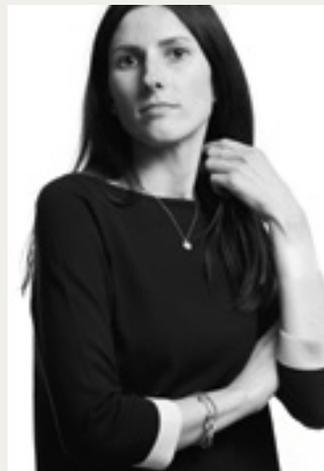




**PROVIDING  
CAPITAL TO HELP  
BUSINESSES  
DEVELOP AND  
GROW**



# A GLOBAL ALTERNATIVE ASSET MANAGER

Our culture centres around long-term relationships with a wide range of stakeholders, sustainable investment excellence, and an outstanding team demonstrating integrity, diversity and collaboration.

## Contents

### Strategic report

2	Our business at a glance
10	Chairman's statement
12	The ICG business model
16	Chief Executive Officer's review
18	Market environment
21	Our strategy and KPIs
24	Stakeholder engagement
24	Section 172(1) statement
30	Responsible business
33	Environment
34	TCFD disclosures
36	Employee engagement
37	Non-financial information statement
38	Finance and operating review
49	Risk management
57	Viability statement

### Governance report

58	Chairman's introduction to governance
62	Board of Directors
66	Corporate governance
68	Director induction and skills
69	Board evaluation
70	Audit Committee report
79	Risk Committee report
83	Nominations and Governance Committee report
87	Remuneration Committee report
92	Annual report on remuneration
102	Directors' remuneration policy
109	Directors' report
116	Directors' responsibilities

### Financial statements

117	Auditor's report
126	Consolidated and Parent Company financial statements
132	Notes to the financial statements

### Additional information

180	Glossary
185	ESG index
186	Our funds
188	Shareholder and Company information

## Highlights

---

Profit before tax

**£509.5m**

(2020: £114.5m)

---

Total Third Party AUM

**\$56.2bn**

(2020: \$47.1bn)

---

Ordinary dividend

**56.0p**

(2020: 50.8p)

---

UNPRI Assessment Results

**A+A+A**

(2020: AAB)

---

Visit [icgam.com](https://www.icgam.com)

**I**NVESTING  
GLOBALLY

**C**REATING  
VALUE

**G**ROWING  
SUSTAINABLY

See how we are investing globally, creating value  
and growing sustainably on pages 4 to 9.

# A global alternative asset manager

We manage \$56.2bn of third-party assets globally, investing across the capital structure. The funds we manage generate long-term contracted fee streams.

## Third Party Assets Under Management within strategic asset class

### Corporate Investments

Private equity, subordinated debt and senior direct lending investments across eight strategies

**\$27.2bn**  
(2020: \$22.8bn)

Average life of funds: 6–12 years

### Secondary Investments

GP-led secondaries and private equity fund of funds across three strategies

**\$4.7bn**  
(2020: \$3.7bn)

Average life of funds: 6–12 years



### Capital Market Investments

Multi-asset credit, syndicated loans, CLOs and structured credit across eight strategies

**\$18.0bn**  
(2020: \$15.3bn)

Average life of funds: 6–10 years

### Real Asset Investments

Real estate senior debt, subordinated debt and equity across five strategies and infrastructure equity

**\$6.3bn**  
(2020: \$5.5bn)

Average life of funds: 6–12 years

## Integrated ESG approach

### Strategic ESG priorities

Integrate ESG systematically into all investment activities



Responsible Investing Policy

[Read more on page 30](#)

Transparent communication with stakeholders



Internal and external communications

[Read more on page 24](#)

Ensure corporate behaviour models strong ESG practice



“Tone from the top”

[Read more on page 10](#)

### Focus on where we have a material footprint and meaningful impact

**Environmental**  
Climate change

[Read more on page 34](#)

**Social**  
Human capital management  
Diversity and inclusion  
Supply chain

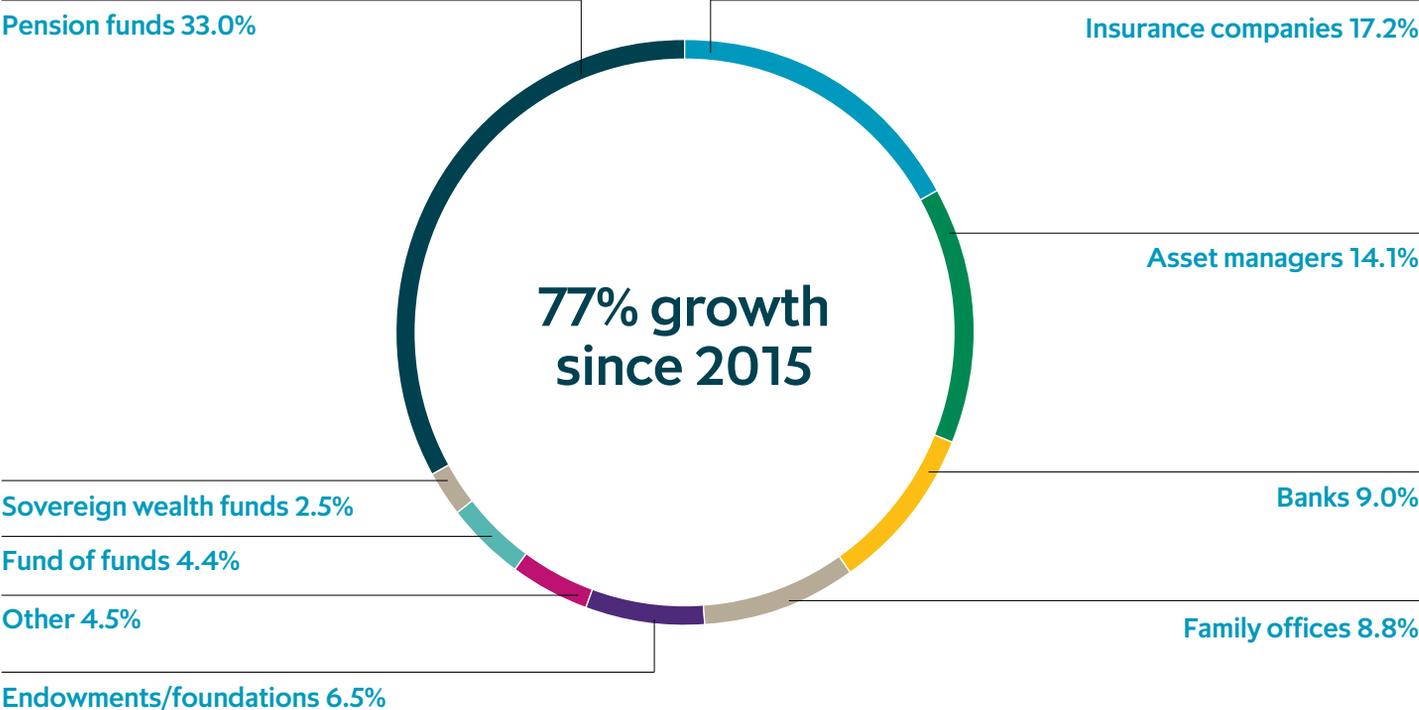
[Read more on pages 25-28](#)

**Governance**  
Anti-bribery and corruption  
Risk management

[Read more on pages 37 and 38](#)

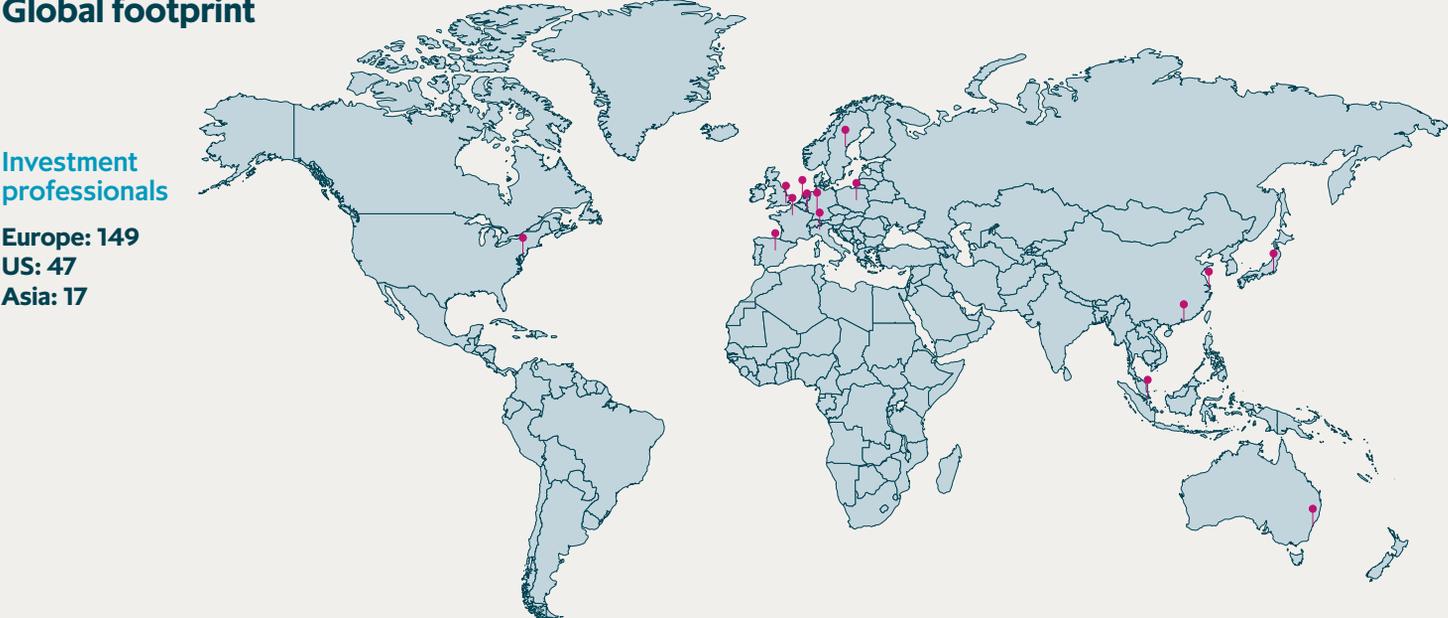
We have a diversified and growing group of blue-chip clients. We strive to deliver attractive returns on their capital over the long term. Our global in-house distribution team develops and manages our client relationships.

**476 clients globally**



A global footprint with deep access to local markets and an investment track record of over 32 years.

**Global footprint**





As a leading alternative asset manager, we provide capital to help businesses develop, grow and thrive in the global economy

# WE INVEST GLOBALLY



## We demonstrate our values as we raise and invest our third-party funds

Our Senior Debt Partners strategy invested in TSG Group (TSG), the number one European business-to-business equipment and systems distributor and services provider to energy distribution networks.

### Alignment to ESG priorities

TSG aims to be at the forefront of the move towards cleaner alternative fuels by supporting the increased infrastructure required to facilitate growth in the market.

TSG have launched several growth initiatives offering their core services for new energies:

- TSG is a leading player in installing 'on the move' electric vehicle charging stations for their clients, with more than 20,000 charging points installed across Europe
- Gas solutions: from compressed to liquid gas and hydrogen to support the transition to a zero emission mobility
- Professional wash systems, with a focus on environmentally friendly features

### How it demonstrates our values

Our team worked collaboratively to deliver a bespoke financing solution to TSG. The resilience of the business to climate change was a key consideration.





## Consistent and robust investment culture globally

Our local investment teams have sector expertise and long-standing relationships. They understand the markets in which they operate. These relationships initiate deal flow and provide early access to investment opportunities. This is a key competitive advantage in sourcing and managing investments for our funds.

Our granular investment approach provides a valuable information database from which our investment teams can gain market intelligence and unique insight.

Our consistent, robust and disciplined investment culture enables us to deliver attractive returns to our clients.

Our reputation for investment, built up over 32 years, has generated strong, supportive, asset sourcing networks globally.

We adopt responsible and sustainable business practices to make a positive impact to society through our investments.

[Read about our global footprint on page 3](#)





# WE CREATE VALUE

**We create long-term sustainable value for all of our stakeholders: investors, employees, clients and the communities in which we operate.**



## **Making space for growth with Jaguar Land Rover through an investment in new infrastructure**

Jaguar Land Rover is a British luxury automotive manufacturer. Our Sale and Leaseback Fund will finance a new 2.9m ft<sup>2</sup> distribution campus situated in a prime logistics location in the UK, which will be constructed by IM Properties and then leased to Jaguar Land Rover. The campus will be composed of five Grade-A warehouses serving Jaguar Land Rover's global parts business.

Jaguar Land Rover is consolidating from ~20 properties into the distribution campus which will serve as the home of Jaguar Land Rover's parts business, dispatching 93% of all spare parts required globally.

### **How this creates value**

The distribution campus is pre-let to Jaguar Land Rover on long-term leases with inflation protection. Long-term occupational demand for the distribution campus is underpinned by the prime location.



# Fund performance drives growth

Strong fund performance is a leading indicator of future growth in fee-earning AUM. Our fund performance is underpinned by our disciplined investment process.

Our 32-year investment track record supports fundraising as we retain existing clients and continue to attract new clients.

Our global in-house marketing team is client focused. We continue to expand and strengthen our client relationships by providing opportunities to invest in a diversified portfolio of strategies, with a single investment manager, which meet their risk and return needs.

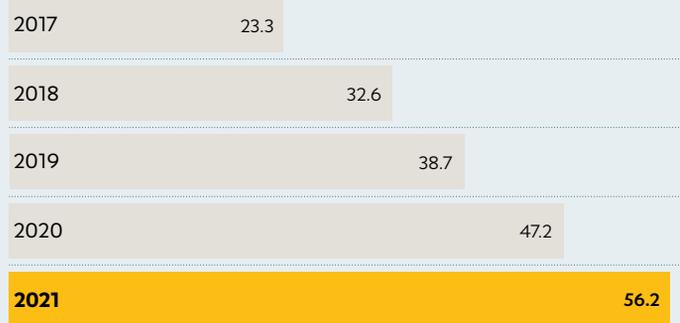
Our dedicated team gives us insight that enables the nimble and efficient design of new strategies to respond to market developments, client demand and investment opportunities.

We have a relentless focus on performance for our clients.



## Third Party AUM

**\$56.2bn**



## Five-year Total Shareholder Return

**254.1%**



[Read about investment performance for the year on page 38](#)

We strive for a more sustainable future, both as a company and as a part of the wider community

# WE GROW SUSTAINABLY



## Our European Infrastructure Equity Fund investment creates value for communities

Our European Infrastructure Equity strategy invested in CVE, a renewable power producer focused on solar photovoltaic, biogas and small hydro power generation operating in France, the United States, Chile and Africa.

CVE has developed an original vision: decentralised power production and a direct sales model targeted to suppliers, businesses and communities. With an overall capacity of 440 MW, the group produces green energy equivalent to the power consumption of a city with 320,000 people.

### Alignment to ESG priorities

Through its core activities, CVE contributes to achieving the following United Nations Sustainable Development Goals (SDG):

- SDG7: Affordable and clean energy
- SDG9 : Industry, innovation and infrastructure
- SDG11: Sustainable cities and communities
- SDG12: Responsible consumption and production

### How it demonstrates our purpose

Our partnership approach creates financial value for investors. Our strong responsible investing framework will enable this business to continue to deliver benefits to the wider society in which it operates.

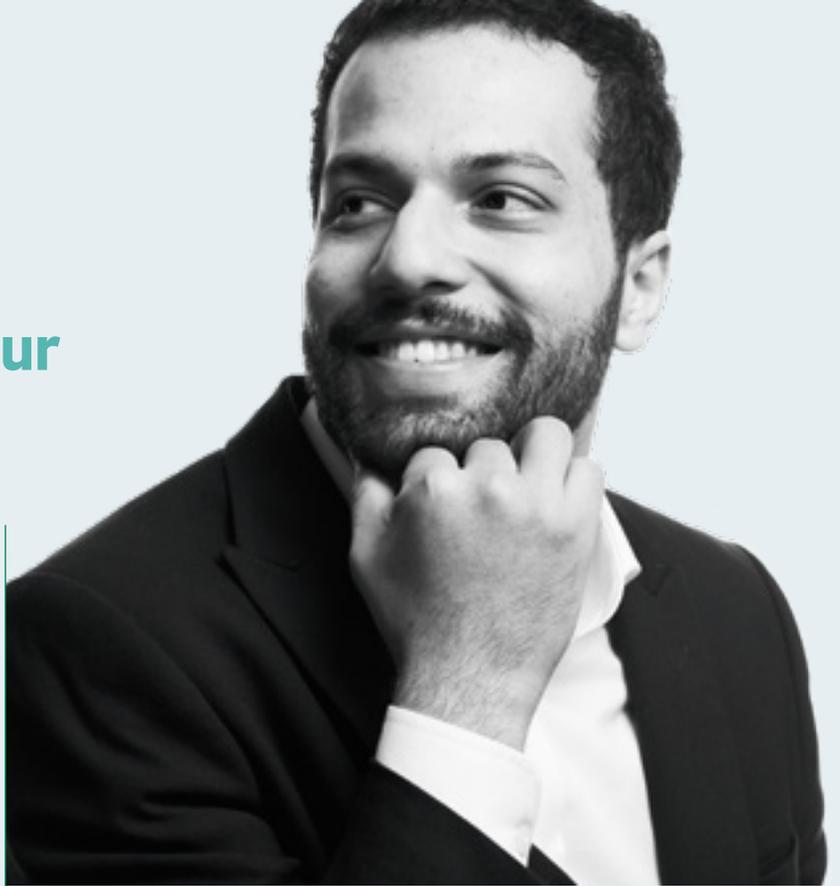
# ESG is embedded in our investment process

We believe in collaborating across the industry to raise investment standards. We are a member of the PRI Investor Reference Group on Corporate Reporting in order to address one of the major challenges we face as an investor in private equity and debt: the lack of good quality corporate ESG reporting.

We analyse ESG issues, including climate risk, at each stage of the investment process from screening, through due diligence, closing and monitoring to eventual exit. Each investment strategy implements the ESG considerations relevant to it.

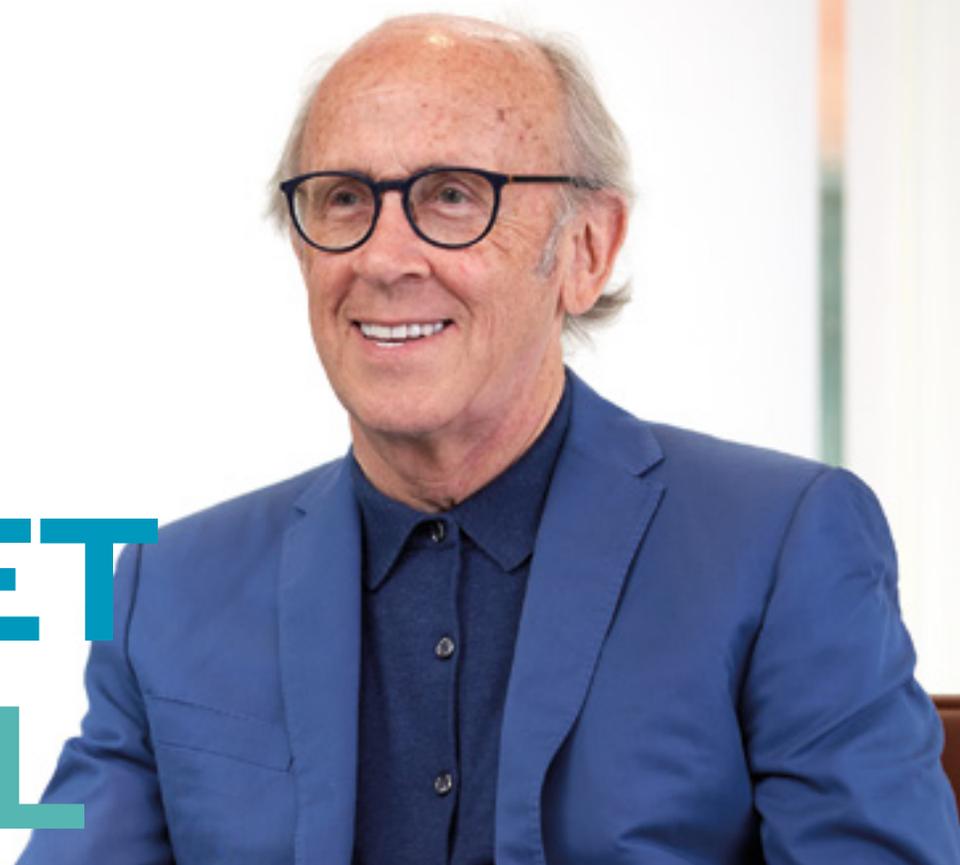
These depend on the nature of the strategy, the level of influence over the investment and access to management.

Climate-related risks were specifically taken into account in developing the Sale and Leaseback and Infrastructure Equity strategies.



[Read about how we embed ESG within our investment strategies on page 30](#)





# RISING TO MEET GLOBAL CHALLENGES

## To fellow shareholders,

At the time of my message to you last year, my first as Chairman, the world was in the depths of the Covid-19 pandemic. In the last year we have seen extraordinary demonstrations of human ingenuity in the remarkable pace of vaccine development and in the way people have adapted to this new way of living. Nonetheless, the last 18 months have tested individuals, families, businesses and governments in ways that few could have imagined. The fabric of society has been stretched, sometimes to breaking point.

We have also seen an acceleration of broader shifts that were already impacting society and that could have dramatic and long-term implications for the structure and cohesion of our society. Not all this acceleration has been due to the pandemic. We are living in an increasingly divided world where opinions have never been easier to broadcast, yet healthy debate and the constructive exchange of competing views feel less prevalent. Growing inequalities have led to the most vulnerable in society becoming more exposed. It is a hopeful sign of progress that we are becoming more conscious of historical inequalities based on race, gender and socioeconomic background, but these inequalities persist today and they must be addressed.

The pandemic has required governments to take on roles that they neither wanted nor anticipated. Responses have been uneven, and in any case should not be judged in the moment. But what is clear is that we came into this pandemic with a positive, albeit fragile, economic backdrop and we should not lose sight of the fact that we are privileged, in more developed economies, to be living in societies that are sufficiently resilient to allow us to take such dramatic actions to protect lives. A liberal democracy is one of the great developments of humanity. It has led to improvements in the health and wealth of citizens and to innovations and progress in healthcare, arts, culture, economics and technology. We must ensure it works for all of society, and we must continue to make a positive case to protect and preserve it.

Although asset prices have recovered strongly from the shocks in the first half of 2020, many businesses and individuals are reliant on unprecedented levels of government and central bank support. High government deficits and historically low interest rates mean there is ever less room to further support the economy through 'traditional' channels. While the possibilities of inflation and interest rate rises remain on the horizon, there may not be an immediately obvious cost to this support. However, the long-term impact of this stimulus is unclear, as are the speed and mechanisms of unwinding it. It could be a challenge in the coming years to balance the moral imperatives of supporting the most vulnerable in society with ensuring prudent macro stability.

# “I look forward to ICG playing an important role in supporting the growth of the companies and societies we invest in.”

## Financial resilience

Recovery from the pandemic is, of course, not for government alone. Business has a vital role to play, most obviously in ensuring that the basic services on which we all depend continue uninterrupted. Keeping the lights on, ensuring that there is food on the supermarket shelves, and, more broadly, providing employment and helping to maintain a healthy and diversified economy.

The financial services industry facilitates the flows of capital that enable growth. The alternative asset management industry focuses on the productive allocation of capital and expertise to businesses that require it in order to flourish, to deliver useful services, and to create employment. We are clear that the Group’s purpose is to provide capital to help companies develop and grow.

The Group<sup>1</sup> employs 470 people in 14 countries; we are international, but perhaps multi-local rather than multinational, directly impacting local communities. With this scale we have the depth of resource to operate effectively, and to stay close to our investee companies and to developments in our markets, while being nimble and responsive to opportunities and challenges as we encounter them.

## Responsible investment

Our ability to positively impact society is perhaps best understood in terms of the scale of the investment entrusted to us by the investors in our funds. We manage \$56.2bn of assets which are deployed into companies around the world employing thousands of people in total. We invest this capital on behalf of over 475 clients, and the ultimate beneficiaries are individuals: children, workers, savers, pensioners. We take that responsibility seriously, and it means that we are inherently focused on the long-term sustainability of the returns for our clients. These will only be assured if the Group and its portfolio companies behave in an environmentally and socially responsible manner. This year we designated Stephen Welton as the Non-Executive Director (NED) responsible for ESG matters.

Our commitments start at home. Our people are our single most important asset: they will drive our business today, tomorrow and in the years to come. It is both a moral and an economic imperative that we actively attract, retain and develop the best, irrespective of their background. We continue to evolve our approach to recruitment to ensure that we are making a positive contribution. At an industry level, there is more to be done in this area. Our work with Level20 and #10000BlackInterns is helping to drive change.

At a leadership level I am proud of the diversity we have on our Board with varied careers and backgrounds providing diversity of experience. During the year we announced the appointments of Rosemary Leith and Matthew Lester as NEDs, and I look forward to them bringing their perspectives.

Despite global uncertainty, and in part because of our ability to help actively shape the world around us, I believe the opportunity for alternative assets and for the Group is increasing and has very attractive long-term prospects. ICG provides capital across the world and across the capital structure to help companies grow. We partner with these companies for the long term, and this active management results in attractive risk-adjusted returns to our clients. This in turn makes the prospects for continued growth in assets under management very healthy, which is the key driver of returns to our shareholders.

The Group, like every other company, has of course been tested by the events of the past year. I am proud of how we responded to these challenges and of how our people have carried the business through these challenging times. I want to pay tribute to the ICG community: my colleagues, their families, our clients, the companies we invest in, and all those whose lives we touch. Thank you. I am proud and humbled by how you have risen to these challenges.

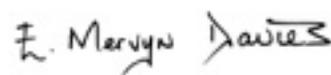
## Outlook

Looking forward, I see an uncertain economic and social environment. The global community has many difficult questions to answer about what we value, how we conduct ourselves, and what sort of world we want to pass to the next generation. We must not shirk these questions: history will judge us – as countries, as businesses, as individuals – by how we respond.

Humanity has shown yet again that it has a boundless capacity for innovation and resilience, the ability to rise to any challenge. That capacity is made up of millions of individuals stepping up to the moment. I find that inspiring. It gives me faith that we will navigate the issues we face, and that we will emerge stronger and better as a global society.

I look forward to ICG playing an important role in supporting the growth of the companies and societies we invest in.

The Strategic Report, on pages 1 to 57, has been approved by the Board of Directors and is signed by:



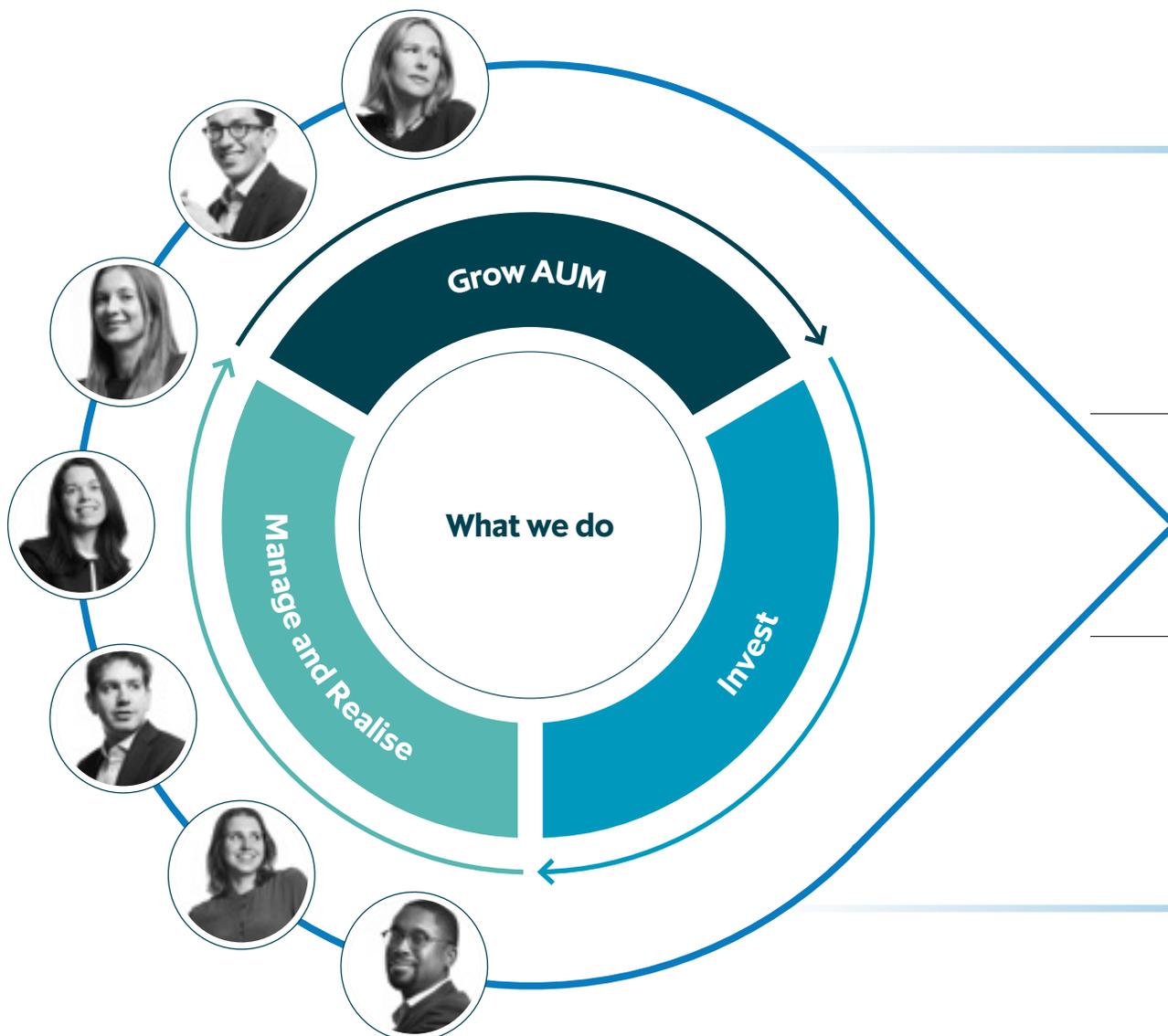
**Lord Davies of Abersoch**  
Chairman

8 June 2021

<sup>1</sup>Intermediate Capital Group plc and its subsidiaries

# Generating a positive impact

ICG provides capital to help companies develop and grow. We develop long-term resilient relationships with our partners to deliver value for shareholders, clients and employees, and use our position of influence to positively impact the environment and society.



## Our competitive advantages

### Local presence, global network

470 employees in 14 countries underpin our ability to source, execute and manage investments

### Ability to invest across the capital structure

We provide capital to companies in a form appropriate to their needs

### Focus on clients' needs

Global marketing team ensure that we continue to meet the requirements of our clients

### Capital to support growth

Our balance sheet is a strategic advantage that enables us to seed and accelerate new strategies and align interests with our clients

## Our resilient business model delivers shared stakeholder and long-term societal value

### How we generate shareholder value

#### Grow AUM

Raise and manage third party assets, largely in closed-ended funds  
 Earn management fees on committed or invested AUM

#### Invest

Identify and secure attractive investment opportunities  
 Earn performance fees if certain hurdle rates are met

#### Manage and Realise

Work with management teams in our investments to drive strategic change  
 Successfully realising investments crystallises returns for clients and shareholders



**Shareholders and lenders**  
[Read more on page 25](#)



**Clients**  
[Read more on page 25](#)



**Employees**  
[Read more on pages 26 and 36](#)



**Communities**  
[Read more on page 27](#)



**Environment**  
[Read more on pages 27, 30, 33 and 34](#)



**Suppliers**  
[Read more on page 26](#)



**Regulators**  
[Read more on page 28](#)

### Underpinned by our unified platform



Our culture  
 on page 5



Our risk management  
 on page 49



Our governance  
 framework on  
 page 66



Our fund distribution  
 on page 7

# Leveraging the power of our platform

## In conversation with the executive team

BD

**Benoît Durteste**  
Chief Executive  
Officer



VB

**Vijay Bharadia**  
Chief Financial and Operating  
Officer



AHR

**Antje Hensel-Roth**  
Chief People  
and External  
Affairs Officer



Our resilient model adapts to business development and other emerging trends while bringing together a network of skills and expertise, through long-standing relationships, to provide us with unique market insight and opportunities.

### How do you grow AUM?

**BD** Delivering outstanding investment performance for our clients underpins the growth of our AUM.

Our successful track record enables us to drive growth in three key ways: raising larger funds for existing strategies; expanding established strategies into new geographies; and establishing new investment strategies. I'm very pleased that during this financial year our growth was driven by a combination of all three of those factors.

### How do you deliver returns to shareholders?

**BD** Returns to our shareholders come from both underlying growth in our business and our progressive dividend policy.

Growth is the key driver of long-term shareholder value. This will come from increasing our third-party AUM, which will increase our third-party fee income and drive profits in our Fund Management Company (FMC).

Our progressive dividend policy, which is explicitly linked to profits from our FMC, is intended to ensure that shareholders benefit from the growth in FMC profits.

## How do you attract and retain talent?

**AHR** Our people strategy rests on three pillars: outstanding career opportunities; exceptional engagement; and economic alignment.

We focus on attracting top talent globally from all parts of the market to create teams that bring complementary experiences and diversity of thought. What unites us all is an ambition to further enhance the value our company creates and the impact we can have personally – whether that is through raising funds, investing well or running a high quality operating platform.

Our vision is to provide an inclusive and respectful environment in which each individual is motivated to fulfil their potential and contribute to our business goals. We are proud to have employees representing 38 different nationalities in offices across 14 countries.

To help us achieve our ambitions, we have focused on a number of actions internally, including a Women’s Development programme, a group-wide D&I committee, and a series of inclusive “network” groups for employees.

## How have you contributed to the wellbeing of your employees over the last year?

**AHR** Ensuring that our employees have been supported throughout the uncertainty of the last year has been a top priority. We already had an established Wellbeing strategy, and this offering has continued and extended throughout the year to ensure that employees and their families are supported both at home and in the office.

We continually monitor employee engagement, through surveys, focus groups, individual interactions and informal groups. We have also had valuable Board-level focus from Amy Schioldager, the NED with a specific responsibility for employee engagement, who has hosted meetings with our employees. Senior management have been regularly engaging through both formal and informal forums, with their teams, and with employees across the Group to maintain engagement and instil our cultural values.

## What have you learnt about the resilience of the ICG business model in the last twelve months?

**VB** As the crisis began to unfold, we were confident that our long-term contracted third-party fee income would be a resilient driver of profits: whatever the macro events, those fees provide us with a reliable and visible source of income over the long term. Similarly, we knew our balance sheet was very robust and could withstand significant external shocks due to its diversification, prudent capitalisation and strong liquidity profile.

Seeing this financial and operational resilience in action gave us great pride and confidence in the platform we have built. We continued to make targeted investments in our people and platform, and we were able to adapt quickly to the new operating environment.

While there are bound to be more unexpected events in the coming years, my key take-away from the last 12 months is that the ICG business model, operational capability and talent provide the Group with the agility to adapt quickly to changing circumstances.

## What are the greatest challenges for ICG?

**BD** As we continue to grow and broaden our strategies, a key challenge will be attracting and retaining the best talent to ensure we are able to continue to provide strong returns for our clients. Our market is competitive, but we have a strong brand, an exceptional track record and an attractive offering for current and future employees.

**VB** Our business is growing rapidly. It’s critical that our growth is sustainable, and that means continuing to invest in the operating platform that enables it, in both people and technology.

**AHR** Communication to our investors, our clients, our employees and other stakeholders is key. What we do can appear complex, but it is our responsibility to explain clearly and simply what we do, how we do it and why we do it, and to demonstrate how we have a positive impact on all our stakeholders.



# I INVESTING C CREATING G GROWING

## Business model has proven its strength; we look forward with confidence

The last 18 months have been unparalleled by almost any measure. The speed with which society and the economy moved from cautious optimism in February 2020 to later facing deep uncertainty tested people and businesses everywhere. ICG was not immune to this. As we looked ahead to FY21 we were expecting to continue our growth trajectory, including launching several new strategies. Circumstances changed, causing us to pivot quickly during the first quarter of our financial year to focus on protecting our people, engaging with our clients on the potential impacts on fund investments, and working with our portfolio companies to ensure that they had the financial and operational resilience to navigate the new environment. I am proud of how our employees responded and worked together during this period, and I would like to take this opportunity to thank them for their continued contribution to the success of ICG.

Against that backdrop, ICG continued to grow and develop. We furthered our Environmental, Social and Governance (ESG) agenda, invested in our talent,

and broadened our product offering through new strategies such as Life Sciences. We grew our Third Party AUM by 19%, expanded our client base by 8% and increased our headcount by 15%.

Client demand for our strategies in the year was materially higher than we had initially anticipated in an off-cycle year amid a challenging environment, with total fundraising of \$10.6bn – our third largest year on record. The levels of activity were very high across both deployment and realisations: we deployed \$7.2bn of Third Party AUM in our direct investment funds, realised \$5.1bn of Third Party Fee Earning AUM to underpin our investment performance, and seeded investments for new strategies as a prelude to them raising third party funds in the future.

Today, we report impressive results and announce our 11th consecutive year of dividend growth. Our business model, which is built on long-term relationships, local presence, and the visibility of future Third Party Fee Income from our closed-end funds, has proved itself throughout this extraordinary period.

## Procession House

With the Group's workforce having expanded rapidly in recent years, the Group moved to a new London office in September 2020. In keeping with the principles to which the Group holds itself accountable, various measures have been taken to ensure that both the fit-out and the building itself meet high ESG standards.

Situated near Blackfriars Bridge on the edge of the City of London, Procession House features:

- Efficient lighting and controls
- Sustainably sourced insulation
- 100% renewable energy
- Sustainably sourced finishes such as polishes and varnishes
- Water metering and the installation of efficient taps
- VOC and CO<sub>2</sub> monitoring of the air quality in the floor spaces
- Targeting to achieve >90% diversion from landfill rates



## Fundraising success drives AUM growth

Raising \$10.6bn of Third Party AUM in an off-cycle year is a particularly strong performance and, reflecting the increasing breadth of our platform, we had a total of 16 strategies raise capital during the financial year.

Senior Debt Partners IV, our direct-lending strategy which charges fees on invested capital, raised \$3.9bn of Third Party AUM during the year. This brought the total Third Party AUM raised for Senior Debt Partners IV to \$7.6bn at 31 March 2021. Towards the end of the financial year we launched Strategic Equity IV, our flagship GP-led secondaries strategy. This strategy charges fees on committed capital from the date of its first close, which was held on 19 March 2021, and had raised \$1.3bn at 31 March 2021.

Capital Market Investments raised a total of \$3.4bn, of which \$1.2bn was in liquid funds and \$2.2bn was in CLOs. Our liquid funds performed strongly and experienced net inflows during the year. The CLO market has been improving during the second half of financial year, enabling us to raise three new CLO vehicles (two in the US and one in Europe). We have also taken advantage of narrowing spreads by amending the terms of two existing CLOs to lock-in enhanced future returns.

The remaining \$2.0bn of fundraising included \$545m for two strategies that were raising first-time funds during the year (\$297m for Infrastructure Equity and \$248m for Sale and Leaseback), \$524m for Recovery Fund II and \$442m in aggregate for two Real Estate Debt strategies.

As we continue to build our franchise, we expect to raise larger funds for established strategies and to build demand for new strategies. The success we are experiencing in both our flagship and earlier-stage funds is a clear lead indicator of our long-term growth opportunities.

## Continuing to develop our client franchise

Through the year we enhanced our interaction with our clients, shifting to online Investor Days and increasing the frequency of communications. During periods of uncertainty, investors generally deploy more of their capital with established managers who have a strong track record and brand and with whom they already have relationships. We observed this trend during FY21, and were beneficiaries of it, whilst also continuing to grow our client base. At 31 March 2021 we had a global client base of 476 investors (31 March 2020: 439) from a broad range of countries and institutions.

The continued success and growth of our client franchise is underpinned by the strength of our Marketing and Client Relations team. During the year we made a number of senior strategic hires into that team to ensure that we maintain the highest standards of client service to support the continued growth of our client franchise.

## Managing our portfolios for long-term performance

We have a long-term perspective, and focus on investing in businesses with strong market positions and exceptional management teams where we can deploy our capital to help companies grow and develop. Our ability to invest across the capital structure is a particular strategic strength and allows us to provide capital in the form most appropriate to the company's needs.

Our funds delivered strong performance in the year, in particular those funds that have a higher proportion of equity-type investments. Our investments benefited from both our constant focus on downside protection as well as meaningful exposure to growing sectors such as healthcare, software and education.

Successful realisations are an important part of managing our funds' portfolios, enabling us to underpin fund performance and to return proceeds to our clients at an appropriate cadence and valuation. We took advantage of attractive opportunities during this year to realise \$5.1bn of Third Party Fee Earning AUM.

# Market environment

## Market

### Market activity

#### Description

- At the start of our financial year major equity indices globally were at or near their Covid-19 troughs, having fallen steeply during February and March 2020
- Through our financial year, markets rebounded strongly (FTSE 100 +23.1% and S&P 500 +63.6%), supported by substantial stimulus from governments and central banks
- The alternative asset management industry saw a slowdown in deal activity during H1 2020: the number of buyouts globally fell 24% compared to 2019<sup>1</sup>, with the second quarter of the year being particularly impacted
- A strong recovery in volumes during the second half of 2020 combined with a c. 24% increase in average deal size compared to 2019<sup>1</sup> resulted in an 8% increase in global buyout deal value in 2020 compared to 2019. This was 7% above the five-year average globally and in Europe total deal value was 13% above the five-year average

### Interest rates

- Global interest rates have been at historically low levels since the Global Financial Crisis and at the onset of the Covid-19 pandemic, core government bond yields fell further
- The strength of the economic recovery and the levels of government stimulus have led some market participants to ask whether inflation and interest rates may increase in the coming years
- This prompted a sharp rise in core government bond yields in late February 2021, driven by higher real yields as investors brought forward the expected date of central bank rate increases

### Brexit

- The UK left the European Union (EU) on 31 January 2020, entering a transition period. This ended with a trade and cooperation agreement between the UK and EU which came into effect on 1 January 2021
- The UK and EU confirmed on 26 March 2021 that they have agreed a Memorandum of Understanding to continue talks and co-operation on financial services

## Industry

### Demand for alternatives

- Demand for alternatives is very strong, underpinned by investors' search for attractive risk-adjusted returns; the ability for investors to allocate a portion of their capital to longer-term investments that are less susceptible to public market movements; and the outperformance of private market investments compared to public markets
- Alternative assets under management have grown at 10% CAGR from 2010 to 2020<sup>2</sup> and are expected to grow at a similar rate from 2020 to 2025. Within that, Private Equity is expected to grow at 16% CAGR and Private Debt at 11% over the same period

### Responsible investing

- The long-term trend towards focusing responsible investing continued in 2020 and 2021, and investors' interest in strategies which incorporate Environmental, Social and Governance (ESG) factors continued to increase against the backdrop of the Covid-19 pandemic

#### What this means for ICG

- Our diverse range of strategies and ability to invest across the capital structure mean that we are positioned to invest throughout economic cycles
- We generate fees from long-term closed-end funds and make investments on behalf of our clients for the long term. As such, short-term market moves do not materially impact our ability to generate sustainable profits or the performance of most of the funds that we manage
- Our Investment Company co-invests alongside our funds and therefore its performance will be correlated to the performance of the funds

- Our main driver of profitability and growth is third-party fee income, which is not impacted by movements in interest rates
- Where our funds invest in a company's debt, these are typically 'floating rate' instruments where the portfolio company absorbs the impact of interest rate moves (which is typically hedged with a third party). Any rise in rates is therefore unlikely to impact our fund performance
- The majority of our debt at Group level is fixed rate

- We planned for a range of Brexit scenarios that might have impacted our employees, our business or our clients. In 2017 we established a fund manager in Luxembourg and opened an office with locally-based employees. This has allowed us to continue to service our existing European-domiciled funds and to passport these funds throughout the EU
- Throughout the Brexit process, the Group has advised and supported our EU national employees in the UK
- We will continue to monitor developments closely and will take necessary steps to ensure that any negative impacts of Brexit on our employees, our business and our clients are minimised

- The structural tailwinds supporting our AUM growth are expected to remain in place
- As clients seek to allocate more capital to alternatives, our track record, breadth of strategies and expertise in investing across the capital structure position us well to attract these assets
- We expect to benefit from the flight to quality due to our track record

- We aim to be an important voice in the alternative asset management space for ESG issues. We are an active participant in a number of industry forums
- A number of our funds have sustainable characteristics. We continually review opportunities to develop and enhance the ESG focus of our funds
- We implemented a number of measures during the year to build on our ESG practices, such as issuing an ESG-linked RCF, implementing SFDR reporting with the vast majority of our funds reporting under Article 8, extending our Exclusion List, and integrating a proprietary Climate Risk Assessment tool into our investment processes

#### Read more

- Our business model → page 12
- The valuation of our balance sheet → page 38

- Our business model → page 12
- Our debt facilities → page 38

- Brexit planning → page 50

- Our clients → page 3
- Our range of strategies → page 2

- Responsible investment → page 30
- ESG index → page 185

1. Bain: 2021 Global Private Equity Report  
2. Preqin: Future of Alternatives 2025

## ICG is well positioned to benefit from private market trends

### Strong track record of investment performance

[Read more on page 38](#)

### Structured and holistic approach to responsible investing

[Read more on page 30](#)

### Multiple strategies to suit clients' investment objectives

[Read more on page 2](#)

### Proven ability to innovate and pioneer new strategies in response to client demand and market opportunity

[Read more on page 16](#)

### Large and sophisticated 'go-to-market' strategy through our client relations team

[Read more on page 7](#)

### Scalable and unified operating platform

[Read more on page 12](#)

## Integrated approach to ESG focussing on where we have the most material impact

We have a longstanding commitment to ESG, and we intend to stay at the forefront of this activity within our industry. Our priorities are to continue to integrate ESG systematically into all investment activities; to maintain transparent ESG communications with stakeholders; and to ensure our corporate behaviour models strong ESG practice. We have made progress against all these priorities during the year, and the Board has nominated Stephen Welton as the Non-Executive Director responsible for ESG matters.

Along with strong governance, which underpins all that we do, we see the greatest potential for ICG to make an impact in the areas of climate change and diversity and inclusion (D&I). I believe that in the short, medium and long term, continuing to make progress against our ESG objectives is critical for our business and for our stakeholder community.

Our investment activities present us with the most significant opportunity to make a positive impact. Each investment strategy uses our proprietary climate risk assessment tool in the initial investment process. This tool is used to assess each opportunity and considers both physical and transition risk (policy shifts, changing consumer demands and technological progress). Earlier this year we also strengthened our exclusion list to prevent any direct investment in companies which generate the majority of their revenue from coal, oil or gas. We currently have three sustainability-themed strategies: Infrastructure Equity, Sale and Leaseback and our Real Estate Partnership Capital VI fund. These strategies align with specific UN Sustainable Development Goals (SDGs), and all incorporate climate-focused SDGs including SDG 7 (Clean Energy) and SDG 13 (Climate Action). During the financial year the EU's Sustainable Finance Disclosure Regulation (SFDR) came into force, requiring funds to be categorised according to the extent to which they incorporate environmental and social criteria in their decision making. Most of our funds in the market are categorised as promoting environmental or social criteria (Article 8 under SFDR), and we are actively exploring strategies under Article 9 which have sustainable investment as their objective.

At the Group level we issued an ESG-linked RCF during the year, in which the economic terms are linked to us achieving specific objectives relating to carbon emissions and climate change, including our commitment to reduce our Scope 1 and Scope 2 carbon emissions by 80% by 2030. From a D&I perspective we undertook a group-wide employee survey, continued our program of Board-level engagement with employees, brought together our various employee-led networks under a D&I Hub,

and supported several initiatives focussed on enhancing inclusion within our industry including #10000Blackinterns and Level20, and becoming a core partner of the US charitable organisation Seize Every Opportunity.

### Well capitalised and resilient balance sheet bringing strategic benefits

Our balance sheet is a key strategic enabler for the Group. We use it to seed and accelerate new strategies, which drives long-term value for the Fund Management Company as these strategies mature. Commitments to our more mature strategies ensure alignment of interests between our shareholders, employees and clients.

Our balance sheet investment portfolio is widely diversified and is invested alongside our direct investment funds in circa 300 companies across 26 industries and 31 countries. Its value grew during the year from £2.2bn to £2.6bn, with the key driver being £376m of unrealised gains due to the strong performance of our funds.

During the year we continued to invest in our future growth by committing capital from our balance sheet to develop emerging strategies where the teams have not yet raised Third Party AUM. These commitments were made in respect of our Life Sciences strategy and, shortly after year end, our North American Private Equity and LP Secondaries strategies. These investments will accelerate raising third party funds for these strategies when market conditions allow. In addition to seeding new strategies, the balance sheet has invested alongside our clients to accelerate fundraising for our first vintage funds for Infrastructure Equity and Sale and Leaseback. Both developed a track record by investing balance sheet capital before launching their first funds.

The balance sheet is well capitalised, with a net gearing of 0.63x and available liquidity of £847m providing substantial flexibility to enable us to invest alongside our clients and to seed and accelerate new strategies.

### Outlook: Capitalising on the substantial long-term growth opportunity

This year ICG has not only proven its operational and financial resilience, it has continued a trend of significant profitable growth.

The structural tailwinds supporting the growth of the alternative asset management industry remain intact, and we have an excellent brand and platform from which to execute on that opportunity. The power of our business model is now clearer than ever: we combine a global footprint with local teams, and have high visibility on future management fee income from our closed-end funds, and are able to invest across the capital structure.

## 2021 performance summary

We have made strong progress during the year against our strategic objectives:

- Record profits: Group Profit before Tax of £507.7m and Earnings per Share of 162.3p
- Strong fundraising: \$10.6bn raised, bringing Third Party AUM to \$56.2bn
- Growth in Third Party Fee Income: £333.7m during the year, an increase of 20% compared to FY20
- Well capitalised and resilient balance sheet: £846.9m total available liquidity including undrawn £550m ESG-linked RCF; NAV per share increased to 566p; net gearing of 0.63x
- Progressive dividend policy: total dividend up 10% at 56.0p per share

### 1 Grow AUM

## \$10.6bn

Third Party AUM raised across 16 strategies, bringing total Third Party AUM to \$56bn

### 2 Invest

## \$7.2bn

Third Party AUM deployed from our direct investment funds

### 3 Manage and realise

very strong portfolio performance and realisations of \$5.1bn of Third Party Fee Earning AUM

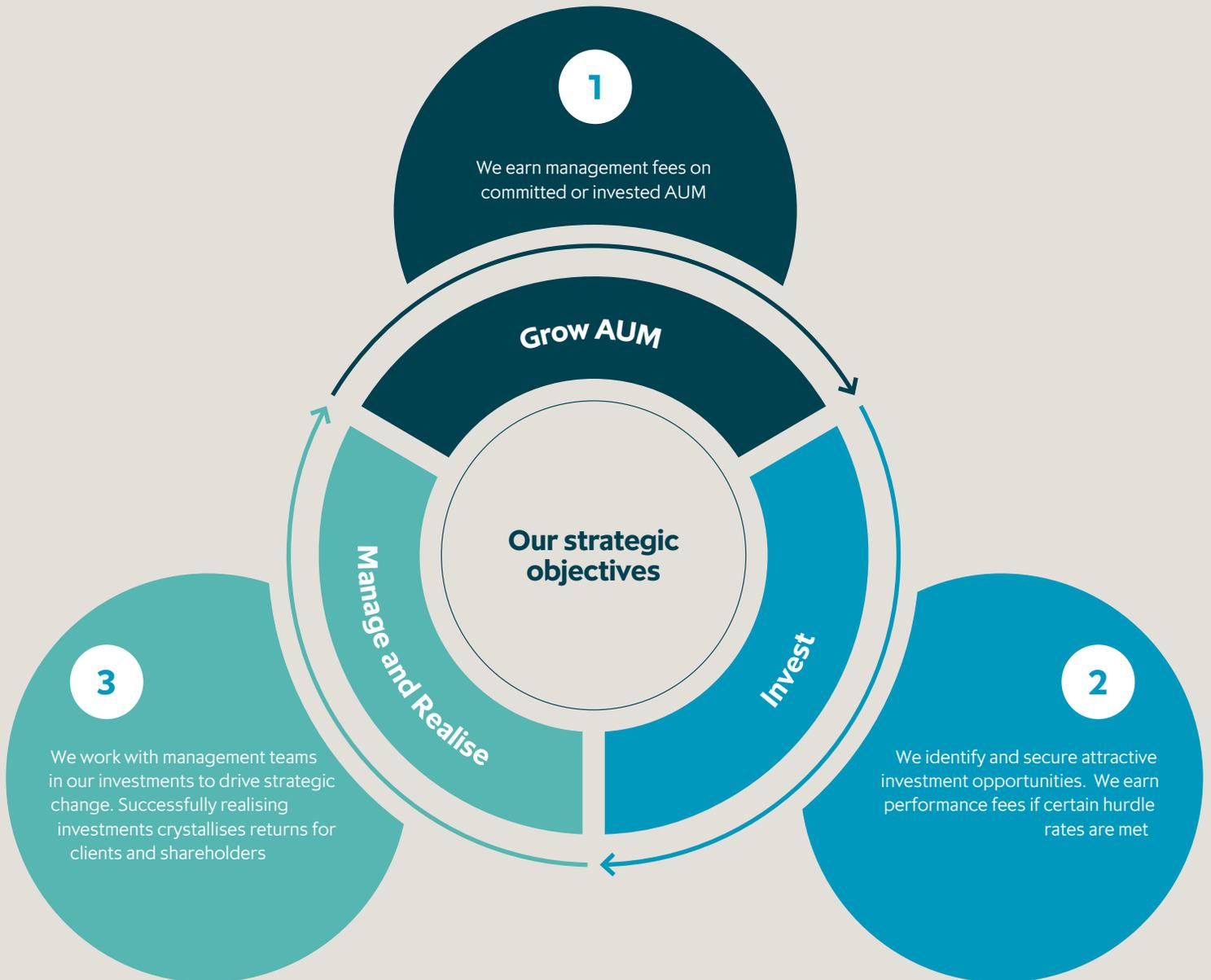
Results presented on an APM basis (see page 38)

Our confidence in our ability to execute on the opportunities available to us is underlined by our upgraded fundraising guidance: we now expect to raise \$40bn in aggregate in the four years to the end of FY25, with at least \$7bn raised in every financial year.

I am incredibly proud of the results the ICG team has achieved this year. FY22 has started well, with Europe VIII having its first close on 29 April 2021 and a strong pipeline of investments and realisations across all our strategies. We have a business model and financial profile that enable us to navigate the evolving and dynamic market conditions. We will continue to invest in our people and platform, while remaining disciplined and long-term in our approach to all that we do. I look forward with optimism and confidence that ICG is well placed to deliver substantial value to its stakeholders in the coming years.

**Benoît Durteste**  
CEO and CIO

# Our performance



### Alternative performance measures

Our key performance indicators (KPIs) include alternative performance measures, providing additional insight into the performance of our business.

The IFRS financial information on page 126 includes the impact of the consolidated funds which are determined by IFRS to be controlled by the Group, although the Group's loss exposure to these funds is limited to the capital invested by the Group in each fund.

The glossary on page 180 includes the definitions of these alternative performance measures and reconciliation to the relevant IFRS measures.

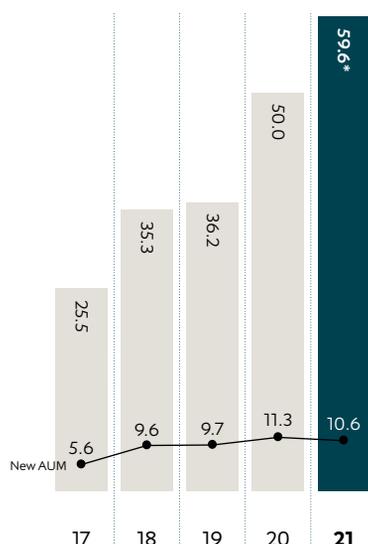
The following KPIs are alternative performance measures:

- Assets under management
- FMC operating margin
- Weighted-average fee rate
- Return on equity

# Monitoring our progress

## Total AUM (\$bn)

**\$59.6bn**



\* Total AUM includes Balance Sheet Investments portfolio of \$3.4bn.

Raising third-party funds is the lead indicator of the Group's profitability.

We expect to raise \$40.0bn in aggregate over the next four years, and at least \$7.0bn in every year.

### Performance

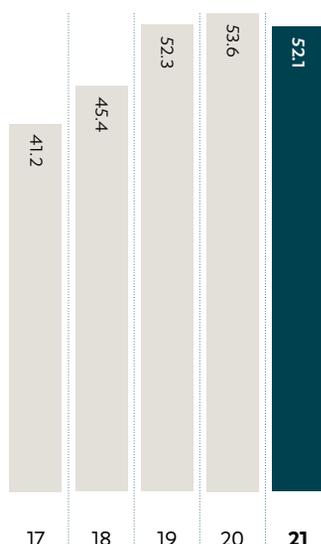
Exceptional fundraising performance in an off-cycle year raised \$10.6bn of new Third Party AUM. This exceeded the pace of realisations from older funds resulting in growth in total AUM.

### Alignment to strategic objective

1

## FMC operating margin (%)

**52.1%**



The FMC operating margin is a measure of the efficiency and scalability of the business. The Group has invested substantially in its growth and the return on this investment is measured through the operating margin. The Group is targeting a margin above 50%.

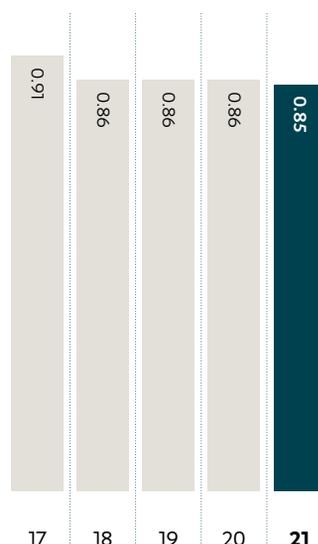
### Performance

The FMC operating margin remains above our target as the Group continues to benefit from raising and deploying capital while maintaining discipline and control over the cost base.

1 2

## Weighted-average fee rate (%)

**0.85%**



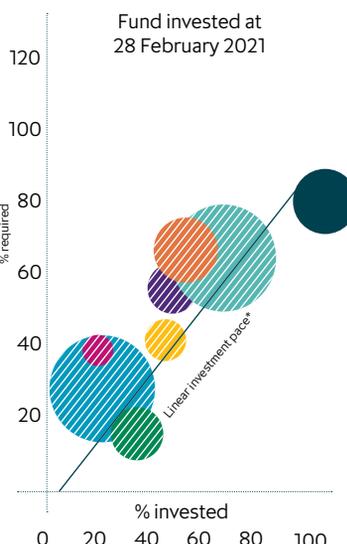
The weighted average fee rate on fee-earning AUM is a measure of profitability. Fees reflect the risk/return profile of the underlying asset. The weighted average fee rate across the Group will depend on the composition of AUM between the lower fee-earning credit funds and the higher fee-earning corporate and secondaries strategies.

### Performance

The weighted-average fee rate on fee-earning AUM is 0.85%, in line with the prior year.

1

## Deployment of direct investment funds (%)



\* Circle size indicates the Fund size.

Closed-end funds have a finite life and represent 87% of AUM. For these funds it is important for the capital to be deployed over the investment period. We monitor this against a straight-line deployment basis.

### Performance

Our ability to invest across the capital structure is a particular strategic strength during periods of uncertainty. Identifying attractive opportunities resulted in a higher pace of deployment.

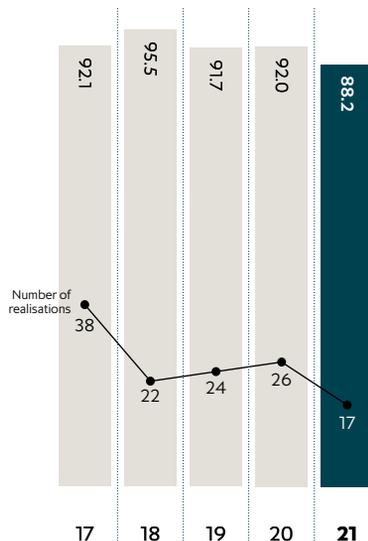
2

## Strategic alignment

- 1 Grow AUM
- 2 Invest selectively
- 3 Manage portfolios to maximise value
- North America Fund II
- ICG Europe Fund VII
- Sale & Leaseback
- ICG Senior Debt Partners IV
- Infrastructure Equity
- ICG-Longbow V
- Strategic Equity III
- ICG Europe Mid-Market

**Percentage of realised assets exceeding performance hurdle (%)**

**88.2%**



A key indicator of our ability to manage portfolios to maximise value is the level of realised assets for which the return is above the fund performance hurdle rate. This is the minimum return level clients expect and the point at which the Group earns performance fees.

Details of the hurdle rate per fund can be found on page 186.

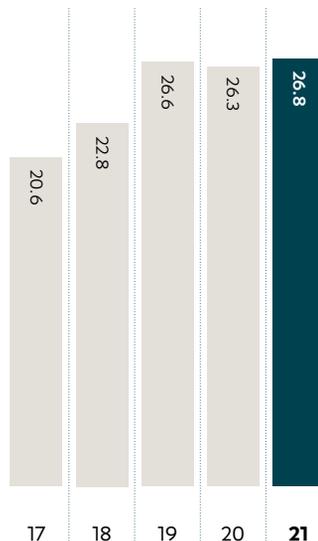
**Performance**

Successful realisations are an important part of managing our funds' portfolios. We took advantage of attractive opportunities during this year to realise \$5.1bn of investments within Third Party Fee Earning AUM.

3

**UK senior management gender diversity (%)**

**26.8%**



We believe a more diverse and inclusive workforce will enhance the delivery of our strategic objectives and shareholder value. We have pledged to increase the number of women in senior management roles in an industry in which senior investment positions are held predominantly by men.

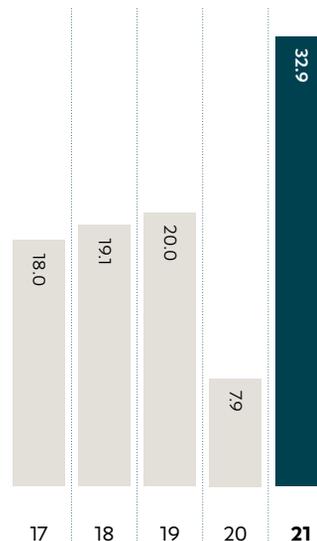
**Performance**

Continued progress in improving our gender balance across the business. We are developing business practices and a culture in which diversity and inclusion thrive. It will take time for the measures we have put in place to be reflected in these statistics.

1 2 3

**Return on equity (%)**

**32.9%**



The Group has targeted an ROE in excess of 13%.

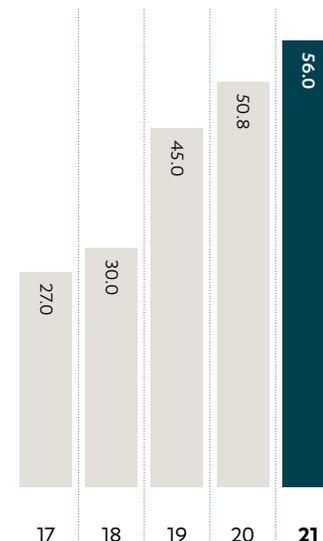
**Performance**

Record profits in both Fund Management Company and Investment Company have resulted in substantial growth in ROE.

N/A

**Ordinary dividend per share (p)**

**56.0p**



The Group's ability to pay dividends and return value to shareholders is a measure of its ability to generate returns from managing third-party funds.

The Group's dividend policy is to recommend a dividend pay-out of 80-100% of the Fund Management Company profit after tax on an APM basis.

**Performance**

We have maintained our progressive dividend.

N/A

Details of our Executive Director KPIs are shown on page 93.

# Engagement with our stakeholders

## Section 172 statement

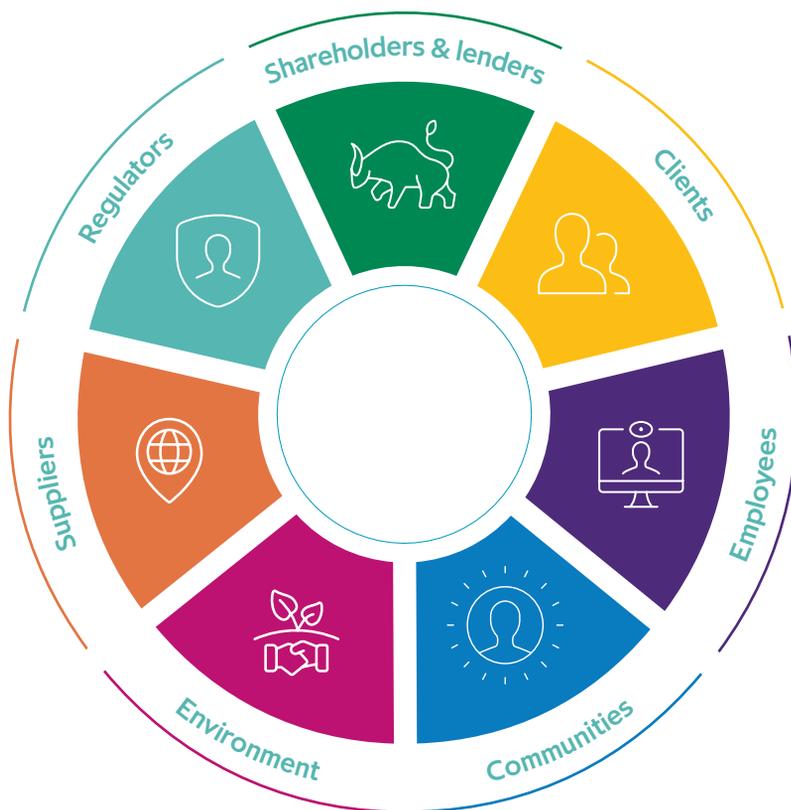
As required by the Companies Act 2006, the Directors have had regard to wider stakeholder needs when performing their duties under s.172. In particular, the Directors recognise the importance of acting in a way that promotes the long-term success of the Company to the benefit of its members as a whole.

We set out on the following pages how the Directors considered the interests of stakeholders. The clearest example of this is in capital allocation and the use of our balance sheet to support the long-term growth of our Fund Management Company. During the year, in determining the level of commitments our balance sheet would make to new funds, management and the Board balanced a number of considerations including:

- The long-term prospects of such new funds, what quantity of third-party AUM such funds and future vintages were likely to attract, and the management fee streams that would result from such third-party funds
- The level of balance sheet commitment needed to establish a track record to enable the Group to raise third-party AUM or to demonstrate alignment of interests between the Group and its clients
- The liquidity needs of the business
- The need to pay dividends to shareholders in line with our stated policy
- The prevailing market conditions

## Our key stakeholder groups

The Directors consider that the following groups are the Group’s key stakeholders. The Board seeks to understand the interests of each stakeholder group so that these may be properly factored into the Board’s decisions. We do this through various methods including direct engagement by Board members where relevant; receiving reports and updates from members of management; and receiving input and counsel from external experts as appropriate.



[Read about how the Board engages with stakeholders on page 60](#)

## Stakeholder engagement



### Shareholders & lenders

Effective access to capital is crucial for the success of the Group, and fostering a supportive investor base that is interested in the long-term prospects of the Group is of strategic importance.

We seek to foster a two-way dialogue with both current and potential shareholders and lenders.

We strive to communicate clearly to them our performance and prospects.

We also seek to understand their views on our industry and our business so that these perspectives can be factored into management and Board decisions.

The Group conducts an active Investor Relations programme, engaging with shareholders, lenders and rating agencies throughout the year using a variety of channels. Details of this can be found on page 60.

The Board and management receive feedback on shareholder and lender views directly from shareholders, from the Group's Investor Relations function and from third parties such as our corporate brokers.

- Ability to deliver continued strong growth for shareholders
- Clear communication of strategy
- Understanding our shareholders' and lenders' ESG requirements
- Balance sheet liquidity

- Increased engagement with current and potential shareholders both through regular reporting and off-cycle
- Enhancing relationships with the analyst and broader financial community
- Appointed Citi Global Markets Limited as Joint Corporate Broker alongside Numis Securities Limited
- Positive outreach programme in place of Annual General Meeting which was "closed" due to restrictions on gatherings
- Maintaining and upgrading the credit rating of the Group



### Clients

Clients entrust us with their money to invest on their behalf. The single largest driver of our long-term growth is continuing to attract increasing levels of capital from our clients.

Ensuring that we understand our clients' needs and serve them appropriately is fundamental to the success of the Group.

We are continually considering the position of our clients, and how we can best engage with them. More information on our clients can be found on page 3.

Our in-house distribution team engages regularly with all clients and potential clients, providing detailed updates on fund performance, new funds and other business developments.

We continued to hold annual client investor days and investor conferences, ensuring our clients had access to our in-house distribution team as well as senior management and members of our investment teams.

- Designing products to meet clients' needs
- Factoring ESG considerations into our investment processes
- Continuing engagement programme despite the constraints of the pandemic
- Reporting of portfolio performance

- Enhanced the reporting of ESG activities for portfolio companies
- Developed a number of funds with sustainable elements (for example Infrastructure Equity, Sale and Leaseback and Real Estate Fund VI)
- Continued to broaden our expertise and offering of funds to meet client needs such as hiring a Life Sciences team
- Offered successor vintages of established funds to meet client demand

**Why is it important to engage?**

**How have the Board and management engaged?**

**What were the key topics of engagement?**

**Outcomes as a result of that engagement**



## Employees



## Suppliers

### Why is it important to engage?

The success of the Group depends on collaboration and expertise across teams.

Effective two-way communication with our employees is essential to build and maintain engagement. Our employee engagement informs us where we are doing well and where further development should be considered and applied.

We work to ensure that our key suppliers are engaged with our business and that each party understands the approach of the other.

This enables our suppliers to better meet our needs and us to understand their perspective, as well as delivering appropriate oversight of the supplier relationship.

### How have the Board and management engaged?

We have a number of formal and informal channels to achieve this, including our confidential employee engagement surveys, regular whole company business briefings and regular team meetings.

Amy Schioldager is the NED responsible for employee engagement, and she held a number of formal and informal sessions with employees during the year in individual and group forums.

Details of our employee engagement can be found on page 36.

We hold regular relationship meetings with our key suppliers to ensure that any issues in our interactions with them are fully considered and addressed.

### What were the key topics of engagement?

- Managing the complexities (practically and emotionally) of working from home
- Integrating new hires remotely
- Succession planning
- Ensuring that the employee experience is not impacted by our growth trajectory
- Growth and development of our employees
- Wellbeing of employees
- Ability of third-party administrators to support us during Covid-19
- Liquidity challenges faced by smaller suppliers
- Ethical procurement practices

### Outcomes as a result of that engagement

- Increased the level of formal engagement with senior management, for example through more regular 'town halls'
- Implemented new system of performance management and reviews
- Rollout of enhanced training and development programme for employees
- Ongoing diversity initiative led by our Diversity and Inclusion hub
- Virtual global induction event held for new joiners
- Reviewed prompt payment practices to ensure that suppliers are not left unpaid for inappropriate lengths of time
- Supplier management programme reviewed and specialist in oversight of suppliers hired to review key relationships
- Conducted Modern Slavery policy review



## Local community

We are a people business, with offices in 14 countries and investing money on behalf of clients including pension funds and insurance companies worldwide.

Our actions have meaningful and direct impacts on local communities. It is incumbent upon us to ensure that we actively cultivate and maintain strong local relationships and help our local communities share in our success.

We carried out a review of our contribution to wider society and we have decided to substantially increase our work in the area of social inclusion through education.

- Identifying the most appropriate way for the Group to positively impact its local communities
- Continued commitment of employee time to charitable initiatives

- Established more robust internal governance around charitable giving
- Donated £250,000 to the Covid-19 Solidarity Response Fund for the World Health Organization and City Harvest
- £1.5m, three-year relationship with the Education Endowment Foundation supporting the Nuffield Early Learning Intervention and the Tutor Trust
- Local charitable partnerships led by each of our offices



## Environment

We are aware of the impact of our business operations on the environment. We are seeking to reduce our own negative impact, and those of our funds' portfolio companies.

Details of our focus on environmental matters and climate risk can be found on pages 33 and 34.

- How to integrate climate risks into our corporate decision making
- Ensuring that investment decisions are made with appropriate regard to environmental factors, including our shareholders' and lenders' ESG requirements

- Moved London head office to an energy efficient building, reducing our carbon footprint
- Developed a Climate Risk Assessment tool that is being implemented firm-wide to ensure all investments are assessed with a view to climate risk (see page 30)
- Focused on developing funds that have a positive environmental impact (see page 30)
- Incorporated explicit ESG targets into the terms of our new Revolving Credit Facility (see page 32)
- ESG training provided to all investment employees
- Stephen Welton nominated as the NED responsible for ESG matters
- Enhanced relationship with SolarAid to offset our carbon dioxide emissions

**Why is it important to engage?**

**How have the Board and management engaged?**

**What were the key topics of engagement?**

**Outcomes as a result of that engagement**



## Regulators

### Why is it important to engage

We are subject to regulation by a variety of financial regulators in a number of jurisdictions worldwide.

Understanding and adhering to the standards set by these bodies is of paramount importance to our standing as an asset manager and to meeting the expectations of our stakeholders.

We mandate our employees to comply with these standards, which are built into our business practices and processes.

### How have the Board and management engaged

- We engage with regulators in a transparent manner, completing required filings and other submissions and acting responsively and thoughtfully to any inbound queries

### What were the key topics of engagement

- We participate in industry bodies and consultations and provide input to regulators through these and similar channels

### Outcomes as a result of that engagement

- We continued to strengthen our presence in Luxembourg to meet the regulatory requirements set out by the CSSF
- We have overhauled our LIBOR-related documentation to take account of forthcoming changes and best practice
- After participation in a number of industry round tables with regulators, we reviewed all fund documentation and related disclosures in respect of the implementation of the Sustainable Finance Disclosure Regulations



## Financial reporting

During the financial year ended 31 March 2021 the UK's work from home requirement

imposed as a response to the pandemic made the year end process more operationally challenging for the Group, and for our auditors to complete their audit. The Audit Committee recommended to the Board that, in order to ensure an orderly market announcement of the results for the financial year ended 31 March 2020, sufficient time for appropriate preparation and scrutiny of the Group's accounts should be made available.



## Shareholder engagement

The Board recognised very early in the pandemic that additional engagement with

shareholders would be necessary to ensure that the Group's financial strength was clearly understood. The Board supported management's enhancement of the ongoing shareholder relations programme, increasing communication with current and potential shareholders and ensuring that information provided to analysts and the broader financing community emphasised the long-term nature of the Group's fee streams and diversity of investment portfolio.



## Capital allocation

Throughout the year, the Board carefully considered capital allocation in line with the

business plan proposed by management (which was similar but not identical to the original pre-pandemic plan). It was concluded on each occasion that it was in the long-term interests of stakeholders for the Group to continue to seek to grow its range of funds and investment strategies, and that there were sufficient resources available to continue this. As such, the Group has continued to deploy capital from its balance sheet throughout the year in support of new and existing strategies.



### Employee support and engagement

At all Board meetings during the year, including a number of ad hoc meetings, the Board received regular updates from the Chief People and External Affairs Officer about employee wellbeing, and offered

their views on how employees could best be supported (through initiatives such as wellbeing programmes and technology provision).

Amy Schioldager, the designated NED for employee engagement, continued her work with employees, conducting focus groups during the year with a range of employees globally to obtain their feedback on the ongoing challenging circumstances. She reported on this work formally to the Nominations and Governance Committee leading to further discussion about the support provided to employees.

### Additional Board meetings

During the initial phase of the pandemic, a number of additional ad hoc Board meetings were held. These were partly for the purpose of receiving a business update from the Executive Directors, but also served an important purpose in allowing the Board to pool their thoughts and ideas about responding to the pandemic in the interests of all our stakeholders. This contribution helped guide the Group in a prudent and forward-thinking manner through challenging market conditions.

### Stakeholder focus during the pandemic

From the beginning of the Covid-19 pandemic, the Board has acted with a range of stakeholder interests in mind. Although other important stakeholder matters have been considered during the year (see page 60), a significant portion of the Board's time has been spent considering matters relating to the pandemic and the impact on the Group's business and stakeholders.



### Dividend considerations

Throughout the first quarter of the financial year, the Board carefully considered the appropriate level for a potential dividend for FY20, noting the market sentiment and advice from industry bodies that dividends should not be paid if this would lead to undue pressure being placed on a company's resources. However, after careful consideration it was felt that this was not the case for the Group, even during the market uncertainty caused by the pandemic; it was also felt that it was in the best interests of all stakeholders to adhere to the previously disseminated dividend policy. As such, the Board recommended a dividend in line with that policy.



### Community engagement and CSR

Given the very difficult circumstances across society, the Board considered it more important than ever that it should continue to support the Group's Corporate Social Responsibility programme

during the pandemic, including an additional charitable allocation of £250,000 to seek to alleviate food poverty and to support the efforts of the World Health Organization. The charitable initiatives in the education sector sponsored by the Board in the prior financial year also benefited from continued support, leading to significant donations to two UK-based charities which delivered improved educational outcomes for underprivileged school children during the pandemic (see page 27 for more details).



### Office move

In the first half of 2020 the Board elected to terminate the lease of its former London head office sooner than it would have otherwise been able to had the office been needed for employees. This reduced the carbon footprint of office occupancy. In September 2020, the Group took occupancy of a new head office. The building is designed to be energy efficient and to permit employees to work in more flexible and collaborative ways. During the design phase additional safety measures were implemented to protect our workforce against any risks arising from Covid-19 for those returning to the office.

# Our approach to responsible investing

## Focused on climate change

Climate stability is one of our key ESG priorities and this year we enhanced our Responsible Investing Policy, further formalising our commitment to foster a more sustainable economy and our focus on the need to address climate change.

Our industry has a key role to play in mitigating climate change and we have taken the decision to ban any direct investments in companies that generate a majority of revenue from coal, oil or gas (with some exemptions for gas infrastructure) across all our funds.

We have implemented a Climate Risk Assessment tool into all our investment process and, in strategies where we have the necessary level of access to and influence over management, we have set climate-related targets and conducted Fund-level carbon footprint analysis.

We believe collaboration across our industry is vital and we were an instigator and launch signatory of the UK network of Initiative Climat International (iCI) – a collective commitment to reduce the carbon emissions of private-equity-backed companies. Since its launch in July 2020, the iCI UK network has rapidly expanded to include 20 UK private equity and debt asset managers with a combined AUM of over £170 billion. As a member of the UK Operational Committee, the Group plays a key role in determining the agenda and is also actively involved in the Science-Based Target, the Carbon Footprint and the Regulatory working groups, developing standards and guidance, and sharing best practice across our industry.



“While the repercussions of the pandemic have shifted priorities for many companies and individuals, I believe that ESG issues, and particularly climate change, will be more relevant than ever in a post-Covid world.”

Benoît Durteste

## Annual ESG portfolio company survey



### Climate change highlights

Climate featured strongly again this year with significant progress achieved across all key areas. 57 portfolio companies were approached with 49 responding to the survey across three investment strategies. Key highlights were as follows:

**37%**

of surveyed portfolio companies have assigned Board or management responsibility for climate change

**(up from 26% in 2019)**

**43%**

of surveyed portfolio companies have set climate change or energy related objectives and targets

**(in line with 44% in 2019)**

**1 in 3**

portfolio companies surveyed have assessed the business risks and opportunities associated with climate change

**(increase from 1 in 4 in 2019)**

**1 in 3**

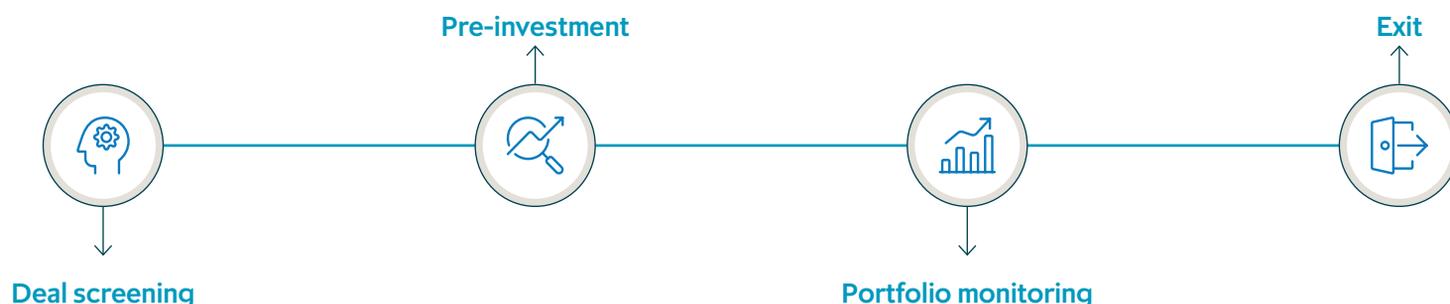
portfolio companies surveyed assess their carbon footprint

**(up from 1 in 4 in 2019)**

## Embedding Responsible Investing across strategies

### Our approach to ESG Integration

Our Responsible Investing Policy provides the overarching charter for our approach to responsible investment and covers 100% of the Group's assets under management. For each investment strategy, we analyse ESG issues at every stage of the investment process from screening, through due diligence, closing and monitoring to eventual exit. Each ICG investment strategy implements the relevant ESG considerations, depending on the nature of the strategy and the level of influence over and access to management.



Exclusion list	Due diligence	Engagement	Divestment
<ul style="list-style-type: none"> <li>– Arms and munitions</li> <li>– Tobacco</li> <li>– Forced and child labour</li> <li>– Coal, oil and gas</li> </ul>	<ul style="list-style-type: none"> <li>– ESG due diligence findings included in all investment proposals</li> <li>– Climate risk screening</li> </ul>	<ul style="list-style-type: none"> <li>– Annual ESG survey completed by portfolio companies</li> <li>– Investment teams engage regularly with portfolio companies/GPs</li> </ul>	<ul style="list-style-type: none"> <li>– Preparation for exit and visibility for potential buyers</li> </ul>
<b>All strategies</b> <ul style="list-style-type: none"> <li>– ESG Screening checklist</li> <li>– Sector and industry ESG risk identifiers aligned with SASB: <ul style="list-style-type: none"> <li>– Climate risk</li> <li>– Bribery and corruption</li> <li>– Reputational risk</li> <li>– Corporate governance</li> </ul> </li> </ul>	<b>Strategies with greater influence in the capital structure</b> <ul style="list-style-type: none"> <li>– Third-party expert ESG due diligence typically conducted as standard</li> </ul>	<b>Strategies with greater influence in the capital structure</b> <ul style="list-style-type: none"> <li>– Raise issues to portfolio company boards</li> <li>– Establish bespoke ESG KPIs for portfolio companies</li> <li>– Implementation of ESG action plans and targets for portfolio company boards</li> <li>– Establish climate change and energy-focused KPIs and targets</li> <li>– Carbon footprinting of portfolio companies</li> </ul>	<b>Strategies with greater influence in the capital structure</b> <ul style="list-style-type: none"> <li>– Conduct sell-side ESG due diligence prior to exit to include climate risk assessment and review of performance</li> </ul>
<b>ESG Tools</b> <ul style="list-style-type: none"> <li>– RepRisk screening and monitor</li> </ul>	<ul style="list-style-type: none"> <li>– Climate risk assessment incorporated as standard where external ESG due diligence is conducted</li> </ul>	<ul style="list-style-type: none"> <li>– Establish climate change and energy-focused KPIs and targets</li> <li>– Carbon footprinting of assets</li> </ul>	

## Portfolio company engagement

Over the past 12 months we have

Surveyed 57 portfolio companies with an 86% response rate

Tracked over 150 ESG KPIs across three funds

### Covid-19 Response

We are proud to report that 63% of fund portfolio companies surveyed provided products or services (or made donations) to their communities to support Covid-19 relief efforts. These included:

- RSEA, a portfolio company in our Asia-Pacific fund, worked closely with the Australian government and was appointed to the Federal government's Covid-19 Response Team, providing pro-bono supply chain advice and assistance in sourcing ventilators and other essential PPE
- Garnica Spain, a portfolio company in our European fund, launched 'GarnicaHelps', a non-profit initiative, and manufactured and donated 1,067 wooden screens and 152 beds to Spanish hospitals and nursing homes during the crisis
- Coreapuff, a portfolio company in our Asia-Pacific fund, diversified in order to produce over one million facemasks a month using existing machinery and employees to supply five of the major supermarkets in Korea. It has also donated around 200,000 masks to 12 different local municipal and relief organisations to date

## ICG's UNPRI Assessment Results 2020

Strategy & Governance:



Private Equity:



Fixed Income:



■ ICG score | Median score

## ICG's Commitment to Climate Change

CDP Climate Change Assessment:



■ ICG score | Median score

Case study

### ESG-linked credit facility

**£550m**

Sustainability-linked Revolving Credit Facility launched

In February 2021 the Group launched its first £550m Sustainability-linked Revolving Credit Facility.

This was an important refinancing for the Group, supporting the growth objectives and providing alignment with the ESG ambitions around climate change.

The facility includes climate-related metrics. If the metrics are achieved the Group benefits on the facility margin and commitment fee.

1. Population of 1,681 Investment Managers

# Greenhouse gas emission reporting

We report location-based and market-based Scope 2 emissions in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements (see page 113).

We recognise that businesses have a responsibility to protect the environment and understand the impact their operations have. We take appropriate measures to limit our energy use and carbon output.

## Policies and standards

We have a Climate Change Policy (see page 30) and report our emissions in line with the World Resources Institute's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. We consolidate our organisational boundary according to the operational control approach. We have adopted a materiality threshold of 5% for GHG reporting purposes.

## Methodology

Consumption data has been converted into CO<sub>2</sub> equivalent using:

- UK Government 2019 Conversion Factors for Company Reporting; and
- International Energy Agency international electricity conversion factors (to calculate emissions from corresponding activity data).

The GHG sources are:

- Scope 1: Natural gas combustion within boilers, road fuel combustion within owned/leased vehicles, and fugitive refrigerants from air-conditioning equipment
- Scope 2: Purchased electricity consumption for our own use
- Scope 3: Business travel (grey fleet, rail, and air) and water use

## Methodology continued

The location-based method reflects the average emissions intensity of national power grids from which energy is consumed.

The market-based figure reflects emissions from electricity purchasing decisions. When quantifying emissions using the market-based approach we have used a supplier-specific emissions factor where possible. If these factors were unavailable, a residual mix emissions factor was then used, and as a final alternative the location-based grid emissions factor was used.

## Performance

Our Scope 1 and 2 (market-based) emissions have decreased by 64% compared to the prior financial year, primarily due to the closure of two London offices in the move to a new head office. The new office achieved a Gold SKA rating and does not use natural gas.

Scope 3 business travel emissions have substantially reduced due to restrictions on travel as a result of the Covid-19 pandemic.

For the first time, we are also including the emissions associated with the portfolio companies of ICG Europe Fund VII and ICG Infrastructure Equity Fund. These emissions represent the Scope 1-3 total (market-based) emissions from the 2019-20 reporting period.

The Group offsets all its reported emissions through supporting SolarAid, an international charity that combats poverty and climate change. During the year the Group donated a total of £76,915 including a donation of £11,915 to offset 3,160 tonnes of CO<sub>2</sub> generated by the Group in 2020.

Operational scope	Greenhouse gas emission source	2021	2020 <sup>1</sup>	Units
Energy consumption	Electricity	1,480	1,468	mWh
	Fuel	38	68	mWh
Direct emissions (Scope 1)	Combustion of fuel and operation of facilities	11	66	Tonnes CO <sub>2</sub> e
Indirect emissions (Scope 2)	Purchased electricity/heat (location-based)	396	448	Tonnes CO <sub>2</sub> e
	Purchased electricity/heat (market-based)	184	479	Tonnes CO <sub>2</sub> e
Indirect emissions (Scope 3)	Business travel: flights and rail	42	2,647	Tonnes CO <sub>2</sub> e
Total greenhouse gas emissions		491	3,161	Tonnes CO <sub>2</sub> e
Emissions per FTE <sup>3</sup>		1.1	6.6	Tonnes CO <sub>2</sub> e per FTE
Direct and Indirect emissions	In-scope fund investments	54,997 <sup>2</sup>	N/A	Tonnes CO <sub>2</sub> e

1. 28% of the Scope 1 emissions, 69% of Scope 2 (location-based) emissions and 43% of Scope 2 (market-based) emissions arise in the UK and offshore areas.  
 2. These emissions represent the total Scope 1 and 2 (market-based) emissions from the 2019-20 reporting period for the portfolio companies of ICG Europe Fund VII and ICG Infrastructure Equity Fund.  
 3. 456 Full Time Equivalent (FTE) employees include contractors as well as permanent employees. The decrease in emissions per FTE is due to the impact of Covid-19 travel restrictions.

# Investment opportunities in a low carbon economy

## Governance

The Group's Responsible Investing (RI) Policy covers 100% of the Group's AUM and provides the overarching charter for our approach to responsible investment. The RI Policy establishes our ESG investment priorities across a range of topic areas, including climate change. It is supplemented by a dedicated Climate Change Policy, which requires us to consider the implications of greenhouse gas emission reductions (mitigation) and the physical impacts of climate change (adaptation) in our investment research, valuation, and decision-making processes.

The Board reviews our approach to responsible investing and corporate sustainability and is accountable for our RI Policy, for monitoring its implementation and for approving material changes to it. During the financial year ended 31 March 2021 our RI Policy was updated to reflect our enhanced approach to climate-change-related topics. The Executive Directors are responsible for ensuring the effective implementation of our RI Policy.

The Group's Management Committee supports the Executive Directors in overseeing and monitoring our policies and procedures, addressing issues if they arise and approving new strategies, including those with specific climate-related objectives and targets.

Day-to-day implementation of the RI Policy is the responsibility of all investment professionals, guided by the Group's RI Committee. The RI Committee oversees the promotion, support and integration of responsible and sustainable business practices, including in respect of climate change matters, across the investment strategies and their portfolios.

Climate-related risk and opportunity considerations are included in investment proposals, which are presented to, and considered by, the relevant Investment Committee. Where there could be material ESG or climate-related risk and opportunity arising from a proposed investment, the Investment Committee invites a member of the responsible investing team to the discussion.

## During the current year

- We completed the Carbon Disclosure Project (CDP) Climate Change disclosure for the seventh time in 2020. This includes questions on both our investment practice and processes and our operations. We received an 'A-' score for our performance in 2020, in line with the prior year
- The Board was provided with an update on climate-related risk and opportunity. This included training materials on potential financial and operational impacts of climate-related issues for the Group and our investments and the Group's new Climate Risk Assessment Process

## Strategy

Funds managed by the Group invest in a range of asset classes, which differ in size, geographical location and industry sector. We monitor and manage these assets depending on the fund's investment horizon, risk profile and asset concentration. We analyse ESG issues, including climate change, at each stage of the investment process from screening, through due diligence, closing, monitoring and eventual exit. Each investment strategy implements the ESG considerations relevant to it, which depend on the nature of the strategy and the level of access to, and influence over, portfolio company management.

As a Group, our own operations are not exposed to material environmental risks since our global footprint operates from leased offices. We have a comprehensive risk governance framework and compliance processes and procedures to ensure that all risks, including ESG risks, are monitored and managed and that the Group is fully compliant with all applicable environmental legislation.

Climate change poses a significant threat not only to the global economy but to society as a whole, and this presents both risks and opportunities for investments over the short and long term. As such, we recognise that the financial impact from climate-related issues are most likely to materialise through our investment decisions. As set out in the Risk Management section opposite, we have developed processes to support us in understanding where climate-related risk may be realised and to support our engagement with investees.

We recognise that the low carbon economy transition represents a potential investment opportunity, and that transitioning to a more sustainable economy will require innovative strategies. We have considered climate-related opportunities in the development of new strategies, including when developing our new Sale and Leaseback and Infrastructure Equity investment strategies.

## During the current year

- We have increased our efforts to better understand where climate-related risk and opportunity could be present in our portfolios
- We secured a £550 million ESG-linked Revolving Credit Facility, with adjustments to the margin and commitment fee linked to achieving specific climate-related metrics related to reducing our emissions and integrating climate risk into our investment analysis. *Read more on page 32*
- Our planned flagship Europe Fund VIII will incorporate climate change as one of its three key ESG themes and require portfolio companies to improve performance associated with energy efficiency and greenhouse gas emissions
- Our new real estate debt strategy ICG-Real Estate Debt Fund VI offers funding under a green loan framework, based on the Loan Market Association Green Loan Principles, to incentivise sustainable real estate activities
- We joined forces with a group of private equity investors to create the first international network of Initiative Climat International (iCI). In doing so, we committed to actively engage with portfolio companies globally to reduce carbon emissions intensity and secure sustainable investment performance by recognising and incorporating the materiality of climate risk

- Our new London head office has been furnished with the most energy efficient and sustainable materials possible and sources 100% renewable energy. We achieved a Gold SKA Rating, an environmental benchmark and standard, for the fit-out

## Risk management

We have integrated the review, assessment and monitoring of climate change considerations into our investment process. For each potential investment opportunity, we identify whether there are any material climate change-related issues associated with the investment.

We use our Climate Risk Assessment Tool to guide this process. The tool assesses potential climate risk associated with an investment by evaluating industry sub-sector, low-carbon economy transition, and climate change physical risk-related issues. The tool draws upon various data sources which are regularly reviewed and updated as necessary. For opportunities identified as having a higher potential exposure to climate-related risks, additional analysis must be completed during the pre-acquisition due diligence process.

The Climate Risk Assessment Tool is embedded within our ESG Screening Checklist and this assessment is recorded in each investment proposal. This ensures that climate-related risk and opportunity exposure have been explicitly assessed by the relevant Investment Committee and considered when making the investment decision. Where material climate-related issues are identified, the Investment Committee may decide not to proceed; may request further action is taken to ensure these issues are properly investigated; or may require further actions to be taken following an investment.

In situations where we have significant influence over portfolio companies, external ESG due diligence, including a specific analysis of climate-related risks and opportunities, is conducted as standard and the results incorporated in the Investment Committee review process.

## During the current year

In line with our commitment to support a more climate-resilient economy, we introduced new prohibitions on any direct investments in companies that generate the majority of their revenue from:

- Coal exploration, extraction, production, transportation, power generation, distribution and/or storage
- Oil (including oil from tar sands) exploration, extraction, production, transportation, power generation, distribution and/or storage
- Gas exploration, extraction and/or production

We worked with an external adviser to develop and implement the Climate Risk Assessment Tool for all new investments. For our existing portfolio, we:

- undertook an initial transition-risk screening exercise across over 10 key ICG strategies, representing almost 90% of AUM

- identified portfolio companies with higher exposure to climate-related risks, based on industry classification in accordance with the recommendations of the TCFD, supplemented to incorporate a further three additional industry sectors: pharmaceuticals, water and waste
- evaluated investments selected from each investment strategy to consider potential climate-related financial risk and opportunity. This assessment evaluated both the physical impacts of climate change and the low-carbon economy transition, using a business-as-usual scenario and a 2°C or lower scenario as per the recommendations of the TCFD. We have used the outcomes from this assessment to selectively engage with investees on the topic of climate change and the resilience of strategies to climate-related issues

## Metrics and targets

We are focused on decarbonising our portfolio, integrating climate risk assessments into our investment decisions, and improving and monitoring energy efficiency and reducing emissions at both portfolio company and fund level. While we do not set emission targets for our fund portfolios systematically, where we have influence we encourage our portfolio companies to set targets to reduce their carbon footprint and to monitor a range of climate-related metrics relevant to sector and geography.

- We disclose our organisational greenhouse gas emissions in alignment with the World Resources Institute's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. We quantify and report our Scope 1 and 2 emissions and voluntarily report our Scope 3 indirect emissions from business travel. *See page 33*
- We undertook a carbon footprint analysis of Europe Fund VII and the Infrastructure Equity Fund, and these financed emissions have been incorporated into our emissions reporting. *See page 33*
- We are on track to meet the target set in 2019 to reduce Scope 1 and Scope 2 carbon emissions across our operations by 80 percent by 2030
- As a member of iCI, we sit on three working groups, including the Carbon Footprint working group and the Science-Based Target (SBT) working group. The latter is actively engaging with the SBT Initiative to consider how science-based targets can be best applied to private equity and debt portfolios
- In order to improve and standardise carbon reporting we are involved in designing a tool for the private equity industry to measure Scope 1, 2 and (ultimately) 3 emissions

# Our most critical asset

It is vital to our success to strategically manage our most critical asset, our employees. In order to do so well we have an extensive employee engagement programme.

## Onboarding

We have developed a new multimedia global induction programme using a combination of collaborative tools, digital videos and face-to-face content which ensures our people feel welcomed and can be immediately effective.

## Wellbeing

Our Wellbeing strategy adapts to ensure that our people feel supported wherever they are based. This year a dedicated Covid-19 support hub was established to signpost relevant and timely support. This included promoting our global Employee Assistance Programme, ensuring that all employees were aware of the confidential, independent support available to them and their families.

We launched a Wellbeing Survey to obtain feedback to help shape the programme for the months ahead. Our results indicated a need to focus upon self care in the short term together with a requirement for us to find innovative ways to signpost wellbeing initiatives. Wellbeing Champions were introduced across the globe to support our people by championing and promoting health and wellness campaigns and initiatives locally. The Wellbeing Champions also help identify employees who may be facing mental health challenges and will provide appropriate support. They all undergo appropriate training to support them in this key aspect of their role. Our Wellbeing Champions work collaboratively to ensure the programme of initiatives is fit for purpose and valued by our people.

## Diversity & Inclusion

Our global Diversity & Inclusion (D&I) strategy looks to enhance diversity and foster an inclusive environment to enable us to attract, develop and retain the best talent available. We continue to monitor and actively work on ensuring that we maintain and nurture a workforce that is as diverse as possible. We have established the following initiatives:

### D&I Hub

Our D&I Champions group, Networks and Wellbeing Champions have now formed a D&I hub where all the groups are working in collaboration with each other to provide a broad calendar of events and initiatives to engage and support the employees ranging from celebrating World Book Day, launching a Book Club and running a virtual 90 Days Around the World event.

### Inclusion survey

We launched our first inclusion survey to enable us to hear from employees to help us build the future of our inclusive culture and to continue to help make ICG a place where everybody is heard and understood and can thrive. It has given us a baseline understanding of what matters to our employees, and will help inform the development of future initiatives.

## #10000BlackInterns

In September 2020, ICG joined the #100BlackInterns initiative (now #10000BlackInterns) which seeks to provide meaningful opportunities to black students across the UK, helping them kick-start their careers in investment management and addressing under-representation in our industry.

We have committed to taking on three Interns into investment teams in Summer 2021.

## SEO (Seize Every Opportunity)

We have also become a core partner and sponsor of SEO, a charitable organisation in the US which provides education and professional career opportunities for underserved communities. We are actively involved through providing mentorship to a Fellow from the programme, taking part in a Private Equity Simulation programme and offering internships within our investment teams in 2021.



## Key take-aways from our group-wide employee survey

### Clarify the future vision and direction of ICG

Six videocasts held to support greater understanding of the business and key priorities

### Develop management capability

Launched Leading for Impact, the Group's leadership programme. Focused on self-awareness, enhancing management skills and positioning for future success. Delivered through modular cohort learning supported by 1:1 executive coaching to further enhance capabilities and leadership effectiveness

### Enhance career development experience

Launched Workday Learning, ICG's global digital learning platform for all employees. The platform includes content from ICG and LinkedIn Learning. There is a diverse range of topics from communication skills and project management to strategic leadership

### Invest in tools and resources to improve efficiencies

Roll-out of new laptops and improved technology in office locations

### Enhance senior leader communications

Four Board-level engagement groups held with a cross-section of employees from different parts of the Group

# Non-financial information statement

The Group complies with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. This information is intended to help stakeholders better understand how we address key non-financial matters. This aligns with the work we already do in support of the Taskforce on Climate-Related Financial Disclosures, UN Global Compact and UN Sustainable Development Goals (see page 34). Further details of the activities we undertake in supporting these frameworks are available on our website. Details of our principal risks and how we manage those risks are included in the Strategic Risk section.

## Employee matters

We aim for employees to have a sense of wellbeing and promote an inclusive working culture where they can freely question practices and suggest alternatives. We support agile working and offer access to a range of flexible benefits. We ensure our levels of overall remuneration are without gender bias and designed to attract, develop and retain talented employees.

## Employee diversity

As at 31 March 2021, the Group has a permanent employee population of 470 of which 160 are women and 310 are men. There are three Executive Directors including one woman. Of the 23 senior managers reporting to the Executive Directors, six are women.

## Board diversity

Biographical details of the Board and information on diversity are set out on pages 62 to 65.

## Measurement

The Board approved a target of increasing the number of women in UK senior management to 30% by 2023 and a shareholder KPI has been established to reinforce a culture of inclusivity which supports a diverse and thriving workforce and lays the foundation for sustainable success (see page 21).

We have published our gender pay gap data which is set out on page 97.

## Human rights and social matters

We do not tolerate discrimination of any nature and comply fully with appropriate human rights legislation.

## Policies and standards

We are committed to preventing any form of slavery and human trafficking. We seek to ensure there are no such practices in our business and supply chain. During the year, we have carried out employee training and awareness raising and continued to include anti-slavery considerations in supplier selection and due diligence. We have also conducted a review of our own business, our investee companies that are covered by our statement, and material suppliers. No concerns were raised in any of our due diligence.

The Group's full policy on Modern Slavery can be found at [www.icgam.com](http://www.icgam.com).

## Anti-bribery and corruption

We are committed to ethical business across all our operations and investments. Our policy is never to offer, request or receive bribes, and to refuse any request to pay them. We actively seek to reduce opportunities for corruption. We do not invest in companies or projects that engage in corruption or appear to have a high risk of such behaviour and we investigate and deal with all reported or identified cases of corruption in line with our policy. The policy applies to all entities within the Group wherever we do business.

## Environmental matters

The Group's disclosures in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements are set out on page 33.

# Finance and operating review

The Board and management monitor the financial performance of the Group on the basis of Alternative Performance Measures (APM), which are non-IFRS measures. The APM form the basis of the financial results discussed in this review, which the Board believes assists shareholders in assessing their investment and the delivery of the Group's strategy through its financial performance.

The substantive difference between APM and IFRS is the consolidation of funds and related entities deemed to be controlled by the Group, which are included in the IFRS statements but excluded for the APM.

Under IFRS, the Group is deemed to control and therefore consolidate entities where it can make significant decisions that can substantially affect the variable returns of investors. This has the impact of including the assets and liabilities of these entities in the consolidated statement of financial position and recognising the related income and expenses of these entities in the consolidated income statement.

The Group's Profit after Tax on an IFRS basis was above the prior year at £461.0m (2020 £110.6m). On the APM basis it was also above the prior year at £462.7m (2020 £109.2m).

Detail of these adjustments can be found in note 4 to the IFRS financial statements on pages 136 to 139.

## AUM and fund performance

### Third Party AUM

To align our shareholder reporting with how we communicate with our clients, we are moving to report our AUM and related activity in US Dollar (\$ or USD). A five year historical track record of our AUM progression in USD can be found in the Data pack available on our website at [www.icgam.com](http://www.icgam.com), and the sensitivity of our Third Party AUM to foreign exchange rates is outlined on page 48.

Third Party AUM grew 19%, or \$8.9bn, to \$56.2bn.

We raised \$10.6bn of Third Party AUM during the year and realised \$4.6bn. We also recognised gains of \$2.9bn through FX (\$2.3bn) and other movements (\$0.6bn), largely as a result of weakening USD against the EUR over the period and an increase in NAV in strategies where fees are based on market values (certain funds within Capital Market Investments and the NAV of ICG Enterprise Trust plc within Secondary Investments).

At 31 March 2021 we had \$13.3bn of Third Party AUM available to deploy in new investments, \$8.9bn of which is not yet paying fees but will do so when the capital is invested or enters its investment period.

Third party AUM	Corporate Investments \$m	Capital Market Investments \$m	Real Asset Investments \$m	Secondary Investments \$m	Total Third Party AUM \$m
At 1 April 2020	22,822	15,257	5,454	3,712	47,245
Additions	4,810	3,358	988	1,468	10,624
Realisations	(1,763)	(1,433)	(636)	(761)	(4,593)
FX and other	1,338	816	511	211	2,876
<b>At 31 March 2021</b>	<b>27,207</b>	<b>17,998</b>	<b>6,317</b>	<b>4,630</b>	<b>56,152</b>
Change \$m	4,385	2,741	863	918	8,907
Change %	19%	18%	16%	25%	19%
Change % (constant exchange rate) <sup>1</sup>	13%	14%	5%	21%	13%

1. Please see page 48 for an explanation of constant exchange rate calculation methodology.

Unless stated otherwise the financial results discussed in the Finance and operating review on pages 38 to 48 are on the basis of APM, which the Board believes assists shareholders in assessing the financial performance of the Group. A reconciliation of the APM to the IFRS measures can be found on pages 136 to 139 and in the Glossary on page 180.

### Corporate Investments

Corporate Investments' Third Party AUM increased by 19% to \$27.2bn, with \$4.8bn of Third Party AUM raised. This was driven by Senior Debt Partners IV, which raised \$3.9bn. Recovery Fund II raised \$524m during the year, with the remainder raised by Asia Pacific Corporate (\$280m) and Australia Loans (\$111m).

### Capital Market Investments

Capital Market Investments' Third Party AUM increased by 18% to \$18.0bn, with \$3.4bn of Third Party AUM raised. CLOs accounted for \$2.2bn of the additional AUM, which was raised from two new US CLOs, one new European CLO and two CLOs that we amended to take advantage of attractive market conditions and lock-in enhanced future returns.

The remaining \$1.2bn of new AUM was raised across five liquid and alternative credit strategies.

### Real Asset Investments

Real Asset Investments' Third Party AUM increased by 16% to \$6.3bn, with \$988m of Third Party AUM raised. Our Real Estate Debt strategies raised \$442m across two strategies. In addition, two first-time funds, Sale and Leaseback and Infrastructure Equity, raised \$248m and \$297m respectively.

### Secondary Investments

Secondary Investments' Third Party AUM increased by 25% to \$4.6bn, with \$1.5bn of Third Party AUM raised. Strategic Equity IV was the main contributor to this increase, raising \$1.3bn.

### Third Party Fee Earning AUM

Third Party Fee Earning AUM grew 18%, or \$7.2bn, to \$46.7bn. We deployed \$7.7bn of assets that pay fees once they are invested. We realised \$5.1bn of investments within our Third Party Fee Earning AUM during the year; of this \$0.5bn can be recycled and used for new investments, resulting in \$4.6bn of Third Party AUM being realised and no longer being counted within the Group's AUM. We also recognised a gain of \$2.5bn through FX and other movements.

	Corporate Investments \$m	Capital Market Investments \$m	Real Asset Investments \$m	Secondary Investments \$m	Total Third Party Fee Earning AUM \$m
<b>Third Party Fee Earning AUM</b>					
At 1 April 2020	17,253	14,542	4,174	3,597	39,566
<i>Funds raised: fees on committed capital</i>	280	–	545	1,259	2,084
<i>Deployment of funds: fees on invested capital</i>	3,469	3,238	800	163	7,670
Total additions	3,749	3,238	1,345	1,422	9,754
Realisations	(2,215)	(1,495)	(593)	(785)	(5,088)
FX and other	983	920	406	188	2,497
<b>At 31 March 2021</b>	<b>19,770</b>	<b>17,205</b>	<b>5,332</b>	<b>4,422</b>	<b>46,729</b>
Change \$m	2,517	2,663	1,158	825	7,163
Change %	15%	18%	28%	23%	18%
Change % (constant exchange rate) <sup>1</sup>	8%	14%	16%	20%	12%

1. Please see page 48 for an explanation of constant exchange rate calculation methodology.

### Fund investment levels of key ICG funds

Investment levels are lead indicators of our potential fundraising timetable, and the investment rate for funds that charge fees on invested capital has a direct impact on our profitability.

During the year we deployed a total of \$7.2bn Third Party capital on behalf of our direct investment funds (2020: \$6.2bn). The deployment was broad-based across Senior Debt Partners IV and Europe VII within Corporate Investments, Strategic Equity III within Secondary Investments, and our Real Estate Partnership funds within Real Asset Investments.

The table below details the investment levels for funds whose fundraising cycle is dependent on the investment level of the current vintage:

Fund	Third Party AUM at 31 March 2021 (\$m)	Third Party capital deployed during FY21 (\$m)	Total Third Party capital deployed at 31 March 2021 (\$m)	%age invested at 31 March 2021
<b>Fees charged on committed capital</b>				
Corporate Investments				
Europe Fund VII	4,692	938	3,379	72%
Asia Pacific Fund IV	425	147	147	35%
Europe Mid-Market	1,046	167	230	22%
Secondary Investments				
Strategic Equity III <sup>1</sup>	1,112	770	1,112	100%
Real Asset Investments				
Infrastructure Equity I	548	159	252	46%
Sale and Leaseback I	787	194	354	45%
<b>Fees charged on invested capital</b>				
Corporate Investments				
North American Private Debt Fund II	1,200	290	612	51%
Senior Debt Partners III <sup>1</sup>	2,357	507	2,357	100%
Senior Debt Partners IV <sup>1</sup>	5,167	1,370	1,705	33%
Real Asset Investments				
Real Estate Partnership Capital V	1,244	162	1,082	87%

1. Co-mingled fund, excluding mandates and (for Senior Debt Partners) undrawn commitments.

In addition to the funds in the table above, \$2.0bn was deployed across a range of strategies including SMAs within Senior Debt Partners (\$1.1bn) and Strategic Equity (\$452m).

## Gross MOIC of key ICG funds

Our clients entrust their capital with us to make attractive risk-adjusted returns over the life of the investments, and in line with the strategy of the funds in which they invest. Gross MOIC (Multiple of Invested Capital) is an indication of the returns our funds have made before fees, including both realised and unrealised returns, and therefore the value that we have generated. The target MOIC will vary between strategies and within strategies, and newer vintages with more recent investments will typically have a lower MOIC as the investments have not had time to grow in value.

We saw a particularly strong increase in Gross MOIC in funds that have a higher proportion of equity-type investments. The Gross MOIC of key ICG funds is set out below, all of which are on track to achieve the target MOIC for that fund.

Fund	Investment period started	31 March 2021	31 March 2020
<b>Corporate Investments</b>			
Europe Fund V	<b>Sept. 11</b>	1.8x	1.8x
Europe Fund VI	<b>Mar. 15</b>	1.9x	1.6x
Europe Fund VII	<b>Apr. 18</b>	1.5x	1.2x
Europe Mid-Market Fund	<b>May. 19</b>	1.1x	1.0x
Asia Pacific Fund III	<b>Jul. 14</b>	1.7x	1.4x
Asia Pacific Fund IV	<b>Feb.20</b>	1.2x	–
North America Private Debt Fund I	<b>Jun. 14</b>	1.4x	1.3x
North America Private Debt Fund II	<b>Jan. 19</b>	1.2x	1.1x
Senior Debt Partners II <sup>1</sup>	<b>Mar. 15</b>	1.2x	1.2x
Senior Debt Partners III <sup>1</sup>	<b>Dec. 17</b>	1.2x	1.1x
Senior Debt Partners IV <sup>1</sup>	<b>Jan. 20</b>	1.1x	–
<b>Real Asset Investments</b>			
Real Estate Partnership Capital III	<b>Dec. 12</b>	1.4x	1.5x
Real Estate Partnership Capital IV	<b>Feb. 15</b>	1.3x	1.5x
Real Estate Partnership Capital V	<b>Apr. 18</b>	1.4x	1.4x
Infrastructure Equity I	<b>Mar. 20</b>	1.1x	–
Sale & Leaseback I	<b>Sep. 19</b>	1.0x	1.0x
<b>Secondary Investments</b>			
Strategic Secondaries II <sup>1,2</sup>	<b>Mar. 16</b>	1.8x	1.6x
Strategic Equity III <sup>1,2</sup>	<b>Nov. 18</b>	1.5x	1.1x

1. Co-mingled fund, excluding mandates and (for Senior Debt Partners) undrawn commitments.

2. Strategic Equity data reported as at 31 December 2020.

## Overview: Group financial performance

Third Party Fee Income grew 20% to £333.7m, driving a 14% increase in our Fund Management Company revenue to £388.5m. The Fund Management Company operating margin was 52.1% (2020: 53.6%), resulting in Fund Management Company Profit before Tax of £202.3m, an increase of 10% compared to FY20.

Strong performance of our funds led to exceptional Net Investment Returns for the Investment Company of £445.1m, a level which is not expected to be recurring. The substantial increase in Net Investment Returns compared to FY20 along with a reduced cost base drove a Profit before Tax of £305.4m in the Investment Company (FY20: loss of £(72.3)m), after recognising a £(7.3)m loss on fair value movements of derivatives (FY20: £26.6m gain).

The strong performance of the Fund Management Company along with the exceptional performance of the Investment Company resulted in a Group Profit before Tax of £507.7m (FY20: £110.8m).

Group earnings per share grew substantially to 162.3p (FY20: 38.3p).

We remain committed to our progressive dividend policy, and the proposed final dividend of 39.0p per share brings the total dividend per share to 56.0p for FY21, an increase of 10% compared to FY20. We continue to make the dividend reinvestment plan available.

Our balance sheet remains strong and well capitalised, with net gearing of 0.63x, total available liquidity of £846.9m and a net asset value per share of 566p.

	31 March 2021 £m	31 March 2020 £m	Change %
Third Party Management fees	280.5	254.3	10%
Third Party Performance fees	53.2	23.5	127%
<b>Third Party Fee Income</b>	<b>333.7</b>	277.8	20%
Other income	54.8	63.6	(14)%
<b>Fund Management Company Revenue</b>	<b>388.5</b>	<b>341.4</b>	<b>14%</b>
Fund Management Company Operating Expenses	(186.2)	(158.3)	18%
<b>Fund Management Company Profit before Tax</b>	<b>202.3</b>	<b>183.1</b>	<b>10%</b>
<i>Fund Management Company Operating Margin</i>	<b>52.1%</b>	53.6%	(3)%
Investment Company Revenue	426.3	27.0	n/m
Investment Company Operating Expenses	(58.1)	(68.1)	(15)%
Interest Expense	(55.5)	(57.8)	(4)%
Fair value (loss)/gain on derivatives	(7.3)	26.6	n/m
<b>Investment Company Profit before Tax</b>	<b>305.4</b>	<b>(72.3)</b>	<b>n/m</b>
<b>Group Profit before Tax</b>	<b>507.7</b>	<b>110.8</b>	<b>n/m</b>
Tax	(45.0)	(1.6)	n/m
<b>Group Profit after Tax</b>	<b>462.7</b>	<b>109.2</b>	<b>324%</b>
Earnings per share	162.3p	38.3p	124.0p
Dividend per share	56.0p	50.8p	5.2p
Net gearing	0.63x	0.74x	(0.11)x
Net asset value per share	566p	461p	105p

## Fund Management Company

The Fund Management Company is the Group's principal driver of long-term profit growth. It manages our Third Party AUM, which it invests on behalf of the Group's clients.

During the period the Fund Management Company generated Profit before Tax of £202.3m (FY20: £183.1m).

### Third Party Fee income

Third Party Fee income grew 20% to £333.7m in FY21 (FY20: £277.8m), with strong increases across Corporate Investments, Capital Market Investments and Real Asset Investments. The (1)% decline within Secondary Investments is due to £4.3m of catch-up fees being recognised in FY20 for Strategic Equity III. Excluding this, Third Party Fee Income within Secondary Investments grew 10%.

Our Third Party Fee Income is largely comprised of Management fees, which have a high degree of visibility. Performance fees are a small but integral part of our revenue, and over the last five years have accounted for an average of 11.6% of our Third Party Fee Income. In FY21 Performance fees accounted for 16.0% (FY20: 8.5%) of our Third Party Fee Income, including £38.1m recognised in Corporate Investments, £8.6m in Capital Market Investments and £6.5m in Secondary Investments.

Third party fees are 84% denominated in Euros or US dollars. The Group's policy is to hedge non-Sterling fee income to the extent that it is not matched by costs and is predictable. Third Party Fee Income included a £1.6m FX headwind in the year (FY20: £4.0m FX benefit).

The weighted average fee rate, excluding performance fees, across our fee earning AUM was 0.85%.

	31 March 2021 £m	31 March 2020 £m	Change %
Corporate Investments – Management fees	148.1	136.5	8%
Corporate Investments – Performance fees	38.1	19.9	92%
<b>Corporate Investments</b>	<b>186.2</b>	<b>156.4</b>	<b>19%</b>
Capital Market Investments – Management fees	59.8	52.9	13%
Capital Market Investments – Performance fees	8.6	0.3	n/m
<b>Capital Market Investments</b>	<b>68.4</b>	<b>53.2</b>	<b>29%</b>
Real Asset Investments – Management fees	36.5	25.1	45%
Real Asset Investments – Performance fees	–	–	n/m
<b>Real Asset Investments</b>	<b>36.5</b>	<b>25.1</b>	<b>45%</b>
Secondary Investments – Management fees	36.1	39.8	(9)%
Secondary Investments – Performance fees	6.5	3.3	97%
<b>Secondary Investments</b>	<b>42.6</b>	<b>43.1</b>	<b>(1)%</b>
Third Party Fee Income	333.7	277.8	20%
<i>o/w Management fees</i>	280.5	254.3	10%
<i>o/w Performance fees</i>	53.2	23.5	127%

### Corporate Investments

Within Corporate Investments, the increase in management fees was due to fundraising for Asia Pacific IV (which charges fees on Committed Capital), and deployment of capital for Senior Debt Partners III and IV (which charge fees on invested capital).

### Capital Market Investments

Capital Market Investments Management fees benefitted from the continued momentum in fundraising for our liquid open-ended strategies. The increase in Management fees was also driven by the new CLOs that were raised, as well as the full year impact of CLOs raised during FY20.

### Real Asset Investments

The increase in Real Asset Investments management fees was due to the full year impact of fees on Sale and Leaseback I following the fund's first close in FY20, as well as the new Third Party AUM that it and Infrastructure Equity I raised during the financial year.

### Secondary Investments

Third Party Fee Income from Secondary Investments was 1% lower than FY20. FY20 included one-off catch-up fees for Strategic Equity III, that did not recur in FY21, which was partially offset by the increased NAV of ICG Enterprise Trust plc and the first close occurring for Strategic Equity IV.

### Other income

The FMC recorded dividend receipts of £33.4m (FY20: £41.2m). The reduction was due to the rating downgrades experienced by CLOs at the beginning of the Covid-19 pandemic, which temporarily restricted cash that otherwise would have been distributed to the CLO equity held by the Group. During the year the CLO market improved and we experienced a positive trajectory of CLO dividends in H2 FY21, which is continuing.

Revenue of £21.4m was recognised in the FMC for managing the Investment Company portfolio (2020: £22.4m).

### Operating expenses and margin

Operating expenses of the FMC were £186.2m (2020: £158.3m), and the FMC Operating margin was 52.1% (FY20: 53.6%). The increase in operating expenses was mainly driven by staff-related expenses due to the full year impact of hires made in FY20 and a number of new hires made in FY21, along with the seniority mix. These investments in our platform are crucial to ensure that we have the depth and breadth of experience to continue to execute on the opportunity we see for the Group.

	31 March 2021 £m	31 March 2020 £m	Change %
Salaries	63.3	55.7	14%
Incentive scheme costs	73.1	56.8	29%
Administrative costs	49.8	45.8	9%
FMC Operating expenses	186.2	158.3	18%
FMC Operating margin	52.1%	53.6%	

The Fund Management Company therefore recorded a Profit before Tax of £202.3m (FY20: £183.1m).

### Investment Company

The Investment Company invests the Group's proprietary capital to seed and accelerate emerging strategies, and invests alongside the Group's more established funds to align interests between our clients, employees and shareholders. It also supports a number of costs including for certain central functions, a part of the Executive Directors' compensation, and the portion of the investment teams' compensation linked to the returns of the balance sheet investment portfolio.

### Balance sheet investment portfolio

The balance sheet investment portfolio (excluding warehoused investments) increased 13% during the year to £2,491.7m at 31 March 2021. This is equivalent to \$3,434m, resulting in Total AUM for the Group of \$59,586m (31 March 2020: \$49,973m), of which the balance sheet investment portfolio accounted for 5.8% (31 March 2020: 5.5%).

The increase in the balance sheet investment portfolio (excluding warehoused assets) was due to £372.0m of unrealised gains, driven by the very strong performance of our funds alongside which the balance sheet investment portfolio is invested. New investments of £454.6m were slightly below realisations of £480.1m.

The balance sheet investment portfolio is 43% Euro denominated, 23% US dollar denominated and 22% Sterling denominated. FX and other movements included £68.0m of accrued interest income, as well as a decrease of £119.3m in the Sterling value of the portfolio as a result of FX movements due to Euro and US dollar strengthening against Sterling during the year.

The balance sheet investment portfolio is highly diversified. Within the direct investment funds, which constitute 81% of the total value, the investments are across around 300 companies, 31 countries and 26 industries. We have exposure to number of sectors that have performed strongly over the last year, including healthcare, software and technology.

In addition, the balance sheet had £64.6m (FY20: £12.8m) of assets that it is warehousing before transferring the investments to a third party fund, bringing the total value of the balance sheet investment portfolio at 31 March 2021 to £2,556.3m (31 March 2020: £2,209.3m).

	As at 31 March 2020 £m	New investments £m	Realisations £m	Unrealised gains/(losses) £m	FX & Other £m	As at 31 March 2021 £m
Corporate Investments	1,327.0	198.6	(266.8)	242.6	6.3	1,507.7
Capital Market Investments	432.7	52.8	(42.2)	57.5	(36.0)	464.8
Real Asset Investments	296.7	129.7	(126.4)	13.8	(10.0)	303.8
Secondary Investments	140.1	73.5	(44.7)	58.1	(11.6)	215.4
<b>Total Balance Sheet Investment Portfolio (excluding warehoused investments)</b>	<b>2,196.5</b>	<b>454.6</b>	<b>(480.1)</b>	<b>372.0</b>	<b>(51.3)</b>	<b>2,491.7</b>
<i>Warehoused investments</i>	<i>12.8</i>	<i>80.1</i>	<i>(29.7)</i>	<i>3.5</i>	<i>(2.1)</i>	<i>64.6</i>
<b>Total Balance Sheet Investment Portfolio (including warehoused investments)</b>	<b>2,209.3</b>	<b>534.7</b>	<b>(509.8)</b>	<b>375.5</b>	<b>(53.4)</b>	<b>2,556.3</b>

### Net Investment Returns

Net Investment Returns of £445.1m represent 18.7% of the average balance sheet investment portfolio value (2020: 2.2%), of which £5.0m were from the assets the balance sheet is warehousing. We do not view this as a recurring level of Net Investment Returns, as valuations this year have rebounded from the lows at the end of FY20 and our portfolio has performed exceptionally strongly.

Net Investment Returns by strategic asset class on an absolute basis were as follows:

	As at 31 March 2021 £m	As at 31 March 2020 £m	Change %
Corporate Investments	303.0	104.6	19%
Capital Market Investments	57.9	(87.3)	n/m
Real Asset Investments	20.9	9.3	125%
Secondary Investments	58.3	21.7	169%
<b>Total Net Investment Returns (excluding warehoused investments)</b>	<b>440.1</b>	<b>48.3</b>	<b>n/m</b>
<i>Warehoused investments</i>	<i>5.0</i>	<i>1.1</i>	<i>n/m</i>
Total Net Investment Returns (including warehoused investments)	445.1	49.4	n/m

This translated into the following Net Investment Returns as a percentage of the average balance sheet investment portfolio:

	Balance sheet investment portfolio at 31 March 2021 £m	FY21 Average balance sheet investment portfolio £m	Target return profile %	FY21 Net Investment Returns %
Corporate Investments	1,507.7	1,417.4	15 – 20%	21.4%
Capital Market Investments	464.8	448.7	5 – 10%	12.9%
Real Asset Investments	303.6	300.1	c.10%	7.0%
Secondary Investments	215.6	177.8	15 – 20%	32.8%
<b>Total Net Investment Returns (excluding warehoused investments)</b>	<b>2,491.7</b>	<b>2,344.0</b>		<b>18.8%</b>
<i>Warehoused investments</i>	<i>64.6</i>	<i>38.7</i>	<i>n/a</i>	<i>12.9%</i>
Total Net Investment Returns (including warehoused investments)	2,556.3	2,382.7		18.7%

In addition to the Net Investment Returns, the Investment Company recorded other operating income of £2.6m and paid a fee of £21.4m (FY20: £22.4m) to the Fund Management Company. This resulted in the Investment Company recording revenues of £426.3m (FY20: £27.0m).

### Investment Company expenses

Operating expenses in the Investment Company of £58.1m were down 15% from FY20. The £10.0m decrease is due to a £17.1m reduction in incentive scheme costs, partially offset by a £7.1m increase in other staff and administrative costs.

	31 March 2021 £m	31 March 2020 £m	Change %
Salaries	12.4	8.9	39%
Incentive scheme costs	30.4	47.5	(36)%
Administrative costs	15.3	11.7	30%
IC Operating expenses	58.1	68.1	(15)%

Interest expense of £55.5m (2020: £57.8m) was £2.3m lower than the prior year.

The Investment Company therefore recorded a Profit before Tax of £312.7m (FY20: loss of £(98.9)m before fair value movements in derivatives). We recorded a fair value loss of £(7.3)m (FY20: gain of £26.6m) in movements on derivatives, resulting in a Profit before Tax for the Investment Company of £305.4m (FY20: loss of (72.3)m).

### Group

#### Tax

The Group recognised a tax charge of £45.0m (FY20: £1.6m), resulting in an effective tax rate for the year of 8.9% (FY20: 1.5%). The increase in the effective tax rate compared to FY20 is largely driven by the Investment Company, which generated a taxable profit in FY21 compared to a loss in FY20.

As detailed in note 14, the Group has a structurally lower effective tax rate than the statutory UK rate. This is largely driven by the Investment Company, where certain forms of income benefit from tax exemptions. The effective tax rate will vary depending on the income mix.

#### Net debt and liquidity

At 31 March 2021, the Group had net financial debt of £1,027.2m, total available liquidity of £846.9m, and net gearing of 0.63x.

During the year the Group entered into a new £550m ESG-linked multicurrency Revolving Credit Facility to replace our existing £500m Revolving Credit Facility and £50m bilateral facility. The facility, which has an initial term of three years with the possibility to extend for an additional two years, was oversubscribed by a syndicate of leading global financial institutions and provides us with a substantial liquidity cushion for the coming years. The terms are linked to specific targets for our carbon emissions and for integrating Climate Risk Assessments into our investment decisions, underlining our commitment to implementing meaningful ESG measures to benefit the environment and society.

Net financial debt increased slightly from £967.2m to £1,027.2m, with cash reducing from £947.9m to £296.9m. The reduction in cash was largely due to the debt repayments of £495.6m and dividend payments that the Group made during the year, including repaying £250m of our RCF which we had drawn down in early March 2020 at the onset of the Covid-19 crisis:

	£m
Cash at 1 April 2020	947.9
Net cash used in operating activities	(1.2)
Debt (repayment) – RCF	(250.0)
Debt (repayment) – term debt	(245.6)
Dividend paid	(150.9)
FX and other	(3.3)
<b>Cash at 31 March 2021</b>	<b>296.9</b>
Available undrawn debt facilities	550.0
Cash and undrawn debt facilities (Total available liquidity)	846.9

The Group's drawn debt is provided through a range of facilities, including a €500m bond issued in February 2020 with a seven year maturity. The weighted-average life of drawn debt at 31 March 2021 was 4.2 years, and the facilities are provided in a range of currencies (the Group hedges certain foreign currency exposures). All facilities, except the ESG-linked RCF, are fixed-rate instruments. Committed debt facilities in place at 31 March 2021 were as follows:

	Currency	Drawn £m	Undrawn £m	Total £m	Interest rate	Maturity
<b>ESG-linked RCF</b>	<b>GBP</b>	<b>–</b>	<b>550.0</b>	<b>550.0</b>	<b>L + 1.40%</b>	<b>Jan-24 + 2yrs</b>
Eurobond	EUR	425.5	–	425.5	1.63%	Feb-27
EMTN 2015	GBP	160.0	–	160.0	5.00%	Mar-23
<b>Total bonds</b>		<b>585.5</b>	<b>–</b>	<b>585.5</b>		
PP2013 – Class B	USD	46.4	–	46.4	6.25%	May-23
<b>Private Placement 2013</b>		<b>46.4</b>	<b>–</b>	<b>46.4</b>		
PP 2015 – Class B	USD	30.5	–	30.5	4.95%	May-22
PP 2015 – Class C	USD	58.0	–	58.0	5.21%	May-25
PP 2015 – Class F	EUR	37.5	–	37.5	3.38%	May-25
<b>Private Placement 2015</b>		<b>126.0</b>	<b>–</b>	<b>126.0</b>		
PP 2016 – Class A	USD	90.7	–	90.7	4.19%	Sep-21
PP 2016 – Class B	USD	82.0	–	82.0	4.66%	Sep-24
PP 2016 – Class C	USD	39.2	–	39.2	4.96%	Sep-26
PP 2016 – Class D	EUR	18.7	–	18.7	2.27%	Jan-22
PP 2016 – Class E	EUR	25.5	–	25.5	3.04%	Jan-27
PP 2016 – Class F	EUR	18.7	–	18.7	2.74%	Jan-25
<b>Private Placement 2016</b>		<b>274.8</b>	<b>–</b>	<b>274.8</b>		
PP 2019 – Class A	USD	90.7	–	90.7	4.76%	Apr-24
PP 2019 – Class B	USD	72.6	–	72.6	4.99%	Mar-26
PP 2019 – Class C	USD	90.7	–	90.7	5.35%	Mar-29
PP 2019 – Class D	EUR	37.4	–	37.4	2.02%	Apr-24
<b>Private Placement 2019</b>		<b>291.4</b>	<b>–</b>	<b>291.4</b>		
<b>Total Private Placements</b>		<b>738.6</b>	<b>–</b>	<b>738.6</b>		
<b>Total</b>		<b>1,324.1</b>	<b>550.0</b>	<b>1,874.1</b>		

Shareholder equity increased to £1,619.5m (FY20: £1,306.5m) due to the substantial retained profits generated during the period and the fact that the Group undertook no share buybacks during the year (FY20: £40.3m). The movements in the Group's cash position, debt facilities and shareholder funds resulted in a reduction in net gearing compared to FY20, which at 31 March 21 stood at 0.63x (FY20: 0.74x).

	31 March 2021 £m	31 March 2020 £m	Change %
Cash	296.9	947.9	(69%)
Gross drawn debt	1,324.1	1,915.1	(31%)
Net financial debt (A)	1,027.2	967.2	6%
Shareholder equity (B)	1,619.5	1,306.5	24%
Net gearing (A/B)	0.63x	0.74x	(15%)

### Net asset value

	£m	Pence per share
At 1 April 2020	1,306.5	461
FMC Profit after Tax	166.2	59
IC Profit after Tax	296.5	105
Change in net debt	(28.6)	(10)
Dividends paid	(150.9)	(53)
FX and other	29.8	4
At 31 March 2021	1,619.5	566

### Medium-term guidance

Our medium-term guidance is set out below:

Fundraising	Performance fees	FMC Operating margin	Net Investment Returns	Net gearing
– \$40bn in aggregate over next four years – At least \$7bn in every year	– 10 – 15% of total third party fees	– Above 50%	– Low double-digit percentage points	– No higher than 1.0x

### Foreign exchange rates and Third Party AUM activity in Euros

The following foreign exchange rates have been used throughout this review:

	Average rate for FY21	Average rate for FY20	31 March 2021 period end	31 March 2020 period end
GBP:EUR	1.1254	1.1447	1.1750	1.1249
GBP:USD	1.3173	1.2712	1.3783	1.2420
EUR:USD	1.1705	1.1105	1.1730	1.1041

At 31 March 2021 our Third Party AUM was \$56,152m. If GBP:USD had been by 5% higher (1.4472) our reported Third Party AUM would have been \$453m higher. If EUR:USD had been 5% higher (1.2317) our reported Third Party AUM would have been \$1,501m higher.

Where noted, this review presents changes in AUM on a constant exchange rate basis. For the purposes of these calculations, FY20 AUM numbers have been translated from their underlying fund currencies to USD at the respective FY21 period end exchange rates. This has then been compared to the FY21 closing AUM to arrive at the change on a constant currency exchange rate basis.

For reference, our Third Party AUM activity in Euros is presented below:

	31 March 2021	31 March 2020	Change
<b>Third Party AUM activity</b>			
Third Party AUM	€47,866m	€42,829m	12%
Third Party Fee Earning AUM	€39,833m	€35,868m	11%
Third Party AUM additions during period	€9,041m	€10,150m	(11)%
Third Party AUM realisations during period	€3,913m	€1,665m	135%
Third Party AUM deployed during period from direct investment funds	€6,223m	€5,629m	11%

# Managing risk

Effective risk management is a core competence underpinned by a strong control culture.

## Our approach

The Board is accountable for the overall stewardship of the 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 clients and investors and protect their interests.

The risk appetite is reviewed by the Risk Committee, on behalf of the Board, and covers the principal risks that the Group seeks to take in delivering the Group's strategic objectives. The Risk Committee is provided with management information on a quarterly basis and monitors performance against set thresholds and limits to support the achievement of the Group's strategic objectives, within the boundaries of the agreed risk appetite. The Board also seeks to promote a strong risk management culture by encouraging acceptable behaviours, decisions and attitudes toward taking and managing risk throughout the Group.

## Managing risk

Risk management is embedded across the Group through the RMF, which ensures that 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 all stakeholders and meet our responsibilities as a UK listed company and parent 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.



### Lines of defence

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

The Group adopts 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 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.

### Key developments in FY21

During the year progress has been made to further deliver and embed the risk management development plan (RMDP) that commenced in prior years, focusing on the ongoing delivery of the RCSA programme. Other key initiatives included:

- The impact of the Covid-19 pandemic has continued to be at the forefront of our risk assessment and mitigation planning processes. The crisis management and business continuity protocols of the Group remained effectively invoked and have provided a clear framework to support continuity
- We carried out a robust assessment of our principal risks, which has led to a revised set of risks that more comprehensively capture those that would threaten our business model. The revised risks more accurately reflect the threats faced by the Group in executing its strategic objectives
- We have applied our experience of the Covid-19 crisis to developing more severe scenario planning in our annual Internal Capital Adequacy Assessment Process (ICAAP) process. Our emerging risk profile has also been developed further to better understand the potential impacts on our principal risks
- We further refined our risk appetite framework by enhancing the risk appetite statements and metrics, which are now better structured, articulated and subject to clearer governance
- Our full Brexit strategy was successfully implemented, and we now have an established European platform with Luxembourg as our central hub

### Covid-19

The Group has contended with several challenges posed by the Covid-19 pandemic, including market volatility and new ways of working. Thanks to the investment we have made in technology over recent years, the dedication and commitment of our employees and their ability to adapt successfully to new ways of working, and the strength of our platform, we have been fully operational throughout the pandemic and productivity has remained high.

Our priority has been to protect and support the wellbeing of our employees during the period. We have focused on delivering effective communications, encouraging employees to stay regularly connected and looking at how wellbeing benefits can provide additional support. We have also made sure that our employees have sufficient flexibility and support to do their jobs to the best of their abilities under such challenging circumstances.

We continue to actively support our portfolio companies' management teams, while also adapting to remote working to source and originate investment opportunities. We have also navigated the challenges and continue to raise funds as well as interacting regularly with our clients and providing updates on the status of our fund portfolio.

It is too early to reach a meaningful conclusion on the longer-term impacts of the Covid-19 pandemic. We continue to monitor the situation and are confident that we are able to adapt and develop plans as necessary.

### Principal risks and uncertainties

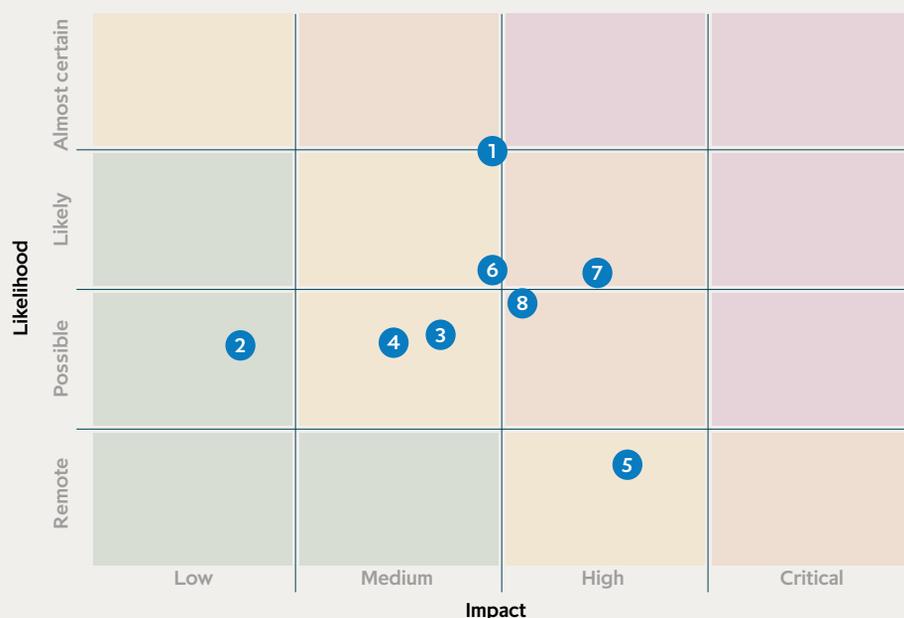
The Group's principal risks are individual risks, or a combination of risks, that can seriously affect the performance, future prospects or reputation of the Group. These include those risks that would threaten the Group's business model, future performance, solvency or liquidity. The Group considers its principal risks across three categories:

- 1 Strategic and business risks**  
The risk of failing to deliver on our strategic objectives resulting in a negative impact on investment performance and Group profitability.
- 2 Financial risks**  
The risk of an adverse impact on the Group due to market fluctuations, counterparty failure or having insufficient resources to meet financial obligations.
- 3 Operational risks**  
The risk of loss resulting from inadequate or failed internal processes, people or systems and external events.

Reputational risk is not in itself one of the principal risks; however, it is an important consideration and is actively managed and mitigated as part of the wider risk management framework.

We use a principal and emerging risks process to provide a forward-looking view of the potential risks that can threaten the execution of the Group's strategy or operations over the medium to long term. We proactively assess the internal and external risk environment, as well as review the themes identified across our global businesses for any risks that may require additional monitoring, updating our principal and emerging risks as necessary. The Covid-19 outbreak led to a number of significant developments over the course of the year, and the Board, Risk Committee and Executive Directors continue to monitor the impacts on our business as a result of the crisis, which are considered within the relevant principal risks.

The Group's RMF identifies eight principal risks which are accompanied by the associated responsibilities and expectations around risk management and control. Each of the principal risks is overseen by an accountable Executive Director, who is responsible for the framework, policies and standards that detail the related requirements. The Directors confirm that they have undertaken a robust assessment of the principal risks in line with the requirements of the UK Corporate Governance table. The principal risks are described in the following table.



	Risk trend
<b>Strategic &amp; Business</b>	
1. External Environment Risk	↓
2. Fund Performance Risk	↔
<b>Financial</b>	
3. Financial Risk	↔
<b>Operational</b>	
4. Key Personnel Risk	↔
5. Legal, Regulatory & Tax Risk	↔
6. Operational Resilience Risk	↔
7. Third Party Provider Risk	↔
8. Key Business Process Risk	↑

### External Environment Risk

<b>Strategic alignment</b>	<b>Risk trend</b>
<div style="display: flex; justify-content: space-around; align-items: center;"> <span style="background-color: white; border-radius: 50%; padding: 2px 5px;">1</span> <span style="background-color: #0070C0; color: white; border-radius: 50%; padding: 2px 5px;">2</span> <span style="background-color: #0070C0; color: white; border-radius: 50%; padding: 2px 5px;">3</span> </div>	<div style="display: flex; justify-content: center; align-items: center;"> <span style="font-size: 2em; margin-right: 5px;">↓</span> </div>

**Risk appetite**  
Moderate

---

**Executive Director Responsible**  
Benoît Durteste

**Risk Description**

Geopolitical and macroeconomic concerns and other global events such as pandemics and natural disasters that are outside the Group’s control could adversely affect the environment in which we, and our fund portfolio companies, operate and we may not be able to manage our exposure to these conditions and/or events. In particular, these events have contributed and may continue to contribute to volatility in financial markets which can adversely affect our business in many ways, including by reducing the value or performance of the investments made by our funds, making it more difficult to find opportunities for our funds to exit and realise value from existing investments and to find suitable investments for our funds to effectively deploy capital. This could in turn affect our ability to raise new funds and materially reduce our profitability.

**Key Controls and Mitigation**

- The Group’s business model is predominantly based on illiquid funds which are closed-end and long-term in nature. Therefore to a large extent the Group’s fee streams are ‘locked in’. This provides some mitigation in relation to profitability and cashflows against market downturn. Additionally, given the nature of closed-end funds, they are not subject to redemptions
- A range of complementary approaches are used to inform strategic planning and risk mitigation, including active management of the Group’s fund portfolios, profitability and balance sheet scenario planning and stress testing to ensure resilience across a range of outcomes
- The Board, the Risk Committee and the Risk function monitor emerging risks, trends and changes in the likelihood of impact. This assessment informs the universe of principal risks faced by the Group

**Trend and Outlook**

The financial year has been dominated by the social and economic impacts of Covid-19 globally, which we expect to continue for some time. Despite the challenges, and remaining alert to the ongoing macro uncertainty and the impact of the pandemic, we have maintained very positive momentum in our business, raising significant third-party AUM and deploying a substantial amount of capital across all our strategic asset classes. We have also invested in our capabilities to accelerate our future growth, most recently adding a Life Sciences team to enhance our capability in the Healthcare sector.

Despite fundraising being ahead of our initial expectations for an off-cycle year, it is likely to remain challenging due to the impacts of the pandemic, especially as our clients prioritise existing relationships over new ones. Therefore, we are still anticipating a slowdown of fundraising for new strategies which may result in delayed diversification of our business in the medium to longer term.

We have so far successfully navigated the unprecedented uncertainties caused by the pandemic, but the longer-term impacts cannot be determined with any certainty. We will therefore continue to monitor and respond to further changes as needed in the months ahead.

### Fund Performance Risk

<b>Strategic alignment</b>	<b>Risk trend</b>
<div style="display: flex; justify-content: space-around; align-items: center;"> <span style="background-color: white; border-radius: 50%; padding: 2px 5px;">1</span> <span style="background-color: #0070C0; color: white; border-radius: 50%; padding: 2px 5px;">2</span> <span style="background-color: #0070C0; color: white; border-radius: 50%; padding: 2px 5px;">3</span> </div>	<div style="display: flex; justify-content: center; align-items: center;"> <span style="font-size: 2em; margin-right: 5px;">↔</span> </div>

**Risk appetite**  
Low to moderate

---

**Executive Director Responsible**  
Benoît Durteste

**Risk Description**

Current and potential clients continually assess our investment fund performance. There is a risk that our funds may not meet their investment objectives, that there is a failure to deliver consistent performance, or that prolonged fund underperformance could erode our track record. Consequently, investors in funds might decline to invest in future investment funds we raise and might withdraw their investments in our open-ended strategies. Poor fund performance may also deter future investment in our funds and thereby decrease the capital invested in our funds and our management fee revenue, impacting our ability to compete effectively. This could in turn materially affect our profitability and impact our plans for growth.

**Key Controls and Mitigation**

- A robust and disciplined investment process is in place where investments are selected and regularly monitored by the Investment Committees for fund performance, delivery of investment objectives, and asset performance
- All proposed investments are subject to a thorough due diligence and approval process during which all key aspects of the transaction are discussed and assessed. Regular monitoring of investment and divestment pipelines is undertaken on an ongoing basis
- Monitoring of all portfolio investments is undertaken on a quarterly basis focusing on the operating performance and liquidity of the portfolio

**Trend and Outlook**

The strength of our resilient and growth-orientated business model has been evident in our performance for the financial year, notwithstanding the extraordinary and challenging environment we are operating within. Diversification is a core strength of our business model and we have very little exposure to industries which have been most negatively affected by the Covid-19 crisis. Our key funds are in line with or ahead of their required hurdle rates or respective industry benchmarks.

Our fundraising timetable has accelerated, with ICG Strategic Equity IV launched earlier than expected and had a first close just before year end. Our closed-end fund model also provides visibility on future assets under management and Fund Management Company profits.

Looking ahead, we remain confident in our ability to grow our AUM over the long term, supported by strong investor demand for our fund strategies and underpinned by our investment-performance track record. However, we are mindful that the disruptions caused by the pandemic may continue for some time and the businesses of our funds’ investments could be impacted further, potentially decreasing the value of our funds’ investments and thereby adversely impacting our funds’ performance and therefore the Group’s co-investments with our funds.

**Strategic alignment**

1 Grow AUM

2 Invest selectively

3 Manage portfolios to maximise value

## Financial Risk

Strategic alignment

Risk trend

1 2 3



Risk appetite

Low to moderate

Executive Director Responsible

Vijay Bharadia

### Risk Description

The Group is exposed to liquidity and market risks. Liquidity risks refer to the risk that the Group may not have sufficient financial resources to meet its financial obligations when they fall due. Market risk refers to the possibility that the Group may suffer a loss resulting from the fluctuations in the values of, or income from, proprietary assets and liabilities. The Group does not deliberately seek exposure to market risks to generate profit; however, on an ancillary basis we will invest alongside clients into our funds, warehouse assets in preparation for new fund launches or hold investments in Collateralised Loan Obligations (CLOs) in accordance with regulatory requirements. Consequently, the Group is exposed to having insufficient liquidity to meet its financial obligations, including its commitments to its fund co-investments. In addition, adverse market conditions could impact the carrying value of the Group's investments resulting in losses on the Group's balance sheet.

### Key Controls and Mitigation

- Debt funding for the Group is obtained from diversified sources and the repayment profile is managed to minimise material repayment events. The profile of the debt facilities available to the Group is reviewed frequently by the Treasury Committee
- Hedging of non-sterling income, expenditure, assets and liabilities is undertaken to minimise short-term volatility in the financial results of the Group
- Market and liquidity exposures are reported monthly and reviewed by the Group's Treasury Committee
- Long-term forecasts and stress tests are prepared to assess the Group's future liquidity as well as compliance with the regulatory capital requirements
- Investment Company (IC) commitments are reviewed and approved by the CEO and the CFO on a case-by-case basis assessing the risks and return on capital
- Market risk arising from adverse market fluctuations affecting the IC is monitored by assessing the assumptions used in valuations of underlying investments

### Trend and Outlook

The pandemic continues to present uncertainty to the financial markets, and market risk has been one of the impacted areas. The Group has implemented appropriate measures to mitigate the impact of foreign exchange and interest rate fluctuations and will continue to monitor and respond to fluctuations, as political and economic uncertainties evolve.

The Group's new treasury system has stabilised well post the recent implementation and the focus is now on utilising the functionality to capture process efficiencies and control enhancements across the Treasury and Finance functions.

We continue to manage our balance sheet prudently, with a strong focus on liquidity.

The Group remains well capitalised, with available cash and unutilised bank lines.

In January 2021 we entered into a new £550m ESG-linked Revolving Credit Facility (see pages 32 and 46) to replace existing facilities, further enhancing our long-standing focus on our broader positive impact on society. Details of the Group's liquidity, gearing and headroom are on pages 46-47.

## Key Personnel Risk

Strategic alignment

Risk trend

1 2 3



Risk appetite

Low to moderate

Executive Director Responsible

Antje Hensel-Roth

### Risk Description

The Group depends upon the experience, skill and reputation held by our senior executives and investment professionals. The continued service of these individuals, who are not obligated to remain employed with us, is uniquely valuable and a significant factor in our success. Additionally, a breach of the governing agreements of our funds in relation to 'Key Person' provisions could result in the Group having to stop making investments for the relevant fund or impair the ability of the Group to raise new funds if not resolved in a timely manner. The loss of key personnel could have a material adverse effect on our revenues, profitability and cashflows and could harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future.

### Key Controls and Mitigation

- The ability to attract, retain and develop talent is supported by a range of complementary approaches including a well-defined recruitment process, succession planning, a competitive and long-term approach to compensation and incentives, and a focus on development through the appraisal process and mentoring programmes which is supported by a dedicated Learning and Development team. This includes developing opportunities and tools for current and future skills, personal skills and leaders to create an environment for our employees' success
- Continued focus on the Group's culture by developing and delivering initiatives that reinforce the appropriate behaviours which generate the best possible long-term outcomes for our employees, clients and shareholders
- Promotion of a diverse and inclusive workforce with active support across a wide range of health and wellbeing activities
- Regular reviews of resourcing and key person exposures are undertaken as part of business line reviews and the fund and portfolio company review processes
- The Remuneration Committee oversees the Directors' Remuneration Policy and its application to senior employees, and reviews and approves incentive arrangements to ensure they are commensurate with market practice

### Trend and Outlook

The engagement of our employees across the Group continues to be of paramount importance and focus during the pandemic. The Group's employee networks provided support to help employees adjust to new ways of working and assist with their caring responsibilities during this challenging time. The Wellbeing programme is focused on the activities and benefits that are most relevant to our employees, and improvements will be made over the coming months to help us to continue to support all aspects of their wellbeing.

Careful consideration is being given to recruitment and integration as the Group continues to grow. We are progressing a number of key initiatives to ensure we are appropriately resourced in strategically important areas. We have successfully completed a number of key hires for existing strategies looking to scale up, and for new strategies that we plan to launch in future.

The introduction of a revamped performance management process is supporting an overall more thoughtful approach to leadership and talent development. We have also launched our first global digital learning platform, Workday Learning, which provides our employees with instant access to a larger array of courses to support their ongoing development.

Despite the encouraging vaccination programmes, the pandemic still represents a significant threat to our employees' wellbeing and morale, and navigating the pandemic and its aftermath remains an ongoing challenge. Our future efforts will focus on determining how and when to bring operations back to some semblance of normal and return all of our employees to a safe workplace once local government restrictions are lifted.

## Legal, Regulatory and Tax Risk

Strategic alignment

Risk trend

1 2 3



Risk appetite

Low

Executive Director Responsible

Vijay Bharadia

### Risk Description

Regulation defines the overall framework for the investment management of the Group's strategies and funds and our supporting business operations. The failure of the Group to comply with the rules of professional conduct and relevant laws and regulations could expose the Group to regulatory censure, penalties or legal or enforcement action.

Additionally, the increase in demand for tax-related transparency means that tax rules are continuing to be designed and implemented globally in a more comprehensive manner. This raises a complex mix of tax implications for the Group, in particular for our transfer pricing, permanent establishment and fund structuring processes. The tax authorities could challenge our interpretation of these tax rules, resulting in additional tax liabilities.

Changes in the legal and regulatory and tax framework applicable to our business may also disrupt the markets in which we operate and affect the manner in which we conduct our business. This could in turn increase our cost base, lessen competitive or market opportunities, reduce our future revenues and profitability, or require us to hold more regulatory capital.

### Key Controls and Mitigation

- Compliance and Legal functions dedicated to understanding and fulfilling regulatory and legal expectations on behalf of the Group, including interactions with our regulators and relevant industry bodies. The functions provide guidance to, and oversight of, the business in relation to regulatory and legal obligations
- Compliance undertake routine monitoring and deep-dive activities to assess compliance with regulations and legislation
- The Tax function has close involvement with significant Group transactions, fund structuring and business activities, both to proactively plan the most tax efficient strategy and to manage the impact of business transactions on previously-taken tax positions
- Regulatory, legislative and tax developments are continually monitored to ensure we engage early in any areas of potential change

### Trend and Outlook

During the year, the Group successfully implemented our full Brexit strategy and we now have an established European platform with Luxembourg as our central hub.

We have continued to invest in relevant system capabilities to enhance compliance and legal processes and internal reporting, including further embedding subsidiary governance and installing an entity management system. A review of the current Group Tax policies and procedures is also underway to identify process improvements.

The Group remains responsive to a wide range of developing regulatory areas; our plans to transition away from LIBOR equivalents continue on track; and work is underway to examine the implications of the upcoming Investment Firms Regulation and Investment Firms Directive. The directive is wide ranging and we are assessing what adjustments need to be made to our capital, liquidity risk, reporting, and remuneration requirements. Additionally, rapidly developing regulatory requirements in the areas of climate risk and financial reporting will remain a key focus as we position the Group to continue to meet these obligations.

## Operational Resilience Risk

Strategic alignment

Risk trend

1 2 3



Risk appetite

Low to moderate

Executive Director Responsible

Vijay Bharadia

### Risk Description

The Group is exposed to a wide range of threats which can impact our operational resilience. Natural disasters, terrorism, environmental issues and pandemics have the potential to cause significant disruption to our operations and change our working environment. Our disaster recovery and business continuity plans may not be sufficient to mitigate the damage that may result from such a disaster or disruption. Additionally, the failure of the Group to deliver an appropriate information security platform could result in unauthorised access by malicious third parties, breaching the confidentiality, integrity and availability of our data and systems. Regardless of the source, any critical system failure or material loss of service availability could negatively impact the Group's reputation and our ability to maintain continuity of operations and provide services to our clients.

### Key Controls and Mitigation

- Business Continuity and Disaster Recovery plans are reviewed and approved on at least an annual basis by designated plan owners, and preparedness exercises are complemented by an automated Business Continuity Planning tool
- Providing laptops for all employees globally removes the physical dependency on the office and allows employees to work securely from home
- The Group's technology environment is continually maintained and subject to regular testing, such as penetration testing, vulnerability scans and patch management. Technology processes and controls are also upgraded where appropriate to ensure ongoing technology performance and resilience
- An externally managed security operations centre supplies the Group with skilled security experts and technology to proactively detect and prevent potential threats and to recover from security incidents, including cyberattacks

### Trend & Outlook

The initial impacts of the Covid-19 crisis tested the operational resilience of the Group in an unprecedented manner. We have been fully operational throughout the pandemic, demonstrating remarkable resilience, and technology has played a critical role in delivering a positive colleague and client experience. The rollout of laptops and the implementation of MS Teams now enable a seamless work environment globally, which is key to our business continuity in a virtual environment as it removes a physical dependency on the office.

Any return to our office locations has been carefully considered with employee wellbeing a priority factor and risk assessments being conducted in line with local guidance, and robust return-to-office procedures. While our working arrangements will continue to evolve with the ongoing and varied impact of Covid-19 regionally, we are prepared for our offices to operate with fewer people on site for an extended period of time, if required. In response to the constraints caused by the pandemic, our shareholder and client interactions have become fully virtual for the first time and we expect this to be the case until we can bring operations back to the norm of in-person meetings.

In response to the continued heightened risk of cyber security as a result of the pandemic, we have implemented a number of initiatives to further protect against the potential leakage of sensitive data. Additionally, we have increased our phishing tests globally and carried out a cyber scenario exercise designed to strengthen incident preparedness and business continuity plans. The Group's technology and resilience requirements will continue to be kept under review to support the growth of the business.

## Third-Party Provider Risk

Strategic alignment

Risk trend

1 2 3



Risk appetite

Moderate

Executive Director Responsible

Vijay Bharadia

### Risk Description

The Group outsources a number of critical functions to Third-Party Service Providers (TPP) as part of our business model, as well as managing outsourcing arrangements on behalf of our funds. The risk that the Group's key TPPs fail to deliver services in accordance with their contractual obligations could compromise our operations and impair our ability to respond in a way which meets client and stakeholder expectations and requirements. Over reliance on one or only a very limited number of TPPs in a specific and critical business area could also expose the Group to heightened levels of risk, particularly if the service is not easily substitutable. Additionally, the failure of the Group to maintain sufficient knowledge, understanding and oversight of the controls and processes in place to proactively manage our TPPs could damage the quality and reliability of these TPP relationships.

### Key Controls and Mitigation

- The TPP oversight framework consists of policies, procedures and tools to govern the oversight of key suppliers, including our approach to selection, contracting and on-boarding, management and monitoring, and termination and exit. In particular, we undertake initial and ongoing due diligence of our TPPs to identify and effectively manage the business risks related to the delegation or outsourcing of our key functions
- Ongoing monitoring of the services delivered by our TPPs is delivered through regular oversight interactions where service levels are compared to the expected standards documented in service agreements and agreed-upon standards

### Trend and Outlook

Balancing the risks and benefits of using TPPs to deliver key business services has always been a key focus for the Group, and during a crisis we recognise that these risks are significantly heightened. The transition to working remotely, underpinned by technology, has allowed the Group and our TPPs to continue servicing our clients. We are working closely with our TPPs to evaluate their resilience strategies and plans to ensure ongoing and uninterrupted support for our important functions and services during the pandemic.

During the year, progress has been made to further deliver the resulting recommendations identified during the target operating model assessment that commenced the previous year. A number of tactical process enhancements are underway, with the objective of enhancing the core tenets of the framework to be applied to the oversight of TPPs. Additionally, we have recruited a specialist to oversee our third-party fund administrators to optimise commercial contracts, service levels and enhanced monitoring capabilities.

## Business Process Risk

Strategic alignment

Risk trend

1 2 3



Risk appetite

Low to moderate

Executive Director Responsible

Vijay Bharadia

### Risk Description

All operational activities at the Group follow defined business processes. We face the risk of errors in existing processes, or from new processes as a result of ongoing change activity which inherently increases the profile of operational risks across our business. The Group operates within a system of internal controls that provides oversight of business processes, which enables our business to be transacted and strategies and decision making to be implemented effectively. The risk of failure of significant business processes and controls could compromise our operations and disadvantage our clients, or expose the Group to unanticipated financial loss, regulatory censure or damage to our reputation. This could in turn materially reduce our profitability.

### Key Controls and Mitigation

- Key business processes are regularly reviewed, and the risks and controls are assessed through the RCSA process
- A 'three lines of defence' model is in place, which ensures clarity over individual and collective responsibility for process risk management and to ensure policies, procedures and activities have been established and are operating as intended
- Ongoing monitoring of underlying causes of operational risk events, to identify enhancements that require action
- A well-established incident management processes for dealing with system outages that impact important business processes
- An annual review of the Group's material controls is undertaken by senior management and Executive Directors

### Trend and Outlook

We have not experienced any material impact to our internal control over our key business processes, despite the fact that most of our employees have been working remotely due to the pandemic.

Advances continues to be made to optimise our business processes and adapt them to new organisational needs. During the year, progress has been made to further deliver the resulting recommendations identified during the target operating model assessment that commenced the previous year and a number of ongoing initiatives are underway to improve key business process efficiency. We also completed an upgrade of systems, providing more immediate access to new functionality and minimising the ongoing support required internally.

Our transformation programme will deliver efficient and more reliable processes; however, while this programme is being implemented, this principal risk will remain elevated.

### Emerging risks

Emerging risks are thematic risks with material unknown components that may form and crystallise beyond a one-year time horizon. If an emerging risk were to materialise, it could have a material effect on the Group's long-term strategy, profitability and reputation. Existing mitigation plans are likely to be minimal, reflecting the uncertain nature of these risks at this stage. Currently identified emerging risks are as follows:

### ESG

Environmental, Social and Governance (ESG) risks cover a broad agenda that has the potential to impact the Group. ESG risks are evolving from emerging risks to foundational factors that must be considered by the Group across our core risk areas. The Group has a long-standing commitment to ESG and our approach, aided by regulatory initiatives, continues to advance. Integrating ESG risk factors into our RMF is necessary for an improved understanding of the context in which the Group operates and a greater ability to respond to the needs of our clients and the wider community. In particular, given the long-term and persistent nature of climate risk, we are committed to aligning our reporting and disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations (see page 34). However, ESG expectations and standards are still evolving. The necessary convergence of regulations and standards may present implementation challenges for the Group's business strategies, processes and internal governance requiring enhanced experience in regulatory transition to ensure seamless adherence and minimal disruption to operations.

### Business change and transformation

The Group has a number of transformation programmes underway to deliver our strategy for growth, improve client experiences and outcomes, strengthen our resilience and control environment and support scalable growth. A failure to deliver any one or more of these programmes within timelines, scope and cost may impact our business model and ability to deliver our strategy. Strong project governance is in place for all aspects of the transformation programme, with reporting and escalation of risks to senior management, the Executive Directors and the Board. Our exposure to change and transformation risk will remain heightened but within our risk appetite through the financial year ending 31 March 2022 and beyond. A significant volume of activity and benefits is due to be delivered in the year. Further transformation delivery is planned for subsequent years, in addition to those change programmes that are always required to meet ongoing business and regulatory developments.

### Risk appetite for the principal risks

Risk appetite is defined as the level of risk which the Group is prepared to accept in the conduct of our activities. It sets the 'tone from the top' and provides a basis for ongoing dialogue between management, Executive Directors and the Board with respect to the Group's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis. The risk appetite framework is implemented through the Group's operational policies and procedures and internal controls and supported by limits to control exposures and activities that have material risk implications.

The current risk profile is within our risk appetite and tolerance range:

### Risk Appetite Summary

Risk Appetite Level	Low	Moderate	High
1. External Environment Risk		█	
2. Fund Performance Risk	█		
3. Finance Risk	█		
4. Key Personnel Risk	█		
5. Legal, Regulatory & Task Risk	█		
6. Operational Resilience Risk	█		
7. Third Party Provider Risk		█	
8. Key Business Process Risk	█		

# Viability statement

In accordance with the UK Corporate Governance Code, the Directors have carried out a comprehensive and robust assessment of the prospects and viability of the Group.

The Group's long-term prospects are primarily assessed through the strategic and financial planning process. The main output of this process is the Group's strategic plan. The strategic plan is approved by the Board following a robust review and challenge process. This assessment also reflects the Group's strategic priorities (see page 21).

The review of the strategic plan is underpinned by the regular briefings received by the Board on macroeconomics, markets, new products and strategies, people management and processes (see page 60). New strategy reviews consider both the market opportunity for the Group and the associated risks, principally the ability to raise third-party funds, and deliver strong investment performance.

## Period for assessing viability

The period covered by the Group's strategic plan, ICAAP reporting, shareholder fundraising guidance and the deployment duration for some of the larger strategies is three years. This, combined with an assessment of the period over which forecasting assumptions are most reliable, has led the Directors to choose a period of three years to September 2024 for their formal assessment of viability. The Directors are satisfied that a forward-looking assessment of the Group for this period is sufficient to enable a reasonable statement of viability.

## Assessment of viability

The assessment of the Group's viability requires the Directors to consider the principal risks that could affect the Group, which are outlined on the previous pages. The Directors review the principal risks regularly and consider the options available to the Group to mitigate these risks so as to ensure the ongoing viability of the Group is sustained.

Stress testing is performed on the Group's strategic plan, which considers the impact of one or more of the key risks crystallising over the assessment period. The severe but plausible stress scenario applied to the strategic plan is a significant reduction in AUM arising as a result of one or more of the following principal risks crystallising:

- External environment risk
- Fund performance risk
- Key personnel risk
- Legal, regulatory and tax risk

Having reviewed the results of the stress tests, the Directors have concluded that the Group would have sufficient resources in the stressed scenario and that the Group's ongoing viability would be sustained. The stress scenario assumptions include maintaining the Group's dividend policy but this and other assumptions would be reassessed if the circumstances determined this to be necessary over the longer term.

In addition, the Group undertakes a reverse stress test to identify the circumstances under which the business model becomes unviable. The most likely scenario to cause the business model to be unviable is investment write-downs. The reverse stress test determines the level of investment write-downs required to breach debt covenants and trigger a business model failure point, in the absence of any management actions.

Analysis of this scenario concluded that write-downs significantly in excess of those experienced during the global financial crisis or the Covid-19 related market downturn experienced in early 2020, without any mitigating actions, would be required in order for the Group to breach its banking covenants.

## Viability statement

Based on the results of the analysis, and in accordance with the provisions of the UK Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite, the Group's principal risks and the management of those risks, as detailed in the Strategic Report on pages 1 to 57.

Given the above, the Directors also considered it appropriate to prepare the financial statements on the going concern basis as set out on pages 111 and 133.