sustainability-related risks for their proximity and significance to the Group and our funds. Sustainability-related risks are considered as cross-cutting risk types that manifest through ICG's established principal risks and are integrated into the RMF through existing policies, processes, and controls.

Our Responsible Investing Policy and approach include assessment of sustainability-related risks, among other factors, as part of our pre and post investment processes (see additional detail and relevant case studies at Principles 5, 7 and 9).

Climate-related risks and opportunities

We recognise that climate change may have a material impact on investment performance and returns over the short, medium and long term. We therefore have processes and procedures in place to account for climate-related risks and opportunities in the design of new products, the execution of our investment practices and processes, and the focused engagement with and stewardship over investments.

ICG's Climate Change Policy — covering 100% of ICG's AUM — requires us to consider the implications of climate-related risks and opportunities in our investment research, valuation, and decision-making processes.

Case study: Declining investment opportunities where climate-related risk was a contributing factor

Asset classes: All; Regions: Global.

Climate risk exposure assessment is a mandatory step in the evaluation of new investment opportunities across the vast majority of ICG's funds in their investing period, with findings presented to Investment Committees for consideration in making investment decisions. Investment opportunities with potentially heightened climate risk exposure are discussed with the ICG Sustainability & ESG team and expert advisers, where appropriate. During the period from February 2021 to 31 March 2024), since the climate risk exposure assessment was introduced, we declined 116 investment opportunities where climate-related risk was a contributing factor to the investment decision.

More details on our approach to risk management at a Group level can be found in ICG's Annual Report 2024, which specifically contains information on our approach to climate-related risks and opportunities in the TCFD disclosures therein.

Purpose and Governance

Principle 5 – Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

ICG operates a risk and oversight framework consistent with the principles of the 'three lines of defence' model. This ensures clarity over responsibility for risk management and segregation of duties between those who take on risk and manage risk, those who oversee risk and those who provide assurance.

As part of that three lines of defence model, our reporting on our obligations under the Stewardship Code is subject to review by various subject matter experts from all three lines including the Sustainability & ESG Team, Group Legal, Compliance, Group Risk and Internal Audit. The feedback from their review is incorporated into the Stewardship Code disclosures to ensure that they are fair, balanced and understandable. ICG has implemented various policies to govern its practices and activities firm wide. These policies cover ICG activities relating to business conduct, employees, operations, technology including resilience and cyber security, risk management and compliance. In addition, the adherence to these policies form part of the risk management and assurance framework ICG employs. These policies ensure that ICG maintains fair and balanced stewardship practices.

Firm-wide policies

Firmwide ICG policies are subject to review and oversight by various key Board Committees, executive management, control functions and where required legal counsel (examples include the: Data Breach Policy; Data Protection Policy; Business Continuity Policy; Third Party Security Management Policy; Employee Handbook; and Travel and Expenses Policy). These firm-wide policies are implemented and enforced globally across the firm – the policies are made available to all ICG employees and reinforced by our periodic training programme (which is mandatory for all employees).

Additionally, the ICG Risk Committee is responsible for oversight of the implementation and adherence to policies related to compliance and risk management including an annual review of updates or changes to these policies (examples include the: Group Compliance Manual; Group Allocation Policy; Group Anti-Bribery and Corruption Policy; Group Financial Crime Policy; Information Walls Policy; Group Personal Account Dealing Policy; and Speak Up Policy).

Responsible Investing and Climate Change policies

ICG has implemented a Responsible Investing Policy which is regularly reviewed and updated. ICG also operates a standalone Climate Change Policy which requires ICG to consider the implications of climate-related risk and opportunities in investment research, valuation, and decision-making processes. Both these policies are applicable to 100% of the assets under management and the investment process is governed by the various Investment Committees which ensure these policies are adhered to. The Board has delegated responsibility for the implementation of the Responsible Investing and Climate Change policies to Executive Directors Benoît Durteste (in respect of investments and financed emissions) and David Bicarregui (in respect of PLC and corporate matters). As part of the normal course of business, the Board regularly receives updates on how these policies are being implemented.

Case study: Enhancing Sustainability and ESG integration in investment decision making in the Reporting Period

Asset classes: All; Regions: Global.

ICG has, for many years, employed a rigorous pre-investment sustainability assessment process for investments in companies, designed to highlight areas of risk and opportunity for a particular investment covering a broad range of sustainability topics. This assessment may be supplemented with additional Sustainability and ESG due diligence performed by external advisers, which is mandatory for investments where ICG will have sufficient influence in the capital structure.

As part of a continual evolution of ICG's approach to sustainability, during the financial year ended 31 March 2024 we developed and implemented some enhancements to our sustainability processes, focusing on how we assess and engage companies across material sustainability factors, including:

(1) Development of an ICG Sustainability Priorities Tool (SPOTlight) to guide the pre-investment sustainability assessment and post investment engagement;

(2) Standardisation of sustainability content within Investment Committee (IC) memos; and

(3) Update of our Climate Risk Assessment methodology.

An enhanced focus on materiality

To focus the efforts of the deal teams on factors that matter most for companies being assessed, we updated ICG's pre-investment sustainability assessment approach to incorporate materiality through a new ICG Sustainability Priorities Tool (SPOTlight). SPOTlight, developed in-house with support from an external consultant, provides a systematic process for identifying and prioritising the sustainability factors pertinent to business activities and their impacts that are most crucial for the success of a given business and that of its stakeholders, now and in the future. SPOTlight informs and connects the investment decision-making process and post-investment engagement. Outputs of the tool are integrated into a new Sustainability Investment Committee memo template which provides increased comparability and transparency of sustainability analysis for Investment Committee consideration.

Review and Assurance framework

ICG has a number of review and internal assurance processes that provide regular feedback to management and the Board in relation ICG's governance processes, adherence to policies, management of key risks and related controls. The recommendations from these reviews help ensure ICG's practices are effective which in turn helps achieve fair and balanced stewardship disclosures.

As part of the review framework, executive management and the Board receive periodic updates over the governance, processes and controls that impact ICG's stewardship practices. Examples of the updates received are from the Sustainability & ESG Team on current sustainability policies, practices and disclosures, and Corporate Technology provides updates on how ICG manages cyber risks and how the operation of a distributed technology model improves the firm's business resilience. This ensures that senior management is able to challenge these processes periodically to maintain their effectiveness.

ICG's various business units are part of the Risk and Control Self-Assessment process (RCSA) (also referred to at Principle 4 above). This process is coordinated by Group Risk and ensures that each business unit periodically assesses their most material risks and controls. The output of the RCSAs provides opportunities to improve the ICG's approach to stewardship.

The second line functions also perform various review processes including the Compliance team's routine monitoring and deep-dive into activities to assess compliance with relevant regulations and legislation across ICG and Group Risk's annual Fraud Risk assessment of the effectiveness of the Group's controls that are designed to detect and prevent fraud. The results of these reviews are reported to executive management to ensure that processes, policies and controls are enhanced where required, in order to remain effective.

As the third line of defence, Internal Audit is a key provider of assurance to the Audit Committee and the Board in providing an independent view on the effectiveness of ICG's control environment including governance, the investment process and implementation of the firm's policies. Internal Audit operates an annual risk based audit plan which considers multiple risk factors including governance, policies of the firm and technology security which all impact stewardship. The recommendations made by Internal Audit ensure that the control environment continues to evolve and is designed to be effective in the protection of the interests of shareholders and investors.

ICG executive management and where appropriate, the Board, can engage with other external assurance providers to review internal controls and systems. These reviews can be ad hoc or performed annually. An example of this is the annual ISAE3402 Report on ICG's Internal Controls. The report is prepared for existing clients and their respective auditors and encompasses the different control frameworks established for the relevant strategic asset classes managed by the Group.

The outcomes of these review and assurance assessments provide opportunities for ICG to continually improve stewardship policies and practices. These enhancements are then disclosed in the Stewardship Code which continually improves ICG's stewardship disclosures and ensures that the reporting is fair, balanced and understandable.

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Investment Approach

Principle 6 – Client and beneficiary needs

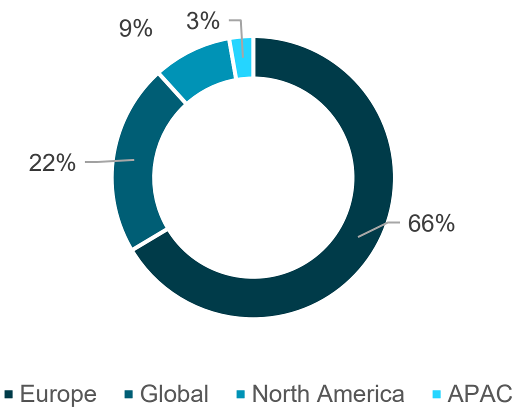
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

We manage $101bn of third-party assets globally on behalf of 695 clients (at 30 June 2024).

Our client base

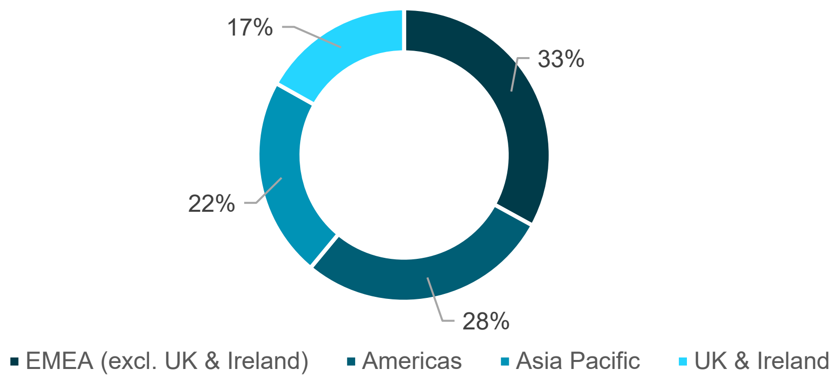
Our clients are all sophisticated investors, mostly institutions who have a range of investments across the alternative asset management space.

Third party AUM by geographical focus of strategy



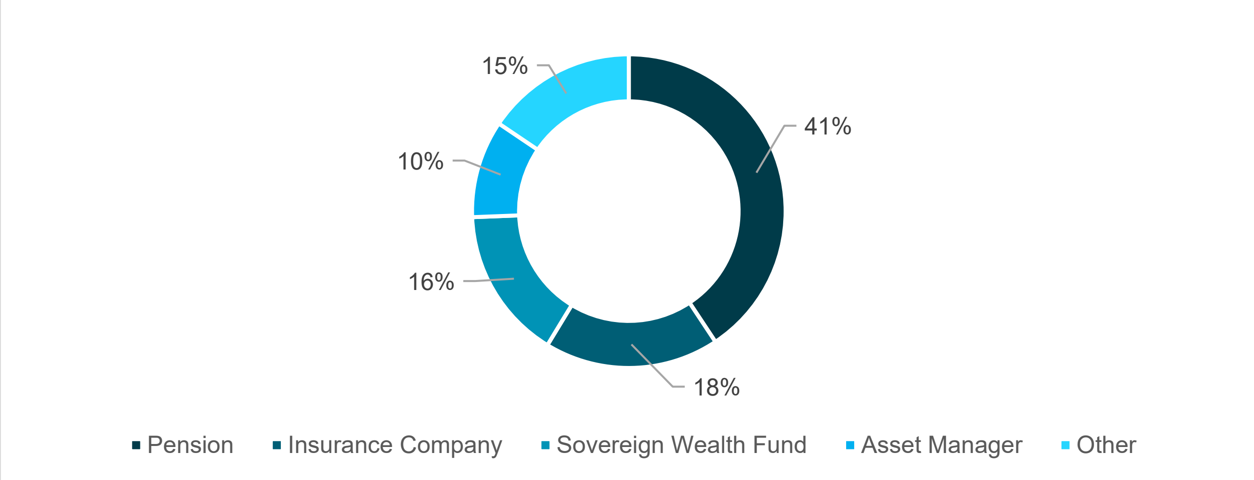
Note: Data as at 30 June 2024. Third party ICG AUM split by main geographical focus of the strategy.

Third party AUM by client geography



Note: Data as at 30 June 2024. Please note that due to secondary trading activities by CLO notes holders and shares in the listed funds, an exhaustive or accurate list of investors in CLOs or listed vehicles is not available and has therefore been excluded from AUM breakdown by client geography. Please note that the data provided in the breakdown here does not track redemptions from ICG's Liquid Credit funds. Data also excludes non-fee paying co-investments.

Third party AUM by client type



Note: Data as at 30 June 2024. Please note that due to secondary trading activities by CLO notes holders and shares in the listed funds, an exhaustive or accurate list of investors in CLOs or listed vehicles is not available and has therefore been excluded from AUM breakdown by client type. Please note that the data provided in the breakdown here does not track redemptions from ICG's Liquid Credit funds. Data also excludes non-fee paying co-investments.

The exact timeframes we consider appropriate for our investment activities and clients vary depending on the strategy, but typically our funds are closed-ended vehicles with contractual lives of 7 to 12 years; approximately 92% of our AUM is structured in this way with an investment period usually of 3 to 5 years. Each fund will contain a number of investments and, within each fund, we typically intend to hold each investment for a period of up to 7 years. We believe this time horizon enables us to focus on creating long-term value and aligns our clients' interests with those of the portfolio company.

When committing to a fund, our clients undertake detailed due diligence of the fund documentation, investment team, Investment Committee and the fund's investment remit and track record (if applicable). Clients may also enter into side letters where that client's requirements (whether in relation to investment approach, specific additional reporting or investment appetite) are documented. As a result, client expectations and their relationship with ICG are clearly documented and understood at the outset of their commitment to the fund, and these expectations and obligations are considered throughout the life of the fund.

Communication with our clients

Our in-house Marketing and Client Relations team engages regularly with all clients and potential clients, providing detailed updates on fund performance, new funds and other business developments. We hold annual client investor days and investor conferences which include detailed reviews of our strategies, deal developments, content on the macroeconomic outlook and performance, we also ensure our clients have access to our in-house distribution team as well as senior management and members of our investment teams. We also conduct more regular interactions and ongoing relationship meetings with existing clients and provide regular update reports on the performance of their investments.

The purpose of these meetings is broad, but in general meetings enable us to update clients on the portfolio and provide clients with an opportunity to discuss any concerns that they have so that we may respond appropriately.

Sustainability reporting is forming an increasingly integral part of our client reporting, including around climate change. Our Responsible Investing Policy and our Climate Change Policy are publicly available to all clients. We communicate to clients on a number of topics related to Sustainability and ESG, including how those factors are integrated into our investment process, the sustainability objectives that may be set by individual funds and details of key Sustainability and ESG factors considered therein.

Seeking and responding to clients' views

As part of our approach to ensuring we understand our clients and prospective clients' evolving priorities, our ongoing dialogue covers, as relevant, matters related to stewardship. In addition, we periodically undertake a comprehensive survey of client views covering all aspects of their relationship with ICG, including our approach to integrating Sustainability and ESG requirements into the investment process and Sustainability and ESG disclosures. We are continually enhancing our reporting of Sustainability and ESG matters and have made a number of changes to increase the clarity of our reporting around how we integrate Sustainability and ESG considerations into our investment decision-making and how we engage with companies in our portfolios (see case study below).

Case study: Adapting for Client Needs – Enhanced Sustainability Reporting

Asset class: All; Regions: Global

GHG emissions data: In line with our clients' needs and expectations, we have continued to expand the measurement of financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) Standard, and inclusion of such data in sustainability reporting to clients of a number of active funds managed by ICG. Disclosure of GHG data by private companies and for real estate property is still nascent, so for any gaps in reported data we utilise proxy data modelled by reputable external data providers. This year we assessed and reported fund-level financed emissions to our clients, alongside other portfolio metrics recommended by the TCFD, such as weighted average carbon intensity and portfolio carbon footprint, for funds representing 44% of AUM (as at 31 March 2024).

Tools to measure and report decarbonisation progress: For many alternative asset classes, beyond buyout and growth PE and real estate equity, there has been very limited guidance on measuring alignment of given portfolios with 1.5°C pathways (in line with the Paris Agreement). That is why, over the course of 2023/24, ICG joined forces with over 200 GPs and 40 LPs (including clients and potential clients) active in private markets to determine a common language for asset managers to describe where their portfolios are on their decarbonisation journey and the proportion that is managed in alignment with a 1.5°C pathway. The result was the publication of the Private Markets Decarbonisation Roadmap (PMDR). Through its Alignment Scale, the PMDR proposes an industry-consistent approach and criteria to classify portfolio companies along the decarbonisation trajectory, with the intent to incentivise real action across and within asset classes. ICG has begun incorporating the PMDR Alignment Scale in its pre-investment assessment, post-investment monitoring tools, and in its fund reporting to clients.

Investment Approach

Principle 7 – Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

As active stewards of our clients' capital we have an obligation to systematically incorporate a wide range of considerations into our investment decision making and processes, including material Sustainability and ESG factors, which can be an important driver of investment value as well as a source of investment risk.

ICG has been a signatory to the UN Principles of Responsible Investing (PRI) since 2013, and an active contributor to a range of collaborative industry initiatives, such as: initiative Climat International (iCI), CDP, Net Zero Asset Managers initiative, Invest Europe, the British Venture Capital Association (BVCA), Alternative Credit Council, and International Limited Partners Association (ILPA).

The day-to-day management of ICG, including oversight of Sustainability and ESG matters, is the responsibility of the Executive Directors. At a Group level, we focus on where we have a material footprint and meaningful impact.

The integration of Sustainability and ESG considerations into our investment activities, as governed by ICG's Responsible Investing Policy, is the responsibility of all ICG investment professionals, guided by the Sustainability & ESG team and with support from the Responsible Investing Committee. The RI Committee comprises senior professionals drawn from ICG's investment teams as well as the Sustainability & ESG team.

Our Responsible Investing Policy provides the overarching charter for our approach to responsible investing and covers 100% of ICG's assets under management. For each investment strategy we determine an applicable responsible investing approach, in which we analyse material Sustainability and ESG factors at each stage of the investment process, from screening through due diligence, closing, monitoring and eventual exit.

Integration of sustainability and ESG considerations in investment and stewardship activities

Each ICG investment strategy takes into account relevant Sustainability and ESG considerations, depending on the nature of the strategy and the level of influence over, and access to, management. The vast majority of ICG funds in the market that are subject to EU Sustainable Finance Disclosure Regulation are classified as Article 8 (funds that promote environmental and/or social characteristics) as at 31 March 2024.

Pre-Investment

For many of our strategies, the best opportunity to fully understand the Sustainability and ESG implications of an investment and to exert influence are largely at the time of initial investment. We start by considering our Exclusion List, as defined in our Responsible Investing Policy, to ensure that we do not make direct investments in companies that we consider to be incompatible with the corporate values and responsible investing approach of the firm.

For all potential investments, we identify whether there are any material Sustainability and ESG factors associated with the investment. We use our pre-investment sustainability assessment tool, with an incorporated Climate Risk Assessment, to guide this process. The tool identifies potential Sustainability and ESG risks by industry, sector and geography, including environmental concerns (with specific questions on climate change), social concerns (incorporating community, supply chain, human resources and health and safety-related issues) and corporate governance and ethical concerns. The results of this process are recorded in each investment proposal, so that the Investment Committee can confirm that sustainability and ESG factors have been explicitly assessed and ensure they are considered when making the investment decision.

In situations where ICG has significant influence, external Sustainability and ESG due diligence is typically conducted as standard and the results incorporated in the Investment Committee papers. Where material issues are identified, the Investment Committee may request further action is taken to ensure these issues are properly investigated or require further actions to be taken following an investment.

Case study: Updating our Climate Risk Assessment methodology

Asset classes: Structured and private equity, Private Debt, Credit; Regions: Global

This year ICG undertook a review of our Climate Risk Exposure Assessment methodology for investments in companies to ensure it remains robust and in line with market practice.

As a result, a number of enhancements have been incorporated into our pre-investment sustainability assessment and we:

- Expanded the assessment of exposure to both physical and transition risks to incorporate characteristics related to the company's specific operating model and value chain.

- Streamlined and updated external data sources to ensure we utilise the most relevant and up-to-date data that is designed for use by investors. One such notable enhancement is the incorporation of the Inevitable Policy Response (IPR) Forecast Policy Scenario (2023) into the transition risk assessment component, which also provides an indication of the implied carbon price for a wide range of jurisdictions on a consistent basis. For the physical climate risk assessment, we have integrated a consideration of how prepared a country might be to withstand physical climate hazards, utilising the University of Notre Dame's ND-Gain Country Index Vulnerability Scores.

- Divided the assessment into two types of risk: exposure and post-mitigation, allowing us to take into account specific measures put in place by companies to mitigate their exposure. For example, for transition risk, this incorporates the level of alignment of the company to net zero transition – utilising the Private Markets Decarbonisation Roadmap's (PMDR) alignment scale.

Post-Investment

In strategies where ICG is a minority stakeholder or where the nature of the strategy limits our ability to influence management with regards to Sustainability and ESG, we seek to monitor Sustainability and ESG risks and engage with management and other investors insofar as is feasible.

Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, we engage with management to seek to ensure they deliver strong performance on sustainability matters. Where appropriate we also exercise our influence at the board level of a portfolio company or an asset to engage on strategy, risk, performance and governance matters.

In strategies where ICG has influence and access to management, we look to maintain strong relationships with management at portfolio companies, and with controlling private equity sponsors, as relevant. These relationships allow us to maintain an ongoing dialogue around the Sustainability and ESG factors impacting the business and allow us to exert influence, wherever possible. For these companies, we circulate our Annual Sustainability Survey to better understand how they are managing Sustainability and ESG issues. Our Annual Sustainability Survey includes questions on risk assessment and management, governance, environmental management, climate change, and social performance.

Case study: Enhancing our annual sustainability survey for companies

Asset classes: Structured and Private Equity and Private Debt; Regions; Global

ICG started conducting an annual Sustainability Survey in 2015, and it now covers over 100 portfolio companies across our European and Asia Pacific Corporate, European Direct Lending and Strategic Equity portfolios.

The custom-built annual survey uses over 100 qualitative and quantitative indicators to assess portfolio company practices with regard to sustainability governance and oversight, compliance with ESG-related laws and regulations, and approaches to climate change, DEI and employee engagement.

Performance metrics captured are drawn from leading industry frameworks such as the Principal Adverse Impact metrics under the EU Sustainable Finance Disclosure Regulation (SFDR), the ESG Data Convergence Initiative (EDCI), the Task Force on Climate-related Financial Disclosures (TCFD), the GRI standards, and the SASB standards.

During the Reporting Period, the survey was updated to include information to assess each company's stage of decarbonisation based on the Private Markets Decarbonisation Roadmap (PMDR) alignment scale.

At exit

In strategies where ICG has influence and access to management, we typically consider engaging a specialist to conduct sell-side Sustainability and ESG due diligence in preparation for exit, to ensure that we are supporting the company to continue to make progress on Sustainability and ESG matters, and so that the potential buyer has a good understanding of the company's Sustainability and ESG risks and opportunities.

How sustainability and ESG considerations influence our investment decisions

Sustainability and ESG considerations are an integral part of making investment decisions and, as such, there are deals we decline or assets we exclude because they do not meet our robust Sustainability and ESG standards (see case studies below).

Case Study: Investment declined for governance reasons

Asset class: Private Debt; Region: Europe.

Background

ICG SDP was approached by a leading global private equity firm ("**PE Firm**") with a financing opportunity in connection with the PE Firm's acquisition of a minority stake in a fund administration provider (the "**Company**"). The PE Firm was in an exclusivity arrangement to acquire 25% of the Company's share capital, with the Company's co-founder, the chair of the group board, and management maintaining a majority stake.

The Company is a leading European fund administration provider for alternative asset funds, with €600 billion of assets under administration across 340 private fund clients. The Company differentiates itself by offering a high-touch solution for clients, building dedicated teams to support each individual client. As a result, the Company has an impressive NPS compared to its peers, supporting strong retention rates and driving strong recurring revenues – ICG SDP found that the Company's compound annual growth for the period FY18 – FY24 was more than double comparable peers, and was purely organic. The Company also had good growth prospects, strong free cash flow generation and an expected +20x valuation. As such, ICG SDP was of the view that the Company presented a strong credit opportunity.

Governance

Despite the strength of the credit, ICG SDP could not get comfortable with the Company's proposed governance structure and shareholder consent rights. While the PE Firm had two seats on the Company's Board and a number of veto rights (including: approval of the annual budget and business plan, debt issuance, amendments to constitutional documents, fundamental changes to the nature of the business and approval of cash funded M&A), the PE firm was not in control of the Company's Board nor able to replace the founder. ICG SDP therefore decided not to proceed with the opportunity, on the basis that the PE Firm did not have adequate control over the governance of the Company.

Case study: Investment declined for social and governance reasons

Asset class: Credit, Region: North America

In March 2024, ICG was approached with a refinancing opportunity relating to a family-owned casino company based in the Las Vegas metropolitan area, North America and which operated a handful of major hotel and casino properties (the "**Company**").

Through ICG's daily monitoring of the news/headlines, ICG was aware that there had been consistent reports that the Company had allegedly taken steps to prevent its workers from engaging with trade unions ("union busting activities"). ICG was also aware that the Company had continued to avoid collective bargaining and there were reports that a large, regional union of casino workers was seeking a revocation of the Company's license to operate.

After investigating and evaluating the content of the media reports, ICG declined this deal due to social and governance issues, which created reputational and operational risk.

Case study: Investment declined for incompatibility with Sustainability & ESG objectives (Exclusion List)

Asset class: Credit, Region: Europe

In July 2024, ICG was approached with an opportunity to invest in senior unsecured notes issued by a leading energy company based in South-East Europe (the "**Company**") with an opportunity to invest in unsecured loan notes issued by the Company.

The Company's key business activities include the supply, refining and trading of oil products, power generation, supplying natural gas and oil & gas exploration.

ICG's pre-investment due diligence revealed that the Company's exposure to oil & gas breaches ICG's Exclusion List and therefore ICG declined to participate in the transaction on that basis. *As referenced above on page 30 of this Report and in our Responsible Investing Policy, ICG maintains an Exclusion List to ensure that we do not make direct investments into companies that we consider to be incompatible with ICG's corporate values, sustainability objectives and responsible investing approach.*

Case study: Investment declined for governance reasons

Asset class: Credit; Regions: Europe

Background – 2023
In 2023, ICG's Credit team declined to invest in a potential bond issue by a UK gaming company on the grounds of significant exposure to near-term regulatory changes and a weak record of player protection.

At the time, the UK government was conducting a review of the Gambling Act 2005 with expectations to propose additional regulations for 2023/24. Management was not able to provide us with adequate comfort that the controls environment had improved materially at the time of the transaction, and this contributed to our decline. This contrasts with prior investments by other ICG funds in this sector where management had demonstrated a much more robust approach to regulatory matters. Additionally, in our view the company's player protection methods were weaker than top tier peers. The company was subsequently fined by the Gambling Commission (the largest fine ever issued by the regulator) due to "widespread and alarming" failures in safer gambling and anti-money laundering controls. In early 2023, the company announced the CFO's resignation amidst a slowdown in online betting and the company announced an investigation into failures to follow anti-money laundering procedures.

Reporting Period
In May 2024, ICG's Credit team was approached with an opportunity to invest into GBP fixed loan notes and EUR floating rate notes issued by the same UK gaming company. Management was not able to provide us with adequate comfort that the company had sufficiently improved its player protection and anti-money laundering controls. In addition, we became aware that the Gambling Commission is in the process of reviewing the results of an audit of the company's compliance procedures and operations (the outcome of which is pending). As such, the Investment Committee declined to participate in the investment due to our ongoing concerns about the company's governance processes and potential operational issues.

Case study: Investment declined for incompatibility with ICG's ESG objectives and potential reputational risk

Asset class: Structured and Private Equity, Regions: Europe

In 2024, ICG Enterprise Trust (**"ICGT"**) was offered the opportunity to co-invest in a global producer of professional haircare products (the "**Company**") alongside a third-party private equity manager ("**Manager**").

The Company is based in Europe but our ESG diligence process revealed that the Company had material sales exposure to Russia. Russia is classified as a 'prohibited jurisdiction' under ICG's compliance policy because it raises concerns regarding potential non-compliance with international financial sanction regimes, introduces geo-political risk and introduces the risk of reputational damage to ICGT. Companies with jurisdictional prohibitions under our compliance policy are subject to a detailed diligence processes and are evaluated on a case-by-case basis to ensure appropriate compliance controls are in place.

To address our concerns, we arranged an evaluation discussion with the Manager to (1) understand the Company's position in regards to relevant sanctions regimes; and (2) walk through the manager's proposed ESG approach for the investment. We took some comfort in the Manager's strong ESG credentials and its intention to reduce the Company's sales in Russia. We also noted the Manager and Company were both operating legally and in compliance with relevant sanctions regimes. However, we remained concerned with the inherent ESG risks associated with the Company's sales exposure to Russia and, following discussion with ICG's compliance team, decided to decline the opportunity largely due to those concerns.

Investment Approach

Principle 8 – Monitoring managers and service providers

Signatories monitor and hold to account service providers.

As an active asset manager, typically investing in unlisted assets, the majority of our activities are undertaken in-house. Where we believe efficiencies may be improved, we outsource certain services to experienced market-leading providers, such as our third-party administrators which are appointed to support each strategy with the administration of their funds, including by assisting in the onboarding of, and satisfying certain reporting obligations to, our clients. ICG personnel are responsible for the service delivery of such third-party providers and they actively and regularly review the quality of the service provision and escalate any issues to our Head of Operations and IT or our Executive Directors, where applicable. Appropriate due diligence is undertaken in advance of the appointment of all service providers.

Service providers are not used to directly support our stewardship or ESG integration specifically, but they are used as a source of data, analytics, research or advice to inform discussions with companies and supplement the analysis of our teams in relation to investment decision-making. In each case the provider has a clear remit.

ICG does not outsource any of its investment or stewardship responsibilities to service providers.

Case study: Service providers in the investment process

Asset class: Credit; Regions: North America, Europe.

ICG appoints third party service providers whose analysis informs and enhances our investment process. ICG has appointed a leading third-party ESG data vendor to provide principal adverse impact indicators ("PAI Indicators") for portfolio assets across our liquid credit platform.

ICG regularly engages with the data vendor to ensure the information provided to ICG is correct. Through such reviews of third-party vendor data, we have been able to actively improve data integrity for ESG reporting.

Case study: ESG Due Diligence advisors

Asset classes: Structured and Private Equity, Real Assets; Regions: Global.

For investments where we will be exercising significant influence; or have direct access to counterparties, we typically use third party sustainability and ESG consultants for expert ESG due diligence.

Both our investment team and sustainability & ESG team work closely with the relevant consultant, discussing due diligence updates regularly. The due diligence provider's final report is thoroughly challenged and reviewed, with the findings reported to the Investment Committee, as relevant, and/or incorporated into post-investment improvement plans of the underlying investee companies or assets.

This case study was included in our 2023 Stewardship Code Report and remains relevant for the Reporting Period.

Case Study: Cyber and Information Review

Asset class: All; Regions: Global.

Cyber and data security is a key priority for ICG and ICG undergoes a rigorous cyber and information review of new service providers before engagement, and current service providers annually, to ensure the safeguarding of its clients' data:

1. Any potential new service provider is required to provide their audit reports to ICG and populate a customised cyber and information security questionnaire, which automatically generates a risk score for that provider. Such risk scores are reviewed by the Head of Cyber Security and Service Delivery to ensure that the level of risk is acceptable to ICG and aligns with its risk policies. The questionnaire is repopulated and reviewed annually.

2. ICG conducts financial monitoring of each service provider by reviewing their credit reports, which also informs the risk rating assigned to each provider.

3. ICG also administers a vulnerability assessment of each service provider by checking the security of any of their public-facing IT services, the assumption being that poor external security measures are indicative of inadequate internal security.

During the Reporting Period ICG followed up with five service providers for more detailed investigation on the basis of their responses to item 3 above, until ICG were ultimately satisfied with the measures in place.

ICG is constantly assessing and updating its review procedure to ensure it provides adequate protection for current / live risks. For example, ICG recently updated its cyber and information security questionnaire for service providers – the updates included questions regarding artificial intelligence, given the increasing use of AI technology by service providers.

Case Study: Third-party administrator default

Asset class: All; Regions: Global.

The services of ICG's third-party administrators ("TPAs") are provided pursuant to service level agreements ("SLAs") which set out the deliverables and deadlines to be met and the relevant escalation procedure in the event of failure or default by the TPA. TPAs are reviewed against specific KPIs every quarter and assigned a risk RAG rating. ICG identified a number of errors, i.e. "risk events", by TPAs in the Reporting Period and categorised each incident according to their materiality to determine the level of response.

One such incident was the failure by a TPA to meet a fund reporting deadline on time. After internal review by the ICG Operations team, a theme of errors by that TPA was identified. ICG therefore required that TPA to submit a risk event form, including a number of actions and targets to be met by the TPA by specific deadlines, which was agreed in consultation with ICG, including ICG's Risk and Compliance teams. Such action items were logged in ICG's Risk and Errors Log and the TPA's progress was tracked until ICG was satisfied that the new controls implemented had mitigated the risk of a recurrence. An overview of the issue and the steps taken to resolve the issue were also reviewed by the Risk Committee.

Engagement

Principle 9 – Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Following investment, material risks and opportunities are monitored and reviewed, as a standard part of the portfolio monitoring process. The extent of influence and access to management are the two key determining factors in how we engage with portfolio companies on material risks and opportunities. Typically, our engagement is either via the Board of a portfolio company or directly with the CEO, CFO or (if appropriate) sustainability leads within companies, or with the private equity sponsor or borrower. Investment professionals from ICG drive this engagement and are supported as appropriate by other ICG teams (for example the Sustainability & ESG team when specific ESG expertise is required).

In strategies where ICG is a minority stakeholder or where the nature of the strategy limits our ability to influence management with regards to sustainability, we seek to monitor Sustainability and ESG risks and engage with management insofar as is feasible, in line with our governance rights.

Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, we engage with management to ensure they deliver high standard of sustainable business practices. Where appropriate we also exercise our influence at the board level of a portfolio company and engage with them on strategy, risk, performance and governance matters. In such situations, we add sustainability to the agenda of board meetings.

We seek to maintain strong relationships with management at portfolio companies, and with controlling private equity sponsors, as relevant. These relationships permit us to maintain an ongoing dialogue around the factors impacting the business and allow us to maximise our influence, whether through Board rights, contractual rights or our relationships with other investors in the company.

We may also encourage portfolio companies to set company-specific Sustainability and ESG targets and KPIs which can then be monitored over the life of the investment. Our engagement objectives are dependent on the specific strategy, though typically tend to be on Sustainability and ESG topics of specific materiality and relevance for each investment. In the Reporting Period we have set and monitored at least 100 KPIs with more than 100 portfolio companies across our North America, Europe and Asia Pacific portfolios (and some strategies monitor additional KPIs as part of their ongoing engagement with portfolio companies). Where we have concerns about the management of specific Sustainability and ESG matters, we raise these issues with company management where possible (for example, as part of our regular investment meetings with companies, or as part of board discussions in situations where we have a board or observer seat).

Our relationships permit us to maintain an ongoing dialogue around the sustainability factors impacting the business and allow us to exert influence, wherever possible. For these companies, we circulate our annual sustainability survey, to better understand how they are managing Sustainability and ESG issues. The survey has been enhanced and extended each year since its launch in 2015. In 2024, the survey was completed by over 100 portfolio companies and included questions in areas such a Sustainability and ESG oversight, climate change and DEI, among others.

For certain funds with an enhanced Sustainability and ESG framework, we have adopted a more thematic, top-down engagement and monitoring approach.

We set out below examples of our engagement during the Reporting Period:

Case study: Setting science-based emissions reduction targets

Asset classes: Structured and Private Equity, Real Assets; Regions: Global.

In November 2021, ICG committed to net zero across its operations and relevant investments by 2040. This commitment was supported by two ambitious science-based targets (“**SBT**’’) validated by the Science Based Target Initiative (“**SBTI**”). One of these targets was to ensure that 100% of relevant investments** have an approved SBT by 2030.

Since then we have implemented a dedicated SBT engagement programme with relevant investments to:

- Socialise what the SBTs are, how they can be developed, and the benefits to companies, including building business resilience and encouraging greater innovation.
- Support portfolio companies in establishing their carbon footprint baseline, following the GHG Protocol. Often this involved educating management teams about the fundamentals of carbon footprinting and recommending third-party climate advisors and/or solutions to support them in completing their baseline assessment; and building the capability to monitor progress in the future.
- Input into the development of science-based targets and emissions reduction action plans to ensure these are ambitious, yet feasible to achieve and aligned with the business plan for our investment.
- Have such targets approved by the SBTi.
- Support the implementation of decarbonisation initiatives through sharing networks, ideas and best practices across our portfolios.

In the 12 months to 31 March 2024, ICG engaged with and actively supported over 34 relevant investments representing nearly $10.6bn of invested capital. The engagement and support focused on establishing carbon footprint baseline, developing a carbon reduction plan, and setting science-based emissions reduction targets for validation by the SBTI.

As at 31 March 2024, 64% of engaged companies have established or are in advanced stages of establishing a decarbonisation plan and science-based target, meaning ICG has achieved its interim portfolio coverages target (50% by 2026) two years early.

**Relevant Investments include all direct investments within ICG’s Structured and Private Equity asset class and Infrastructure Equity strategy, where ICG has sufficient influence. Sufficient influence is defined by SBTi as follows: at least 25% of fully diluted shares and at least a board seat.

Case Study: Engagement in our Liquid Credit & CLO strategies

Asset classes: Credit; Regions: Global.

In order to play a more active role in encouraging better sustainability practices, ICG has maintained its focus on engaging directly with issuers in our Liquid Credit funds and CLOs, in addition to collaborating with other stakeholders.

With over 500 issuers across our credit portfolios, primarily sub-investment grade private issuers in Europe, North America and Australia, we recognise the need to be targeted in our engagement efforts. Given the nature of our credit strategies, we may engage directly with management teams or collaboratively with other lenders as part of a syndicate.

In the 12 months to 31 December 2023, ICG credit analysts engaged with more than 300 issuers across Europe, North America and Australia to seek more information and/or improvements on material sustainability factors.

As comprehensive sustainability disclosures are still nascent among sub-investment grade private issuers, our key focus of engagement in many cases was on improving transparency, including disclosure of ESG performance and GHG emissions. It is encouraging to see that 54% of issuers in four of our market value credit portfolios focused on Europe and North America (as at 31 December 2023 and excluding exposures to third party CLOs) measure and report GHG emissions – a significant increase from only 30% of issuers as at 31 December 2021.

Across Environmental, Social and Governance issues we have engaged as follows:

- Environment: 163 engagements on environmental topics, such as climate change, natural resource use and circularity.
- Social: 84 engagements on social topics, such as customer welfare, health and safety, workforce diversity, equity and inclusion
- Governance: 172 engagements on governance topics, such as board gender diversity, sustainability governance and strategy, business conduct.

Case study: Achieving higher sustainability standards with the Green Loan Framework

Asset class: Real Assets (Debt); Region: Europe

An ICG Real Estate Fund ("**ICGRE**") provided a debt financing commitment for the acquisition of Bartley Junction, a new 11-unit industrial warehouse development located in Hook, Yorkshire. ICGRE identified that this transaction provided an opportunity to apply ICG's bespoke Real Estate Green Loan Framework ("**RE GLF**") with the development targeting achievement of the highest ESG performance level under the RE GLF.

Background: RE GLF

The RE GLF provides a systematic approach including a set of green loan principles that ICGRE utilise to offer green loans to the real estate sector to support environmentally sustainable economic activities for developments, major refurbishments and standing operational investments. It enables ICG to provides pricing structures to incentivise borrowers to improve the sustainability of mid-market commercial real estate. (NB: Leveraging the success of the GLF, going forward ICG Real Estate Debt will employ a new Sustainable Loan Framework (SLF), which will include biodiversity and social criteria, and flexibility to use the most appropriate mechanism (Green/Social Loan financing or Sustainability-Linked Loan financing) to maximise sustainability outcomes).

Financing and ESG commitments

Bartley Junction is anticipated to complete in May 2025 and will be developed to a highly sustainable specification. Prior to ICGRE completing its financing commitment in April 2024, ICGRE's screening and evaluation process determined that Bartley Junction's development targets would result in the highest ESG performance level under the RE GLF – the sponsor has a strong focus on ESG and was proactive in setting ambitious sustainability targets for the development, including: an EPC Rating of EPC A+, an "Excellent" BREEAM rating, water efficiency criteria, sustainable energy generation and consumption, and the provision of ample sustainable travel infrastructure. The loan was structured with covenants in place, and financial penalties for breach of these covenants, to promote the achievement of these targets.

Continued engagement and monitoring

In accordance with the RE GLF's reporting requirements, the borrower is required to provide quarterly reports (tracking performance against the commitments made) and these reports are reviewed by ICGRE and verified ICG's third party environmental consultants as part of an annual verification process to ensure the RE GLF criteria is maintained throughout the development process.

This quarterly structuring provides ICGRE with periodic intervention points, should the sponsor fail to adhere to the commitments.

ICGRE also attends monthly meetings to discuss and assess progress towards the development's sustainability goals. For example, at a meeting in July, contractors queried the necessity of achieving BREEAM certification to be "Excellent" where the underlying planning consent only requires "Very Good". ICGRE was present to re-emphasise attainment of BREEAM Excellent is one of ICG's funding requirements

Case Study: Incentivising green retrofits of existing building stock

Asset class: Real Assets; Region: Europe.

ICG provided flexible debt financing for the acquisition and rolling refurbishment of Focus Teleport, an office property in Germany. The transaction offered an opportunity to enhance the sustainability profile of the asset via green financing, with key improvements in energy efficiency and the achievement of a green buildings certification for the property. ICG utilised the Green Loan Framework (GLF) to assess whether the loan would qualify for green loan financing.

The loan met the qualification threshold with 25/50 (medium green) based on achieving the following criteria:

Priorities	Commitment	Points	Progress
Energy efficiency	EPC B Rating	5/15	✓
Green building certifications	DNGB Gold	5/10	✓
Water	Water performance exceeding top 15% of building stock	5/5	✓
Renewable energy	n/a	0/5	
Health and wellbeing	n/a	0/5	
Net zero carbon	Commitment to meet Paris climate accord requirements	5/5	✓
Sustainable travel	Development of green travel plan	5/5	✓
Total		25/50	

The Sponsor is on track, having achieved the sustainability commitments for the asset set out in the loan:

- Water performance exceeding top 15% of building stock.
- EPC B commitment with initiatives including the replacement of lighting with LEDs and the procurement of renewable energy.
- DGNB Gold achieved.
- Carbon Risk Real Estate Monitor (CRREM) analysis performed.
- Sustainable travel plan developed.

Case Study: Annual ESG survey

Asset class: Private Debt; Regions: Europe and North America

As at 30 September 2024, our Private Debt sustainability and ESG portfolio survey results were submitted from 95% of the portfolio, consistent with the results from our 2023 survey results (95% of the portfolio as at 31 December 2023). We have highlighted below select metrics across three themes that we believe to they have universal importance for the lasting success of our borrowers.

Results include:

Sustainability Governance and Strategy

- 82% of borrowers have or are implementing a sustainability policy (2023: 73%)
- 25% of portfolio companies have senior management remuneration linked to ESG goals (2023: 21%)

Diversity, Inclusion & Engagement

- 65% of portfolio companies are implementing initiatives or targets to improve diversity, equity and inclusion (DEI) (2023:51%)
- 89% of borrowers have employee engagement survey or initiatives in place (2023: 89%)

Climate Change and Decarbonisation

- 68% of portfolio companies have begun assessing the business risks and opportunities related to climate change (2023: 67%)
- 84% of borrowers measure their GHG emissions (2023: 70%)

** Source: ICG's annual sustainability survey of portfolio companies across SDP in 2022, 2023, 2024. Qualitative data is reported in surveys as at point of collection (e.g. September 2024), quantitative data is requested for the period to 31 December, however companies may provide their latest available information aligned to their own financial and non-financial reporting. In 2024, as at 30 September 2024 we have results for 39 out of 41 portfolio companies. 26 (63%) completed the survey in 2024, and for 13 of the companies we have assumed no change since their responses to the prior year survey. In some cases companies have completed the survey but been unable to respond to specific questions, so the percentage results above reflect the number of respondents to each individual question. Coverage for each question in 2024 ranges from 95% and 88% of total portfolio companies. 2023 data is for respondents as at 31 December 2023, coverage for each question in the 2023 survey ranges from 84% and 89% of total portfolio companies.

Engagement

Principle 10 – Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaboration with peers and clients

ICG recognises the important role collaboration plays in advancing progress on sustainability. Collaboration is particularly important for ICG because for many of our investment strategies we must work with investment partners to drive improvements. ICG recognises that, in pursuing the best interests of our clients, we have a responsibility to collaborate and work closely with our peers and other stakeholder groups. ICG is committed to working with others to advance best practice and drive consistency in shared challenges, as well as learning from industry experts and thought-leaders for our own sustainability approaches.

ICG is an active member of the BVCA and Invest Europe, the UK and EU industry body for the private equity and venture capital industry respectively, and participates in a number of committees and working groups alongside other managers including the regulatory committee and the alternative lending working group. In these forums, we participate in discussion of matters affecting the entire industry and contribute to industry responses to the FCA, HMRC, HMT and other governmental or regulatory bodies in the UK and Europe. ICG's Global Head of Sustainability & ESG was appointed Chair of the iCI Net Zero working group, member of the iCI Steering Committee and is also a member of the Private Debt Advisory Committee to the UNPRI. ICG also actively contributes to working groups of other industry bodies such as Invest Europe, for example as part of the SFDR working group, is a member of the Alternative Investment Management Association (AIMA), the Alternative Credit Council (ACC) and the Association of the Luxembourg Fund Industry (ALFI).

We are also a member of a number of informal networks and groups with other industry participants to discuss matters of common concern. Subject to confidentiality and antitrust requirements, we encourage our personnel to discuss in general terms the challenges and opportunities facing them with their peers at other firms, which can improve insight into available options and may lead to collaborative approach with regulators or governments.

Case study: Tools and frameworks to measure attainment of decarbonisation progress across asset classes

Asset classes: All; Regions: Global

We refer to the following case study in Principle 6 but it is also a good example of how we collaborate with peers and clients (Principle 10) in order to ensure we adapt to their needs (Principle 6).

For many alternative asset classes, beyond buyout and growth PE and real estate equity, there has been very limited guidance on measuring alignment of given portfolios with 1.5ºC pathways (in line with the Paris Agreement). That is why, over the course of the Reporting Period, ICG joined forces with over 200 GPs and 40 LPs (including clients and potential clients) active in private markets to determine a common language for asset managers to describe where their portfolios are on their decarbonisation journey and the proportion that is managed in alignment with a 1.5ºC pathway. The result was the publication of the Private Markets Decarbonisation Roadmap (PMDR). Through its Alignment Scale, the PMDR proposes an industry-consistent approach and criteria to classify portfolio companies along the decarbonisation trajectory, with the intent to incentivise real action across and within asset classes. ICG has begun incorporating the PMDR Alignment Scale in its pre-investment assessment and post-investment monitoring tools, and will utilise it in its disclosures going forward.

Collaboration with other investors

ICG regularly co-invests, generally alongside a small number of other investors. Our ability to collaborate with other investors, and the role we play in such collaboration, varies materially by asset class.

In Structured and Private Equity, we often invest alongside equity investors and management teams themselves. Collaboration is through a variety of contractual and governance means, along with informal communications. This is discussed in more detail at Principle 9.

In our private debt strategies, we may invest alongside other lenders in a small club, where we would work with such other lenders to agree on an optimal debt solution for an issuer. This may lead to the group of lenders as a whole obtaining governance rights or covenant protection which is greater than that which would be available to any individual lender.

Case Study: Collaboration with portfolio companies and other lenders

Asset class: Private Debt; Region: Europe.

This case study provides an example of ICG SDP's approach to engagement and collaboration with portfolio companies and other lenders (in scenarios where there is a syndicate of lenders), ensuring that ESG KPIs are incorporated into loan documentation and actively monitoring the portfolio company's process against those targets.

ICG SDP has been a lender to a leading provider of enterprise software applications in the UK and Australia (the **"Company"**) since June 2018, continuously supporting the Company's M&A strategy. In June 2022, the Company refinanced its capital structure, entering into a new senior facilities package with a syndicate of lenders, including ICG SDP (ICG SDP is currently #1 lender in the syndicate) (the **"Lender Group"**). At the time of the refinancing, the Lender Group agreed with the financial sponsors and the Company's management to incorporate an ESG margin ratchet in the loan documentation with KPIs to be agreed at a later stage.

In accordance with that agreement, the Company and the Lender Group collaborated and exchanged views on ESG market best practices and explored potential KPIs. ICG's Sustainability & ESG team was actively involved in those discussions, providing constructive feedback to ensure the chosen KPIs reflected ambitious targets that are measurable and verifiable. In August 2024, a supplemental agreement was reached between the Lender Group and the Company, introducing two specific sustainability targets focussed on environmental and governance pillars. The KPIs are: i) the Company to establish science-based targets in line with, and to be validated by, the Science Based Targets initiative, with annual reduction in Scope 1 and Scope 2 emissions, and ii) the Company to develop a Code of Conduct with annual targets relating to the completion of training on that Code of Conduct.

ICG's collaboration with the wider Lender Group, the Company and the financial sponsors resulted in an outcome that will strengthen the Company's ESG strategy, serving as a good example for other companies within ICG's portfolio. ICG SDP will continue to engage and collaborate with the Company's management, the Lender Group and the financial sponsors, to monitor progress against the ESG KPIs.

Engagement

Principle 11 – Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

ICG invests predominantly in private companies, so this Principle is not entirely applicable to the nature of our investment strategies as we do not generally interact with or have need to influence public issuers. For those companies in which we have greater influence over the capital structure across our Structured and Private Equity strategies, we use our governance rights to share concerns and/or provide strategic guidance. Given then our close involvement where we are a majority equity holder we can usually direct management teams to adopt approaches (e.g. on sustainability) without the need for escalation.

Consistently our strong focus is on ensuring that the legal documentation in relation to our investments provides adequate downside protections to enable us to assess and escalate issues. Such protections may include further information rights, access to management and governance rights (such as step-in rights).

Escalation works differently for each of our strategies:

- For Structured and Private Equity, for direct investments, we utilise our governance rights, which typically involve a board seat, to bring matters to the attention of the full board of an investee company. For indirect investments, matters or concerns are raised with the manager, as required; and could be brought up to the Limited Partners Advisory Council of the fund, should we have the right to.
- For Private Debt, we maintain a productive dialogue with management and the sponsor.
- For Credit, we are typically part of a syndicate of lenders, so we utilise the established governance rights and/or rights enshrined in lender agreements to engage and/or seek more detailed information.
- For Real Assets, for direct investments where we are the asset owner we can work with our operating partners and tenants to raise issues, provide guidance and in certain cases directly implement solutions. In our debt investments we are typically the only lender in the structure and seek to engage with our borrowers to share concerns, raise questions or seek additional information.

Case study: Escalating ESG concerns

Asset class: Structured and Private Equity, Regions: Europe

In 2024, ICGT reviewed the opportunity to make a primary fund commitment to an experienced third-party private equity manager, one that we have invested with previously. The manager has an excellent track record and a proven investment strategy.

During our diligence, we uncovered a negative ESG-related incident regarding one of its portfolio companies that had been accused of anti-competitive behaviour. This incident was identified through our pre-investment ESG screening process, using RepRisk. To address our concerns, we arranged a discussion with the manager to further understand the situation and the manager's actions. We concluded that the manager responded adequately and had been cooperative with the relevant authorities. We took further comfort from the manager's ESG diligence conducted on the company before its investment, as well as the disclosures made to investors about the incident.

More broadly, we noted the manager's continued investment in dedicated ESG resources, including the recent senior hire of a Head of ESG, and improved ESG reporting. The manager reiterated its commitment to driving best-in-class ESG standards at the portfolio company. The outcome of the case is still ongoing, and we will remain in close communication with the manager.

Case study: Escalating and addressing concerns in a scenario of financial underperformance

Asset classes: Credit; Regions: Global

The most substantive situations in which our credit teams have matters escalated to them, and then go on to engage with other investors and portfolio companies to address those escalations, is where the portfolio company undergoes a restructuring and/or is experiencing financial difficulty and needs intervention to avoid restructuring.

ICG has a financing commitment to a single asset power plant (the "Company"), alongside a syndicate of other lenders. In July 2024, the sponsor escalated its concern to ICG that the Company was struggling with operational issues, weak cash flows and a possible Debt Service Coverage Ratio covenant breach. ICG performed a credit analysis for review by the Investment Committee and, alongside a group of other lenders from the syndicate, ICG decided to provide the Company with a covenant holiday in exchange for: 13-week cash flows and liquidity forecasts, a management summary of plant performance and management commentary on any variance between the Company's budget and its realised gross margins ("Reports").

ICG reviews escalations on a case by case basis – in this instance, the Investment Committee took a view that working collaboratively with the Company would ultimately ensure a better outcome for our clients, by providing the Company with time to recover/remedy the situation. ICG continues to monitor the performance of the Company closely, and has since received the first round of Reports. To the extent that the Reports raise issues for concern, ICG will conduct a full credit analysis for re-evaluation by the Investment Committee, which ultimately has the discretion to make a decision to withdraw from the financing if it proves an unviable investment of our clients' funds.

See Principles 9 and 10 for further case study examples of how we work with portfolio companies and counterparties, and how Sustainability and ESG matters are escalated to ICG throughout the life of an investment.

Exercising Rights and Responsibilities

Principle 12 – Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

As an alternative asset manager, ICG holds varying levels of rights and responsibilities across our portfolio, depending on the asset class and investment strategy in question. ICG not only actively negotiates such rights and responsibilities upon entry into an investment, but regularly utilises them to seek to deliver both attractive and sustainable returns to our clients and to ensure that our investments continue to comply with ICG's policies and values. ICG fully engages with its investments to the extent permissible in light of the relevant strategy and market norms.

Where ICG holds significant interests in, or can exert significant influence over, underlying portfolio companies, which is particularly the case in ICG's Structured and Private Equity asset class, material decisions at such portfolio companies typically require ICG's prior approval whether through board approval or resolution or in a meeting at the shareholder level. ICG will vote on all decisions related to its holdings, whether positively or negatively and, as an active manager, will be highly unlikely to abstain from a decision. Additionally, ICG will typically have directors on the boards of those portfolio companies in which it holds a significant shareholding percentage and will actively engage at every board meeting and outside of such meetings, in line with our rights and responsibilities as an investor.

Case study: Exercising our ESG responsibilities

Asset Classes: Structured and Private Equity; Regions: Europe

ICG's European Corporate and European Infrastructure Equity strategies have increased their focus on ESG matters, both on investment and in the course of ongoing governance. At the point of investment, the oversight of ESG and sustainability matters is reviewed and adjusted, as required, to ensure an adequate level of accountability and resourcing.

During the course of an investment, ICG ensures that ESG is a recurring item on Board agendas, with specific ESG KPIs monitored on an ongoing basis and reviewed annually.

This case study was included in our 2023 Stewardship Report and remains relevant for the Reporting Period.

Where ICG has more limited influence over portfolio companies in some asset classes, for example in our Credit asset class, our focus will be on ensuring we obtain the best commercial deal terms available. This may be, for example, through attending market soundings as an early potential investor, therefore allowing us a greater ability to influence deal terms and legal documentation. We will typically seek to use an external service provider to understand market terms of underlying documentation and will work with bank arrangers to seek amendments to such underlying documentation, for example in relation to restricted payments capacity, debt incurrence capacity, margin ratchets and ticking fees.

Case study: Influencing terms and strategy

Asset Classes: Private Debt and Structured and Private Equity; Regions: Europe

Throughout the life of an investment, we will actively engage with portfolio companies to the extent permissible in accordance with the relevant legal documentation to influence deal terms or company strategy in line with our sustainability and ESG policy and approach.

Select examples include:

- **Direct Lending**: ICG's SDP team has made use of ESG-linked ratchets in the terms of certain loans to incentivise meaningful improvements in the sustainability practices of borrowers.
- **Strategic Equity (GP-led secondaries)**: ICG's Strategic Equity team, with support from ICG's Sustainability & ESG team, will, where applicable, target engagement with GP partners to support them in further enhancing their approach to sustainability integration by sharing our experience and networks, as well as resources for portfolio monitoring and reporting. Ongoing sustainability engagement and monitoring are achieved through a combination of:
    - Active engagement with GP partners on material sustainability factors;
    - Board seats;
    - Information rights;
    - ICGs annual GP survey and follow up dialogues to discuss progress.

In both 2024 and 2023 all GP partners in Strategic Equity IV and V responded to ICG's annual GP survey.

Case study: Using long-term and sustainable investment solutions to preserve and grow investor capital

Asset class: Private Debt; Regions: UK

Background

Since January 2019, ICG SDP has been the lead lender to a leading operator of care homes in the UK (the "Company"). In October 2019, the sale of a division resulted in a reduction of the ICG's exposure under the Senior Facilities Agreement.

Over the course of 2020, the COVID-19 pandemic caused a significant drop in occupancy levels across the industry, driven by an increase in discharges and a concurrent reduction in admissions. As a result of this unforeseen drop, ICG SDP expected the Company to (a) breach its financial covenants by September 2020; and (b) potentially face a liquidity gap between March 2021 and July 2022.

As a long-term investor, ICG SDP worked closely with the Company and its owner to agree a comprehensive restructuring package. This took the form of several amendments made to the Senior Facilities Agreement, including (i) temporary suspension of the leverage covenant in favour of an occupancy-based KPI test; (ii) a rolling cashflow forecast to ensure ongoing adequate liquidity; (iii) the option for the Company to pay interest in kind ("PIK") for a limited period of time, with (iv) fees for the amendment added onto the debt balance rather than being paid upfront. Together, these measures helped alleviate and manage liquidity and provide the Company with sufficient flexibility to navigate the pandemic whilst protecting lenders' (and investor) interests.

Reporting Period

ICG SDP continued to closely monitor the Company's performance following the restructuring. With the abate of the pandemic, care home occupancy gradually increased over the course of 2022 and 2023 and eventually recovered to pre-COVID 19 levels in 2024, resulting in a significant improvement in the Company's financial position. The Company was subsequently acquired in October 2024 and ICG SDP's debt was fully repaid as part of this acquisition, resulting ICG SDP meeting its original return target for this investment.

Throughout the course of an investment, ICG SDP exercises its stewardship responsibilities by evaluating the merits of a short-term exit vs potential longer-term gains, considering (among other factors) the economic climate and the necessity to support its businesses through periods of temporary underperformance. In this instance, the solution implemented by ICG SDP preserved the Company's ability to operate and ensured the value of investors' capital (a) was preserved during a transitory period of instability; and (b) continued to grow over the long-term.

Case study: Incentivising sustainable business practices by introducing ESG KPIs through continued engagement

Asset class: Private Debt; Region: Europe.

Without an equity stake in the relevant portfolio company, ICG SDP exercises rights and responsibilities on ESG topics throughout the life of a financing commitment by structuring the loan with ESG KPI linked financial incentives.

In September 2022, ICG SDP together with a syndicate of other lenders (the "**Lender Group**") provided loan facilities to arrange the refinancing of a market-leading manufacturer of premium audio equipment (the **"Company"**). At the time of the transaction, the Lender Group and the Company management worked together to incorporate specific rights into the loan documentation – the inclusion of an ESG margin ratchet, with up to three specific KPIs to be agreed between the parties at a later stage.

In accordance with that agreement, the Lender Group drove continuous discussions with the Company's management and the financial sponsor to finalise supplemental amendments to the loan documentation, exercising their rights and responsibilities to ensure ESG KPIs were incorporated. The Lender Group ensured that the ESG KPIs (a) have potential for material environmental and social impact; (b) are science-based emissions reduction targets and / or could be quantified and tracked; and (c) would continue to support the ESG improvements made by the Company's management since the refinancing in 2022.

An agreement was reached with the Company in February 2024, introducing three specific ESG KPIs - i) continuous reduction of Greenhouse Gas Emissions, with set reduction targets for each financial year (reduction of Greenhouse Gas Scope 1, 2 and 3 emissions by 5% each year), ii) increased usage of recycled materials in the Company's products and packaging with set targets for each financial year (recycled materials accounted for 75.7% in FY23/24, to be increased by 1 percentage point every year), and iii) roll-out of audio mixing kits to schools and colleges with set targets to encourage young talents to pursue a career in sound engineering (50 to be rolled out in FY23/24, to be increased by 25 units for each following year).

These ESG KPI targets aim to drive the Company's ESG strategy and incentivise the adoption of sustainable business practices. The Lender Group will continue to exercise its rights and responsibilities to ensure that the ESG KPIs are met, by monitoring the Company's progress and through periodic engagement with management and the financial sponsor.

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