# Pillar 3 Disclosure

2021

# 1. Introduction

## 1.1 Purpose

This document sets out the Pillar 3 disclosures for Intermediate Capital Group plc ("ICG" or the "Group") and fulfils the regulatory disclosure requirements of the Capital Requirements Regulation ("CRR") and the Capital Requirements Directive ("CRD").

## 1.2 Background and scope

ICG is regulated across a range of global jurisdictions and the Group's lead regulator is the Financial Conduct Authority ("FCA"). Intermediate Capital Group plc ("ICG plc") is the parent company of the Group. The regulated entities included in this disclosure are the two FCA regulated entities, Intermediate Capital Managers Limited ("ICML") and ICG Alternative Investment Limited ("AIL"). This document has been prepared by considering the risks and financial positions of those companies within the consolidated Group for regulatory capital purposes.

The approach the Group is required to take in assessing its capital requirement is set out in CRD IV and the FCA BIPRU handbook. The CRD framework consists of three 'pillars':

- Pillar 1 sets out the minimum regulatory capital requirement based on rules and weightings defined in the CRD. Eligible own funds should be enough to cover the higher of the Fixed Overhead Requirement ("FOR") and the sum of the market and credit risk capital requirements.
- Pillar 2 requires the firm to regularly assess the amount of internal capital it considers adequate to cover the level and nature of the risks to which it is or might be exposed. This assessment covers the following:
    - Pillar 2A is the additional capital to be held to supplement the Pillar 1 capital requirement against risks not adequately (or sufficiently) captured under Pillar 1. Together with Pillar 1, it forms the adequate financial resources required under the overall financial adequacy rule.
    - Pillar 2B represents the Capital Planning Buffer ("CPB") and is capital that can be used to absorb losses and/or to cover increasing capital requirements in adverse "stress" circumstances.
    - In addition to Pillar 1 and Pillar 2, ICG is required to assess the Group's capital requirement to achieve an orderly wind-down under stressed circumstances.
- Pillar 3 requires a firm to make public disclosure of information relating to its capital, risk exposures and policies for managing these risks.

International Financial Reporting Standards ("IFRS") require that certain funds and Collaterlaised Loan Obligations ("CLOs") are consolidated in the Group's Annual Report and Accounts. The regulatory capital attributable to such consolidated Funds and CLOs is calculated on the value of the investments held by the Group's balance sheet and the information in this Pillar 3 disclosure has been prepared on this basis. As such the regulatory balance sheet will differ to the audited balance sheet in the Group's Annual Report and Accounts. The primary difference, excluding timing differences to reflect audited profits for the year, being an adjustment to reflect de-consolidation of the Fund's and CLOs out of the Annual Report and Accounts.

## 1.3 Disclosure

In accordance with the CRD, Pillar 3 disclosures are made annually as a minimum, and more frequently when appropriate. This statement is for the financial year end 31 March 2021.

These disclosures have not been audited and do not form part of the annual audited financial statements of the Group, and should not be relied upon in making any judgement about the financial position of the Group.

## 1.4 Preparation and publication

These Pillar 3 disclosures are prepared annually, and published on the Group's website (www.icgam.com).

# 2. The ICG Group

## 2.1 Overview

ICG is a leading alternative asset manager with a global footprint, deep access to local markets and a 32-year investment track record. The Group manages $61.5bn (as at 30 June 2021) of third-party assets globally, investing across four asset classes; Structured and Private Equity investments, Private Debt, Credit Investments, and Real Asset Investments.

The Group's strategic objectives are to:

- Grow AUM: The Group earns management fees on committed or invested assets under management ("AUM")
- Invest: Identify and secure attractive investment opportunities
- Manage and Realise: Work with management teams in the funds investments to drive strategic change, successfully realising investments and crystalising returns for clients and shareholders.

In addition to growing existing strategies, the Group is committed to innovation and pioneering new strategies across these asset classes where the market opportunity exists to deliver value to fund investors and increase shareholder value.

## 2.2 The Group's Governance Framework

ICG is a FTSE listed company and reports annually on its compliance with the provisions of the UK Corporate Governance Code ("Code"). The Board is responsible to the shareholders for the overall management of the Group and provides leadership within a framework of prudent controls which enable risk to be assessed and managed to ensure that the necessary financial and human resources are in place for the Group to deliver its strategic objectives.

The Board comprises three Executive Directors, a Non-Executive Chairman and eight Non-Executive Directors who are all independent. The Chair and the other Non-Executive directors are responsible for providing independent oversight of, and challenge to, the Group's executive management. The Board has overall responsibility for the Group's internal control system to give reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly, and that material errors and irregularities are prevented or detected.

**The Board**

The Board monitors the Group's risk management and internal control systems. The Board, taking into account the strategy of the Group, sets the risk appetite, determines the nature and extent of significant risks it is willing to take and ensures judgements and decisions are taken that promote the success of the Group and manage conflicts of interest while avoiding, among other things, unnecessary risks and maintaining adequate capital and liquidity.

**Key Board Responsibilities**

- Strategy, new products, and markets
- Management and leadership
- Governance, stakeholders, and shareholders
- Financial performance, outlook, and capital
- Operations, risk management and systems
- Culture and values

| Audit Committee | Risk Committee | Remuneration Committee | Nominations and Governance Committee |
|---|---|---|---|
| The Audit Committee oversees the Group's financial reporting and related elements of its accounting internal controls and regulatory compliance, in addition to the internal and external auditing processes | The Risk Committee focuses on having a robust risk management framework to identify, assess and manage the principal risks that could impact our business, within our defined risk appetite. | The Remuneration Committee determines the Group's remuneration policy and reviews the remuneration of senior management. | The Nominations and Governance Committee oversees the membership of the Board to ensure a balance of skills and experience amongst the Directors. |

# 3. Risk Management Framework

## 3.1 Overview

The Group is exposed to a variety of risks as a result of its business activities. As such, risk management is integral to the ability of Group to deliver on its strategic priorities. The Group's risk management framework operates to identify, measure, report and control risks in each area of the business.

## 3.2 Risk Culture

Risk culture encompasses the ICG's attitudes, capabilities and behaviours towards risk, and drives how the Group identifies, understands, openly discusses and acts on current and future risks. ICG maintains a risk culture that provides entrepreneurial leadership within a framework of prudent and effective controls to enable effective risk management. ICG expects staff to conduct themselves with a high degree of integrity and to respectfully strive for excellence in the work they perform and the outcomes they achieve.

## 3.3 Reasonable steps

The application of the Senior Managers and Certification Regime ("SMCR") was extended to investment managers in December 2019. A key objective of this regime is for ICG to ensure that the roles and responsibilities of Senior Managers at ICG are clear and that these managers can demonstrate they are taking reasonable steps in performing their duties.

## 3.4 Policy Framework

Risk policies are in place and capture the standards and requirements for the management of risk across the Group. Risk policies are kept under review on an ongoing basis and so that any policy breaches can be managed and escalated, where appropriate.

## 3.5 Risk Appetite

The Group acknowledges and recognises that in the ordinary course of business it is exposed to various risks and that there is a trade-off between risk and reward. The Group is willing to accept certain levels of risk in managing its affairs to generate appropriate returns but does this in a controlled and deliberate manner.

The risk appetite framework specifies the types of risks that the Board is willing to accept in the pursuit of its strategic objectives. Therefore, the risk appetite is reflective of ICG's strategy, objectives, business plans and stakeholder expectations and is set across the Group's Principal Risks.

As part of its risk management framework, the Board sets the risk tolerance in relation to each principle risk and monitors this via key risk indicators. Where a risk is approaching or is outside the tolerance set, the Board will consider the appropriateness of actions required to mitigate or manage the risk.

## 3.6 Three Lines of Defence

ICG operates 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, 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.
- Internal Audit is the third line of defence and provides independent assurance over the design and operation of controls established by the first and second lines to manage risk.

The three lines of defence model is supplemented by a range of risk related committees at functional and operational business level. The Board of Directors, Executive Directors and senior management have overarching responsibility to ensure, through the application of good corporate governance, the effective and a strategic stewardship and risk management of the Group.

## 3.7 Risk Assessment

The Group adopts a bottom-up, top-down approach to risk identification and measurement.

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"). Risk identification and assessment is the process of identifying, assessing, controlling, and monitoring risks that could threaten the delivery of our strategic and business objectives.

*3.7.1 Risk and control self-assessment*

The RCSA process is an integral part of the risk management framework and is designed to coordinate and integrate risk identification and risk management efforts and improve the understanding, control and oversight of risks. The process advocates an open discussion of risk and controls amongst teams leading to better transparency of enhancements that are required.

*3.7.2 Findings, Events & Actions*

The logging and management of findings, events and actions is a critical activity to ensure good risk discipline, and considered to be the most relevant basis for analysis and management response to mitigating risks and improving controls across the Group.

*3.7.3 Emerging risks*

Emerging risks are newly developing risks that cannot yet be fully assessed but that could, in the future, affect the viability of the Group's strategy or impact our current principal risk exposures. On an ongoing basis emerging risks and lessons learnt from internal/external failings are considered and incorporated into the risk management processes as appropriate. Emerging risks are analysed and assessed to determine how they can be managed and mitigated and where they can be used to subsequently inform stress and scenario testing and capital adequacy requirements.

## 3.8 Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP is the means by which the Group assesses, on an ongoing basis, whether ICG and its subsidiaries are adequately capitalised in relation to the risks it bears. The process represents an opportunity to assess and measure all principal risks to ensure their sound identification and quantification, allowing the determination of regulatory capital that is consistent with the Group's risk profile. The ICAAP process informs the following:

- The assessment of the principle risks facing the Group, including those that threaten the business model, future performance, solvency or liquidity
- The appetite to accept these risks and how they are managed
- The internal assessment of current solvency and capital requirements with respect to these risks.

## 3.9 Regulatory Developments

The FCA is implementing a new prudential regime for UK MiFID firms, the Investment Firm Prudential Regime ("IFPR"), which is due to come into effect on 1st January 2022. IFPR creates a multi-tier classification system for investment firms and the extent to which certain rules apply will depend on which tier a firm is. ICG will be classified as a non-SNI (Small and non-interconnected) firm and IFPR will apply in full.

The directive is wide-ranging and spans capital, liquidity, reporting and disclosure and remuneration. Of particular note is the proposed replacement of the current ICAAP with a new Internal Capital and Risk Assessment ("ICARA") process. While the ICARA is similar to the ICAAP, it changes how ICG should consider and manage risk. These discosures will be updated in 2022 to reflect these new requirements.

# 4. Risk Exposures

The Principle Risks to which ICG is exposed, and to which the Group's resources and risk management capabilities are focused on assessing and mitigating, are set out below.

## 4.1 Operational Risk

Operational risk is defined as the risk of loss or missed opportunity, resulting from a regulatory or legislative failure or inadequate or failed internal processes, people or systems. The types of Operational Risk to which the Group is exposed are identified using defined risk categories, and scenrios considered in the ICAAP process include:

- Unplanned key person departure
- Regulatory breach
- Tax calculation error
- Business premise resilience
- Information security breach
- Supplier oversight failure
- Trade error
- Financial misstatement
- Payments fraud

The potential capital impacts of these operational risks are also addressed within the ICAAP process.

## 4.2 Credit Risk

Credit Risk is the possibility that the Group may suffer a loss as a result of a counterparty's failure to meet the terms of any contract with the Group, or otherwise fail to perform as agreed. ICG plc's credit risk principally arises from exposure to loans, securitisations and other investments. In addition, the Group is exposed to counterparty credit risk through use of derivatives to hedge market risk on its balance sheet and cash deposits. The Group's counterparties are national or multinational banks and counterparty exposures are managed within levels agreed by the Board and regularly reviewed by the Group's Treasury Committee.

## 4.3 Market Risk

Market risk is the possibility that the Group may suffer a loss as a result of adverse market fluctuations arising from holding investments on the balance sheet and exposure to interest rates and foreign exchange rates. Volatility in currency and interest rates leads to changes in the value of assets and liabilities of the Group and, to the extent that these are unhedged, will impact on the financial performance of the Group.

The Group seeks to ensure that any non-sterling income, expenditure, assets and liabilities are appropriately hedged and that the residual exposure to market risk is managed to minimise short term volatility in the financial results of the Group. Additionally, the Group's balance sheet investments are diversified by sector, size and geography. Portfolio and asset valuations are reviewed quarterly by the Group Valuation Committee, and currency and interest rate exposures are reported monthly and reviewed by the Group's Treasury Committee.

## 4.4 Liquidity Risk

The Group's strategy is to maintain enough liquidity to meet its financial obligations as they fall due. The Group seeks to ensure that debt funding is obtained from diversified sources and that the payment profile is managed to minimise material repayment events. A 12-month liquidity forecast is prepared on a monthly basis and reviewed frequently by the Group's Treasury Committee.

## 4.5 Other risks and exposures

*4.5.1 Strategic and Business Risk*

Strategic and business risk is the possibility that the Group fails to deliver on our strategic objectives resulting in a negative impact on investment performance and Group profitability. Strategic and business risks are considered across the Group through the business planning process and they are reviewed on a regular basis by the Executive Directors and the Board. Additionally, the risk scenarios considered in the ICAAP process include those that would impact the ability of the Group to meet its strategic objectives.

*4.5.2 Concentration Risk*

ICG is exposed to concentration risk in several areas:

- ICG's ability to meet its strategic targets is dependent upon a small number of key employees including, but not limited to, senior management and the Executive Directors. This is a Principal Risk under the Group's risk framework and the unplanned departure of key persons is assessed as a specifc scenario within the ICAAP process.
- ICG's investor base is well diversified and its product offerings take the form, predominantly, of closed-ended funds. The impact of the loss of any one investor will not, therefore, have a material impact on ICG.
- ICG has a diverse supplier base which is considered to be fungible.
- ICG uses common counterparties for executing transactions and for providing balance sheet financing.

*4.5.3 Group Risk*

The risk that the financial position of ICG may be adversely affected by its relationships with other entities in the Group or by risks which may affect the financial position of the whole Group. The regulated entities in the Group maintain independent capital resources to protect clients and shareholder interests. The likelihood of failure of the Group is considered remote due to the Group's strong capital position.

*4.5.4 Brand and Reputation Risk*

The reputation of ICG can be impacted by any of the Group's Principal risks. For this reason, ICG considers reputational impact across all aspects of the Group's risk framework, rather than managing a separate reputational risk activity.

*4.5.5 Risk of Excess Leverage*

The risk of excess leverage arises from unforeseen losses the most likely of which is a result of poor investment performance or an economic downturn. The Group maintains conservative financial leverage and continuously manages the sources of balance sheet financing to ensure appropriate diversification and liquidity. The Group actively manages a net debt to equity leverage target of "no higher than 1.0x", which is communicated to stakeholders and publicly reported upon in the Group's financial statements. The potential impacts are also considered under the stress tests within the ICAAP process.

*4.5.6 Securitisation Risk*

ICG's exposure to securitisation risk is predominantly confined to its management of, and the risk retention positions held in relation to securitisations. Within the ICAAP process, a credit risk allowance is taken of the actual positions held in all such securitisations, thus covering the risk of the financial exposure arising from the failure of all securitisation positions held.

## 4.6 Covid-19 Pandemic

The Group has contended with several challenges posed by the Covid-19 pandemic, including market volatility and new ways of working. Our response to the pandemic has demonstrated the dedication and resilience of our employees, and the strength of the infrastructure supporting our business processes. 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 robust framework to support continuity.

We expect markets to continue to be challenging as the full impact on the economies across the globe in the longer term remains uncertain. We will continue to monitor the situation and adapt and develop risk mitigation plans as necessary.

# 5. Capital Resources and Capital Requirements

## 5.1 Capital Resources

The Group's consolidated capital resources for own funds purposes comprise ordinary share capital, share premium and reserves, each of which constitute Common Equity Tier 1 capital. ICG is a company limited by shares and the terms of its capital issuance are set out in its articles of association. Annex 1 sets out the details relating to ICG's ordinary capital which must be disclosed under Commission Implementing Regulation (EU) No 1423/2013 of December 2013.

As at 31 March 2021, ICG has not issued any instruments qualifying as Additional Tier 1 or Tier 2 instruments for the purposes of the CRR.

As a BIPRU limited licence firm, ICML is not required to maintain a capital buffer under the CRR.

ICG is not a globally systemically important institution.

As a BIPRU 50k firm ICML's Pillar 1 capital resources requirement, both on a solo and consolidated basis, is the higher of:

- €50,000;
- Its Fixed Overheads Requirement ("FOR");
- The sum of its Credit Risk Requirement ("CRR'") and Market Risk Requirement ("MRR")

Pillar 2 capital is calculated by the Group through its ICAAP as representing any additional capital to be maintained against any risks not covered or not adequately covered under the requirement in Pillar 1. In line with good practice the Group's Pillar 2 Operational Risk is included as additional capital in excess of its Pillar 1 capital requirement.

The following BIPRU approaches have been adopted:

- CCR – Standardised Approach
- MRR – Standardised Approach;
- FOR which is 25% of annual audited expenditure less discretionary cash bonuses.

The Group uses derivatives to hedge market risk on its balance sheet but they are not considered material and, as a result, has concluded that a Credit Valuation Adjustment ("CVA"), which measurers the market value of counterparty credit risk is not required.

ICG has not received permission to use the "Internal Ratings Based Approach" to calculate the CRR. Under the standardised approach CRR is calculated by applying a flat rate (8%) to the total of its risk weighted exposures. The appropriate risk weighting is prescribed by the CRR and a mapping table covering the ECAI credit ratings. It is determined by the nature of the credit (corporate, bank, financial institution etc.) and the credit's rating (or lack of rating). ICG has significant credit exposures, comprised of loans, securitisations and other investments. Generally, ICG loan credit exposures are to corporates, which have a risk weighting of 100% and thus attract a credit risk requirement of 8% (100% x 8%).

In addition, ICG has credit exposures to securitisations in the form of retention positions in CLO's or, periodically, CLO warehouses, which attract a risk weighting of between 1250% and 100% depending on the rating of the securitisation. These attract a credit risk requirement of between 100% (1250% x 8%) and 8% (100% x 8%). ICML does not apply credit risk mitigation.

Under the standardised approach MRR is calculated by applying a flat rate (8%) to its various market exposures. ICG plc holds various market exposures (investments, securitisations, bank balances, and intercompany balances) in non-sterling currency, which attracts a market risk requirement.

FOR is 25% of annual expenditure less discretionary cash bonuses.

In compliance with Article 405 of the CRR the requirement for the sponsor or originator of a CLO to retain "skin in the game", ICML has, from July 2013, held retentions positions on its balance sheet in those CLOs sponsored by the Group. As outlined above, for unrated tranches, which are the positions usually held by ICML, these retention positions attract a credit risk requirement of 100%. As a result, from July 2013 onwards, at a solo level, the sum of ICML's credit and market risk requirements significantly exceeded its FOR. At a consolidated level, because of the significant investments held on the Group's balance sheet, the sum of the credit and market risk requirements have always far exceeded the FOR.

## 5.2 Capital Requirement

The base case capital requirement is €50,000.

### *5.2.1 Pillar 1*

The calculations of the Group's credit risk, market risk, and CRR position as at 31 March 2021 are:

| Group Risk Requirement | £m | Net Gross Risk Weighting % | Credit Risk Req. % | Credit Risk £m |
|---|---|---|---|---|
| Total Credit Requirement | | | | 386.6 |
| Market Risk (including counterparty risk) | 24,1152 | 100% | 8.0% | 19.3 |
| **Total Credit Risk plus Market Risk Requirement** | | | | **405.9** |

The credit risk requirements in relation to financial assets are calculated using the standardised approach. The risk weighting of ICG's exposures range from 100% for corporates to 1,250% for certain investments in a CLO. In the case of an investment in the unrated, or equity tranche of a CLO, the capital requirement would be 1,250% x 8%, equating to 100% of the carrying value of the investment. The total risk weighted exposure amount totals £386.6m.

The Group uses the standardised approach to calculate its market risk which is broadly 8% of the value of marketable investments and foreign currency exposures. The Group has no exposure to settlement or commodities risk. For the purposes of Article 438(e) and Article 445 of the CRR, the own funds requirements calculated by ICML in accordance with Article 92(3) (c) of the CRR totals £18.7m.

For the purposes of Article 438(e) and Article 445 of the CRR, ICML does not operate a trading book business and therefore the information relating to position risk in Article 92(3) (b) of the CRR is not relevant to its activities. Further, ICML is not subject to the large exposure requirements in Part Four of the CRR.

The Group uses derivatives to hedge market risk on its balance sheet but they are not considered material is therefore not exposed to counterparty credit risk for the purposes of Chapter 6 of Title II of Part Three of the CRR.

### *5.2.2 Pillar 2*

For the purposes of the ICAAP, the Group is required to calculate Pillar 2 capital requirements. The calculation comprises Pillar 2A and 2B assessments as described below:

- The Pillar 2A requirement for operational risk is based on the assessment of several operational risk scenarios. Operational risk scenarios, together with the Pillar 2B capital planning stress tests are selected to provide adequate coverage of the Group's risk profile, as described by the top-down risk assessment.
- The Pillar 2B requirement is based on several capital planning stress scenarios that assess the impact on the Group's capital adequacy and liquidity over the planning horizon of severe but plausible adverse changes in the economic environment and of internal events. They are selected, together with the operational risk scenarios, to provide adequate coverage of the Group's risk profile.

  The Pillar 2B assessment determines whether the Group should hold additional capital and/or liquidity in addition to the Pillar 1 and 2A requirements.

The detailed analysis of the stress scenarios shows that throughout the three-year forecast period ICG continues to hold enough capital to meet its regulatory capital requirements.

*5.2.3 Wind-Down*

The Group is required to plan for and calculate the cost the orderly wind-down of the business in the eventual catastrophic failure of its business model. The purpose of this is to demonstrate that the Group has enough capital and liquidity to support a wind down without breaching regulatory requirements.

The Group has undertaken an analysis of the circumstances giving rise to, and the actions that management would take to effect, an orderly wind-down of the business. This analysis has confirmed that ICG would remain sufficiently liquid and maintain enough capital resources in the event of, and throughout, an orderly wind down without the need to raise capital.

*5.2.4 Minimum Capital Requirement*

As at 31 March 2021 the minimum capital requirement of ICG is £453.2m comprising Pillar 1 Credit and Market Risk of £405.9m and Pillar 2A operational risk requirement of £47.3m calculated in the Group's ICAAP. Following the ICAAP process, the Board has determined that, for the consolidated Group, no additional capital is required by ICG beyond this minimum capital requirement over the forecast period.

# 6. Remuneration Disclosures

The Group is subject to the FCA's Remuneration Code and is required to produce remuneration disclosures in accordance with Article 450 of the CRR. The disclosures detailed below refer to the Group in total and as such include ICML. ICG is considered a Proportionality tier 3 firm under the FCA Remuneration Code guidance.

## 6.1 Remuneration Committee

The Committee is authorised by the Board to determine and agree the framework for the remuneration of the Chairman of the Company, the Executive Directors and such other members of the executive management as it is instructed by the Board to consider. It is also responsible for determining the total individual remuneration package of each Executive Director, having given due regard to the contents of the Code, as well as the Listing Rules; for determining targets for any performance related pay schemes operated by the Group as well as the policy for pension arrangements for each Executive Director; and for the overall remuneration policy for all the Group's staff. The committee takes into account the requirement that the Remuneration arrangements should:

- be consistent with and promote sound and effective risk management, and to not encourage excessive risk taking;
- be in line with business strategy, objectives, values and long-term interests of the Group;
- include measures to avoid conflicts of interest; take into account the long-term interests of shareholders, investors and other stakeholders; and
- be formulated on the basis of advice from the the Group's compliance function, particularly in relation to performance measurement.

The Committee comprised five independent Non-Executive Directors on 31 March 2021 and held five meetings in the financial year ended 31 March 2021.

## 6.2 Remuneration review

There have been no major changes in the way that staff are remunerated during 2020/21. The Group remains comfortable that staff reward remains strongly linked to the performance of the business and that:

- It is appropriate to drive all of our incentives off a cash profit measure as it ensures staff remain focused on the delivery of successful investment outcomes over the longer-term;
- The remuneration structure provides alignment with shareholders through the delivery of the majority of variable pay in ICG plc shares;
- The introduction of "Malus and Clawback" on incentive pay for Executive Directors ensures that the Executive Directors are exposed to the longer-term impact of their actions.

## 6.3 Remuneration Policy

A full copy of the Policy (based on remuneration principles) approved by shareholders at the 2020 AGM and which applied for this year's remuneration is available on the ICG website (www.icgam.com) under the shareholders governance section.

## 6.4 Remuneration principles

ICG has adopted five guiding principles that are reflected in the design of the the Group's compensation arrangements:

- *Alignment between staff and shareholders*: A central function of the Group's remuneration policy is the Annual Award Pool ("AAP") which is limited to 30% of pre-incentive cash profit over a rolling 5-year period which ensures long-term affordability.
- *Support of the long-term corporate strategy*: The AAP is a function of profits made through investment realisations as well as fee income generated. As such, remuneration is directly linked to the Company's three strategic goals of growing assets under management (and thus fee income); investing well; and managing and realising investments successfully.
- *Promotion of staff equity ownership*: The majority of executive variable incentives is in the form of equity and shareholding guidelines have been introduced.
- *Transparency*: All aspects of remuneration are clear to employees and openly communicated to employees and shareholders.

- *Reward on cash*: The “reward on cash” principle ensures that employees are only rewarded for realised gains.

## 6.5 Quantitative Disclosure

The table below analyses remuneration for Code Staff and Identified Staff in total for the Group for 2021.

| | Senior Management | Other Code Staff | Total |
|---|---|---|---|
| Number of Code and Identified Staff | 16 | 47 | 63 |
| Fixed Remuneration (Note 1) £ | 3,881,894 | 10,711,431 | 14,593,325 |
| Variable Remuneration (Note 2) £ | 18,280,470 | 27,760,749 | 46,041,219 |
| TOTAL Remuneration £ | 22,162,364 | 38,472,180 | 60,634,544 |

Note 1: Salary paid during FY21
Note 2: Bonus payments and long-term incentive awards received and granted in 2021.
No payments were made for loss of office in the financial year under review.

As a Proportionality 3 firm, the Group has concluded it is disproportionate to apply the rules on setting a ratio of fixed to variable remuneration as required by Article 450(1) (d) of the CRR.

As a Proportionality 3 firm, ICG has omitted the disclosure of the number of individuals being remunerated €1 million or more per financial year, for remuneration between €1 million and €5 million broken down into pay bands of €500,000 and for remuneration of €5 million and above broken down into pay bands of €1 million as required by Article 450(1)(I) of the CRR on the basis of Article 450(2) of the CRR and the EU Data Protection Directive 95/46/EC (as implemented in the United Kingdom by the UK Data Protection Act 1998, as amended).

## 6.6 Ratio between fixed and variable remuneration

As a BIPRU regulated firm, there is no requirement for a specific ratio between fixed and variable remuneration.

# ANNEX 1

## Additional Own Funds Disclosures

For the purposes of Article 3 of Commission Implementing Regulation (EU) No. 1423/2013, the main features of the Common Equity Tier 1 ("CET1") instruments issued by ICG are as follows:

**ICML**

| | | |
|---|---|---|
| 1. | Issuer | Intermediate Capital Manager limited |
| 2. | Unique identifier | N/A |
| 3. | Governing law(s) of the instrument | English Law |
| | *Regulatory treatment* | |
| 4. | Transitional CRR rules | N/A |
| 5. | Post-transitional CRR rules | Common Equity Tier 1 |
| 6. | Eligible at solo / (sub-) consolidated / solo & (sub-) consolidated | Consolidated |
| 7. | Instrument type | Ordinary share |
| 8. | Amount recognised in regulatory capital | £140,400,000 |
| 9. | Nominal amount of the instrument | |
| 9a. | Issue price | Upon incorporation on 12 December 1988, the Company issued two £1 shares at nil premium. The Company issued 399,998 £1 shares on 16 July 1999 at nil premium. The Company issued one £1 share at a premium of £109,999,999 on 1 July 2014, one £1 share at a premium of £9,999,999 on 7 June 2016, and one £1 share at a premium of £19,999,999 on 16 December 2016. |
| 9b. | Redemption price | N/A |
| 10. | Accounting classification | Shareholder's equity |
| 11. | Original date of issuance | |
| 12. | Perpetual or dated | Perpetual |
| 13. | Original maturity date | No maturity |
| 14. | Issuer call subject to prior supervisor approval | No issuer call option |
| 15. | Optional call date, contingent call dates and redemption amount | No optional call date |
| 16. | Subsequent call dates, if applicable | No call dates |
| | *Coupons / dividends* | |
| 17. | Fixed/floating dividend/coupon | Fully discretionary |
| 18. | Coupon rate and any related index | N/A |
| 19. | Existence of a dividend stopper | No |
| 20a. | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary |
| 20b. | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary |
| 21. | Existence of step up or other incentives to redeem | No |
| 22. | Noncumulative or cumulative | N/A |
| 23. | Convertible or non-convertible | N/A |
| 24. | If convertible, conversion trigger(s) | N/A |
| 25. | If convertible, fully or partially | N/A |
| 26. | If convertible, conversion rate | N/A |
| 27. | If convertible, mandatory or optional conversion | N/A |
| 28. | If convertible, specify instrument type convertible into | N/A |
| 29. | If convertible, specify issuer of instrument it converts into | N/A |
| 30. | Write down features | No |
| 31. | If write-down, write-down trigger(s) | N/A |

| | | |
|---|---|---|
| 32. | If write-down, full or partial | N/A |
| 33. | If write-down, permanent or temporary | N/A |
| 34. | If temporary write-down, description of write-up mechanism | N/A |
| 35. | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | N/A |
| 36. | Non-compliant transitioned features | No |
| 37. | If yes, specify non-compliant features | N/A |

**AIL**

| | | |
|---|---|---|
| 1. | Issuer | Intermediate Capital Manager limited |
| 2. | Unique identifier | N/A |
| 3. | Governing law(s) of the instrument | English Law |
| | *Regulatory treatment* | |
| 4. | Transitional CRR rules | N/A |
| 5. | Post-transitional CRR rules | Common Equity Tier 1 |
| 6. | Eligible at solo / (sub-) consolidated / solo & (sub-) consolidated | Consolidated |
| 7. | Instrument type | Ordinary share |
| 8. | Amount recognised in regulatory capital | £1,500,000 |
| 9. | Nominal amount of the instrument | |
| 9a. | Issue price | The Company was incorporated on 29 May 2013 with 100 £1 shares. On 3 February 2014 the Company issued one further share for a subscription price of £1,499,900 to the parent company ICG FMC Limited. |
| 9b. | Redemption price | N/A |
| 10. | Accounting classification | Shareholder's equity |
| 11. | Original date of issuance | |
| 12. | Perpetual or dated | Perpetual |
| 13. | Original maturity date | No maturity |
| 14. | Issuer call subject to prior supervisor approval | No issuer call option |
| 15. | Optional call date, contingent call dates and redemption amount | No optional call date |
| 16. | Subsequent call dates, if applicable | No call dates |
| | *Coupons / dividends* | |
| 17. | Fixed/floating dividend/coupon | Fully discretionary |
| 18. | Coupon rate and any related index | N/A |
| 19. | Existence of a dividend stopper | No |
| 20a. | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary |
| 20b. | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary |
| 21. | Existence of step up or other incentives to redeem | No |
| 22. | Noncumulative or cumulative | N/A |
| 23. | Convertible or non-convertible | N/A |
| 24. | If convertible, conversion trigger(s) | N/A |
| 25. | If convertible, fully or partially | N/A |
| 26. | If convertible, conversion rate | N/A |
| 27. | If convertible, mandatory or optional conversion | N/A |
| 28. | If convertible, specify instrument type convertible into | N/A |
| 29. | If convertible, specify issuer of instrument it converts into | N/A |

| | | |
|---|---|---|
| 30. | Write down features | No |
| 31. | If write-down, write-down trigger(s) | N/A |
| 32. | If write-down, full or partial | N/A |
| 33. | If write-down, permanent or temporary | N/A |
| 34. | If temporary write-down, description of write-up mechanism | N/A |
| 35. | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | N/A |
| 36. | Non-compliant transitioned features | No |
| 37. | If yes, specify non-compliant features | N/A |

## Reconciliation of Accounting Balance Sheet to Regulatory Balance Sheet

There is a difference in consolidation treatment of the CLOs from an accounting and prudential perspective. From an accounting perspective ICG is deemed to hold several controlling interests in CLO vehicles it has issued and manages. As a result, several CLOs are financially consolidated when preparing the accounts of the Group.

From a prudential perspective the regulatory capital requirement of the Group is the risk weighted exposure of each tranche held by the Group in its CLOs, not the risk weighted exposure of the assets of the CLO.

Cash balances are held with a number of banks, all of which have Credit ratings that require a risk weighting of 20% to be applied.