

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.

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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 Group¹ 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.

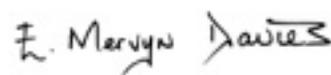
Outlook

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

¹Intermediate Capital Group plc and its subsidiaries