Investing sustainably

ESG issues are an important driver of investment value and source of investment risk. By supporting responsible and sustainable practices in our investments we can deliver both long-term value and attractive returns to our clients.

ICG has been a signatory to the UN-backed Principles for Responsible Investment (PRI) since 2013, and is an active contributor to a range of industry collaborative initiatives.

EMBEDDING ESG IN OUR INVESTMENT CULTURE

ICG aims to nurture a responsible business culture throughout its own organisation as well as in investments in which it has sufficient influence. This culture is embedded through the development of supportive systems and processes. Over 2022, ICG took some significant steps to ensure it is continuously embedding responsible investment practices in the business.

ESG-linked compensation for all ICG portfolio managers

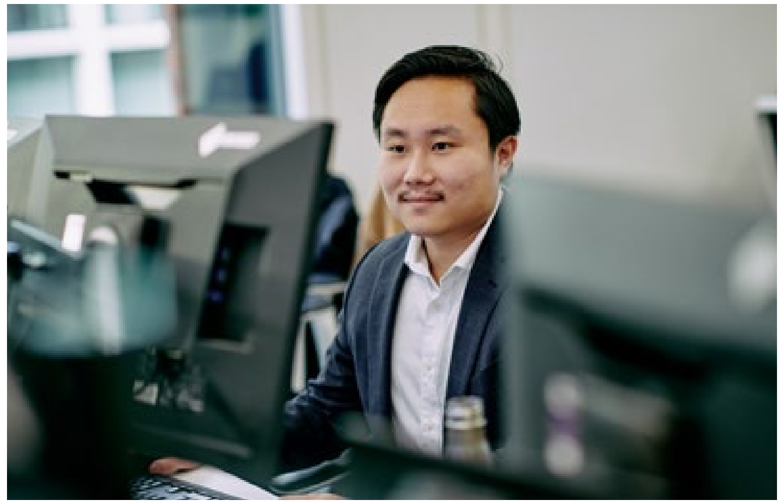
In 2022, ICG incorporated ESG assessment into the annual performance appraisals of portfolio managers across the firm. The aim of this practice is to reinforce alignment and accountability at the right levels for achieving ESG excellence, while ensuring we comply with a continued increase in relevant regulatory requirements. It will also position portfolio managers to lead by example, ensuring ESG is being appropriately and consistently considered in their teams' approaches to investment.

Incorporating ESG into our New Product Approval process

We believe that an enhanced focus on sustainability can be a source of competitive advantage. We seek to integrate ESG considerations into the design of new strategies or funds where their nature allows us to drive better ESG outcomes. This reflects the increased societal need and client demand for funds with strong environmental and social characteristics, and those that support the transition to a net zero economy. Enhanced ESG practices as well as climate change mitigation and adaptation at a fund level are key considerations in the launch of new strategies or funds. For new relevant strategies or funds where we have sufficient influence, we also seek to align ESG priorities and practices with specific UN Sustainable Development Goals (UN SDGs) and consider science-based GHG emissions reduction targets that support the goals of the Paris Agreement.

ESG training to be offered to all ICG staff

Comprehensive online ESG training has been delivered to all investment executives, the senior management and the Marketing and Client Relations team every two years for the past six years. During 2022, ICG has been developing its training programme so it can be delivered to the wider business. Mandatory training will incorporate core understanding of ESG at ICG, while extending the opportunity for more advanced specific knowledge-building for relevant professionals such as investment executives in key topics that relate to their role. Learning pathways can be built upon as users expand their learning in priority topics such as climate change, diversity & inclusion, and governance. The new approach will be rolled out in 2023.



Better utilising ESG data

Since the start of 2022, ICG has partnered with an experienced third-party vendor to develop a dedicated web-based ESG data management platform for the firm. Investment teams can now run ESG data collection processes and analyse the information about their portfolios in a time-efficient and consistent way. The underlying data is a key contributing factor to improving our ESG disclosures to clients.

Read more about our ESG reporting on pg. 28

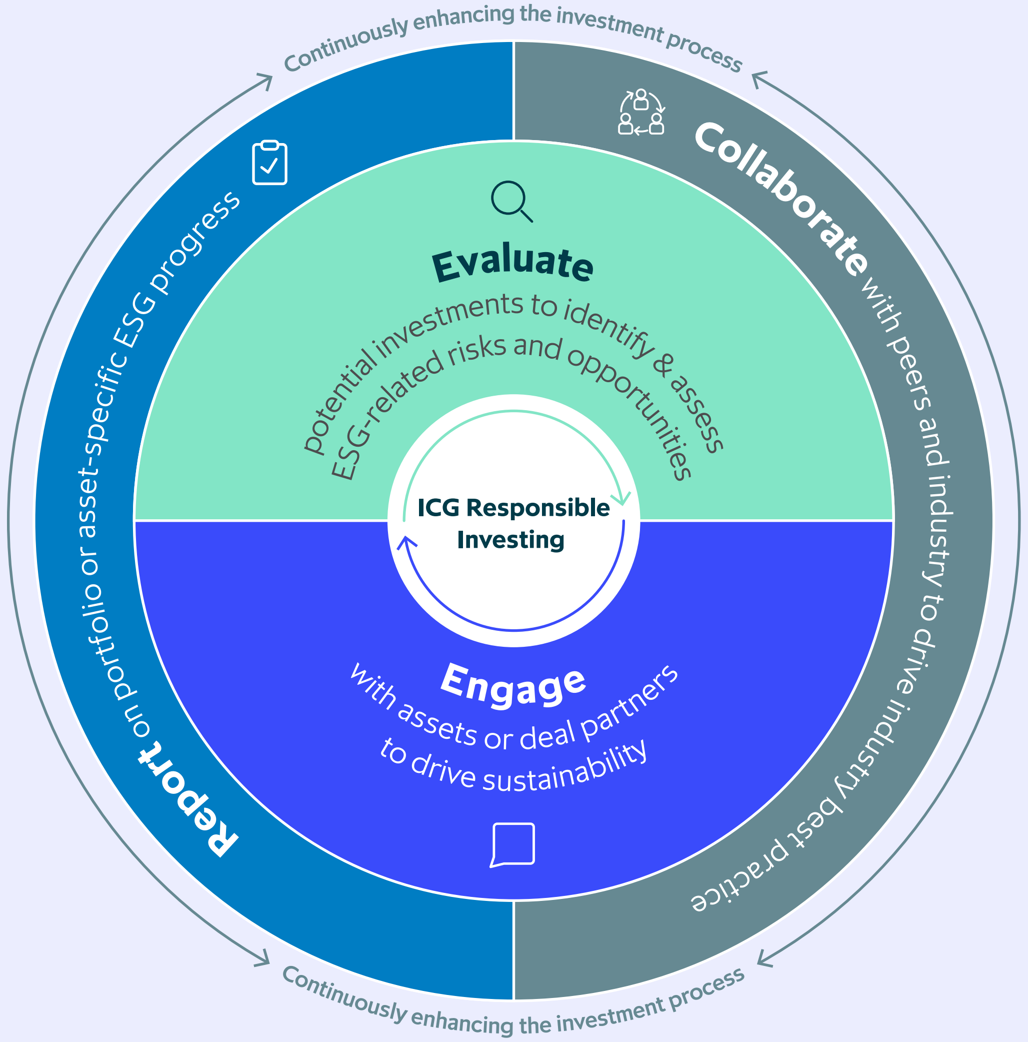
Read more about the use of our ESG data platform on pg. 29

EMBEDDING ESG IN OUR INVESTMENT CULTURE CONTINUED

Our responsible investing approach

Our Responsible Investing Policy provides the overarching charter for our approach to responsible investing and covers 100% of ICG's assets under management. Our approach to responsible investing is focused around four key activities: Evaluate, Engage, Report and Collaborate.

Read more about how we have implemented these across our asset classes – pg. 17-30



For each investment strategy, we consider ESG issues at every stage of the investment process – from exclusion, screening and due diligence to closing, monitoring and eventual exit. The level of our ability to effect change and influence the portfolio company varies by asset class, strategy and between investments.

	Pre-Investment →	Investment Period →	Exit
	EVALUATE	ENGAGE	
	Deal screening, due diligence and investment decision-making	**Ongoing portfolio monitoring and engagement**	**Preparation for exit**
All strategies	– Exclusion List screen – ESG assessment through strategy-specific ESG screening checklist; including a climate risk assessment, with additional review for high-risk exposure deals – ESG findings included in investment proposals, as standard	– Investment teams engage regularly with assets and/or GPs – Annual monitoring of ESG matters, e.g. through ESG surveys and portfolio reviews	– Prepare for exit and visibility for potential buyers
Strategies with greater influence	– Third-party expert ESG due diligence typically conducted as standard and incorporates climate risk assessment	– Raise ESG-related issues to portfolio company boards / LPACs – Implement ESG action plans and targets – Establish ESG KPIs, including on climate change and energy, typically aligned with an SBT – Assess the carbon footprint of portfolios	– Conduct sell-side ESG due diligence prior to exit

RESPONSIBLE INVESTING ACROSS OUR ASSET CLASSES

For each investment strategy, we consider ESG topics at every stage of the investment process. The level of our ability to effect change and influence a portfolio company or an asset varies by asset class, investment strategy, and between investments. However, we strive to adopt best practice in our approach across all asset classes.

Key documents:

View more about our Responsible Investing Policy on our website (last updated June 2022)

View more about our Climate Change Policy on our website (last updated June 2022)

View more about our UK Stewardship Code Statement of Disclosure, published in March 2022

Our ability to effect change is measured by the successful execution of our investment process

ICG asset class	Total AUM (30 Sep 2022)	Overview	Key strategies	EVALUATE	ENGAGE	REPORT
Structured and Private Equity	$25.3bn	Providing structured and equity financing solutions to private companies	European & Asia Pacific Corporate			
			Strategic Equity			
			ICG Enterprise Trust / LP Secondaries			
Private Debt	$18.7bn	Providing debt financing to high-quality corporate borrowers	Senior Debt Partners			
			North America Capital Partners			
Real Assets	$7.7bn	Providing financing solutions to the real estate and infrastructure sectors	Real Estate Debt			
			Real Estate Equity (including Sale and Leaseback)			
			Infrastructure Equity			
Credit	$16.9bn	Investing in primary and secondary credit markets	Liquid Credit CLOs			

Evaluate

For most of our strategies, the best opportunity to fully understand and evaluate the ESG characteristics of a potential investment and to exert influence is at the time of initial investment.

While the subject, methods, and nature of ESG evaluation vary across asset classes and between investments, ICG investment teams use the information, tools and processes available to them and deemed suitable for each investment strategy to evaluate:

Risk

Identify and assess the most material ESG risks pertinent to each investment opportunity, with a view to:

a. avoid investments that are inherently prone to having significant adverse impacts on society and the environment; and/or with significant governance failures/shortcomings; or

b. ensure that, if of acceptable overall risk level, these risks can be feasibly mitigated and/or addressed post investment.

Opportunity

Understand the potential for value creation from material ESG factors, particularly in situations where ICG has sufficient influence.

Alignment

Determine the extent of alignment with sponsors, management teams, third-party managers and/or other investment counterparties, as relevant to each investment, on ESG direction and approach.

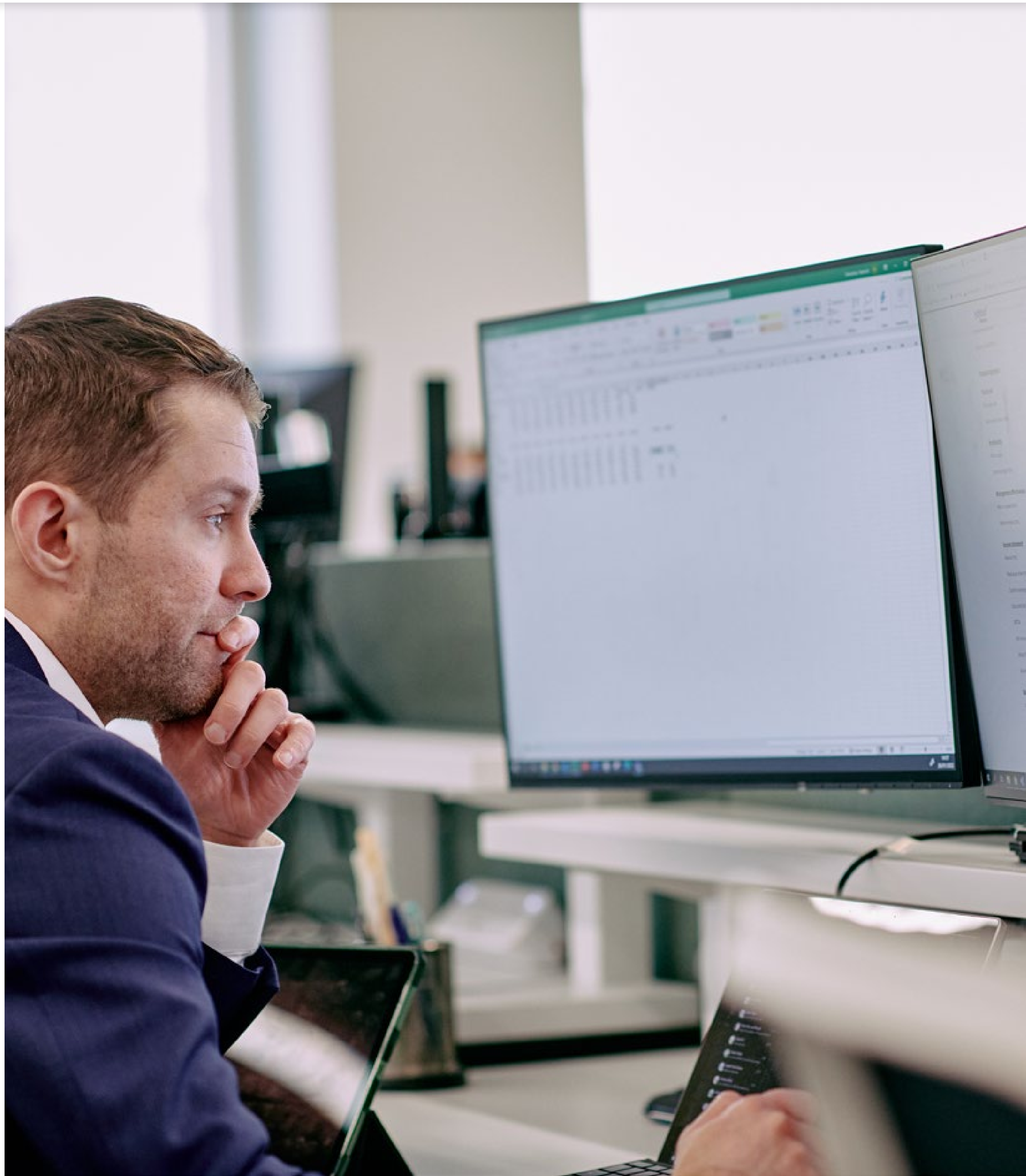
Spotlight: Scenario-based climate risk assessment for corporate deals

Every two years, ICG conducts a formal assessment of exposure to climate-related risks across its portfolios with support from a third-party climate consultancy. We assess the impact of climate-related drivers associated with both changing climatic conditions (physical risks) and the transition to a low carbon economy related to policy, regulatory, market, and technology changes (transition risk).

In Q1 2022, we assessed approximately 900 portfolio companies across our four asset classes covering almost 90% of our AUM as at 31 December 2021, using our proprietary Climate Risk Assessment Tool to identify companies with potentially heightened exposure to climate-related risk. With support from the third-party climate advisors, we then conducted a scenario-based analysis of these investments under the framework provided by the Network for Greening the Financial System.

Following this analysis, we are working with the advisors to enhance our Climate Risk Assessment Tool to incorporate sector-based transition risk scenario analysis. When rolled out in 2023, this improvement will provide investment teams with more nuanced climate risk insights as part of the ESG evaluation process for new deals.

View more
for further details on our latest TCFD disclosures



Evaluate

Over the course of 2022, ICG introduced new ESG tools and resources and enhanced existing ones to better equip investment teams with the capabilities to evaluate investment opportunities.

2022 developments

Across all asset classes

ICG updated its Good Governance Policy in line with the requirements of EU SFDR. This provides more clarity and consistency as well as asset class-specific approaches to assessing the governance practices of relevant counterparties for new deals and during the lifecycle of investments.

Structured and Private Equity

– Introduced an ESG Screening Checklist specifically designed to assist the evaluation of portfolios considered for investment by the ICG LP Secondaries strategy.
– Conducted, as standard, climate risk and maturity assessment, D&I diagnostics, and cyber risk assessment as part of due diligence carried out on new direct corporate investment opportunities, where ICG has sufficient influence.
– Cyber risk assessments formalised as standard part of the due-diligence process for new investment opportunities in our European Corporate and Europe Mid-Market strategies.

Real Assets

– Developed a tailored ESG Screening Checklist for real estate investments to fully capture and assess the nuances and characteristics of this asset class. The checklist includes a dedicated evaluation of location-based physical climate risk and transition climate risk. We will roll out the checklist to be used to evaluate new deals starting in 2023.

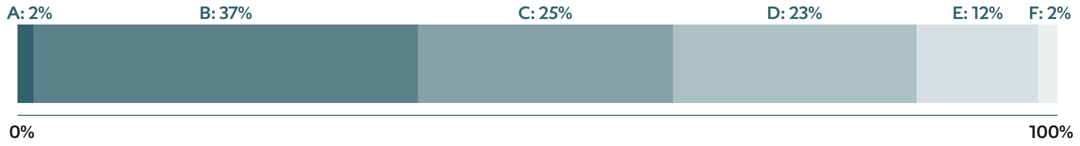
Private Debt and Credit

– Rolled out ICG's proprietary ESG risk rating across ICG Private Debt and Credit; to not only evaluate ESG-related risks for each potential investment but also to re-evaluate existing holdings and enable an assessment of complete portfolios as a whole.
– In 2022, our Private Debt and Credit investment teams carried out more than 400 evaluations utilising the enhanced ESG Screening Checklist to produce a two-dimensional ESG risk rating.

ESG risk distribution of the portfolios of select flagship liquid credit funds[1]

Inherent sector ESG risk

The **inherent sector ESG risk** is measured on a 6-grade scale of A (Very Low) to F (Very High); and captures the inherent level of risk exposure associated with the primary sector of operation of the company being evaluated.



Company-specific ESG risk

The company-specific ESG risk is measured on a 6-grade scale of 1 (Very Low) to 6 (Very High); and represents a composite rating based on four risk components, each with a weighting as indicated: A) Risks related to countries of operations (20%); B) Reputational risk (20%); C) Climate risk (20%); and D) level of ESG maturity and transparency (40%).

ESG considerations are an integral part of making investment decisions and, as such, there are deals we decline or assets we exclude because they do not meet ICG's robust ESG standards. In the 12 months prior to 30 September 2022, more than

65

investment opportunities were not approved due to ESG concerns, such as reputation risks, climate risk, corporate governance and bribery and corruption concerns; across key strategies in our Structured and Private Equity, Private Debt, and Credit asset classes.

Next steps:

– Incorporate a climate scenario-based transition risk analysis into the Climate Risk Assessment Tool to support the pre-investment evaluation of corporate deals (see pg. 17).
– Continue to enhance our approach to assessing Good Governance practices with regard to our investments.
– Over time, update existing tools and processes to incorporate an appropriate level of evaluation of emerging ESG themes, such as nature and biodiversity and human rights (see pg. 10).

1. Portfolios consist of 265 unique issuers as at 30 September 2022, across six liquid credit funds managed by ICG. Percentages are calculated based on number of issuers in the respective portfolios, and may not add to 100% due to rounding.

Engage

STRONG ESG PERFORMANCE ACROSS OUR EUROPEAN AND ASIA PACIFIC CORPORATE PORTFOLIOS

We recognise the commercial opportunity in engaging with portfolio companies to drive sustainability performance.

Asset class

STRUCTURED AND PRIVATE EQUITY

Total asset class AUM

$25.3bn[1]

Strategies in focus

European and Asia Pacific Corporate

Strategies overview

Providing structured and equity financing solutions to principally mid-market private companies.

We know that every portfolio company is different, so we take the time to understand their business model, exposure to ESG risks and opportunities, key stakeholders, and their actual and potential positive and negative impacts on society and/or the environment. These insights inform our engagement with management teams and help us identify the areas where we can support them in achieving their sustainability ambitions and building lasting value across our portfolios.

For any new investment where we have sufficient influence, we conduct a structured ESG onboarding process to align with management teams on ESG governance, key ESG areas of focus for the business, and KPIs and progress monitoring. Typically, ESG is a regular agenda item at Board meetings, and we review ESG progress and performance with all portfolio companies at least annually.

While topics of engagement vary for each portfolio company, we focus our engagement on the following three topics:

- Climate change
- Diversity and inclusion
- Cyber resilience

Read more
about our Areas of focus in 2022 on pg. 9

1. As at 30 September 2022.

Engage

STRONG ESG PERFORMANCE ACROSS OUR EUROPEAN AND ASIA PACIFIC CORPORATE PORTFOLIOS CONTINUED

Climate change

Key aims and drivers

- Reduce carbon intensity of portfolio companies
- Set ambitious GHG emissions reduction targets in line with a 1.5°C global warming scenario
- Sustainable business growth

Progress and impacts

64%[1] ↑

of portfolio companies have assigned board or management responsibility for climate change-related risks and opportunities

(2021: 61%, 2020: 42%)

78%[1] ↑

of portfolio companies have set or are in the process of establishing climate change or energy-related objectives and targets

(2021: 67%, 2020: 55%)

80%[1] ↑

of portfolio companies have assessed, or began assessing, the business risks and opportunities associated with climate change

(2021: 58%, 2020: 39%)

76%[1] ↑

of portfolio companies have assessed their carbon footprint

(2021: 61%, 2020: 32%)

Science-based targets

7 (out of 9 across ICG)

relevant[2] portfolio companies have set SBT in the last 12 months, with 4 being approved by the SBTi and 3 awaiting approval

13

other relevant[2] portfolio companies have started developing their SBTs

Next steps

→ **Encourage the exchange of best practices, innovation and ideas among portfolio companies.**

→ Continue to drive decarbonisation across the portfolios and support the setting of SBTs by relevant portfolio companies.

Diversity and inclusion

Key aims and drivers

- Promote a more inclusive and equitable working environment that supports attracting and retaining best talent
- Improve diversity at senior management and board level
- Sustainable business growth

Progress and impacts

75%

of portfolio companies in European Corporate Fund VIII, the latest fund in the strategy, have improved gender diversity at board level since ICG's investment

76%[1] ↑

of portfolio companies have a D&I policy in place

(2021: 69%, 2020: 55%)

87%[1] ↑

of portfolio companies are implementing initiatives or targets to improve D&I

(2021: 64%, 2020: 48%)

76%[1] ↑

of portfolio companies run regular employee engagement surveys

(2021: 69%, 2020: 68%)

Next steps

→ **Encourage the exchange of best practices, innovation and ideas among portfolio companies.**

→ ICG will continue to promote and encourage greater diversity at strategic decision-making levels.

1. Source: ICG's Annual ESGs survey of portfolio companies across European and Asia Pacific Corporate.
2. Relevant companies are those where ICG has sufficient influence (i.e. at least 25% of fully diluted shares and a board seat).

Engage

STRONG ESG PERFORMANCE ACROSS OUR EUROPEAN AND ASIA PACIFIC CORPORATE PORTFOLIOS CONTINUED

Cyber resilience

Key aims and drivers

- Ensure appropriate cybersecurity governance, tools and processes – in line with best practice
- Enhance transparency on risk detection
- Encourage cyber training for portfolio company employees
- Continuously improve cyber resilience in the context of changing threat landscape

Progress and impacts[1]

(across the European Corporate portfolio)

100%

Cyber due diligence completed on all new investments in European Corporate Fund VIII. No red flags were identified and portfolio companies took mitigating actions to address key potential risks.

100%

of portfolio companies, where we have sufficient influence, have discussed cyber risk at board level at least once in the last 12 months.

94%

of portfolio companies, where we have sufficient influence, have completed or launched an internal audit of cyber capabilities. This includes having a clear plan of remedial actions.

Incidence response

retainer established to ensure immediate support in the event of a cyber attack.

Next steps

- **Encourage the exchange of best practices, innovation and ideas among portfolio companies, where appropriate.**
- As cyber-attacks become more frequent and sophisticated, full immunity is very difficult to achieve so we will continue to reinforce our efforts and monitor cyber risks and capabilities.

2022 Annual ESG Survey

ICG has been conducting its Annual ESG Survey for portfolio companies across the European and Asia Pacific Corporate portfolios since 2015, seeking to engage with portfolio companies to understand the ways in which they are managing ESG issues and areas that can be further improved.

The Annual ESGs survey assesses practices with regards to ESG governance and oversight, compliance with ESG-related laws and regulations, climate change, and diversity, equity and inclusion. In 2022, the survey was further enhanced to include performance metrics drawn from leading industry frameworks such as the Principal Adverse Impact metrics under the EU Sustainable Finance Disclosure Regulation (SFDR), the ESG Data Convergence Initiative, the Task Force on Climate-related Financial Disclosures (TCFD), the GRI standards, and SASB standards.

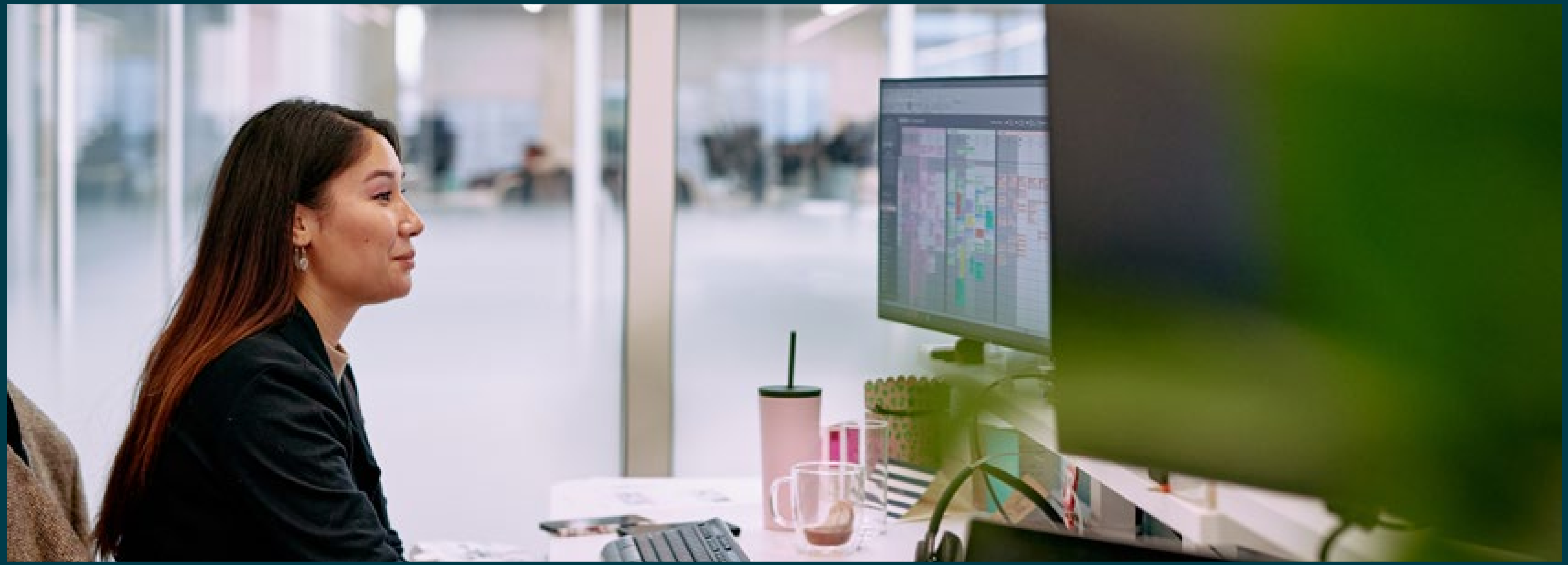
In 2022, a total of 45 companies across the European and Asia Pacific Corporate portfolios took part in the survey (36 in 2021, 32 in 2020), maintaining a 100% response rate.

45

portfolio companies took part in the 2022 survey

100%

response rate



1. Figures as at 31 December 2022. Data excludes any sponsor-led deals and recent exits.

Engage

ALIGNING ESG OBJECTIVES WITH GP PARTNERS

We believe that GP partners that are better able to manage ESG risks and capitalise on ESG opportunities across their portfolio may create more lasting value for investors and the underlying assets.

Asset class

STRUCTURED AND PRIVATE EQUITY

Total asset class AUM

$25.3bn[1]

Strategy in focus

Strategic Equity

Strategy overview

Strategic Equity invests in bespoke sponsor-led liquidity transactions (termed "GP-Led Transactions"), providing equity financing to established private equity firms to purchase either a single, high-performing asset or a portfolio of assets from their existing fund(s).

Our GP partners vary in terms of size, scale, geographical or sector focus, and ESG maturity. That is why we carefully evaluate the ESG credentials of potential deals, both of GP partners and underlying assets, and make engagement on ESG matters a crucial component of ICG's approach.

Ongoing ESG engagement and monitoring is achieved through a combination of board seats, information rights, active engagement with the GP/sponsor on material ESG issues and the Annual GPs Survey and follow up dialogues to discuss progress. The Strategic Equity team, with support from ICG's Sustainability & ESG team, targets engagement with GP partners to support them in further enhancing their approach to ESG integration by sharing our experience and networks, as well as resources for portfolio monitoring and reporting. For the first time in 2022, we utilised our corporate Annual ESGs survey (see pg. 21) to assess the ESG practices of underlying assets, and we plan to share key findings with our GP partners to support further ESG improvements.

Continued focus on aligning with GP partners on:

ESG governance

100%
of managers have an ESG Policy which is broadly aligned with ICG's RI Policy
(2021: 100%)

89% ↑
of managers have dedicated ESG resource
(2021: 60%)

89% ↑
are UN PRI signatories
(2021: 79%)

100%
use board influence to engage on ESG matters
(2021: 100%)

Source: ICG Annual GP survey. In 2022 all 9 GP partners in Strategic Equity IV responded to the survey. In 2021, 10 GP partners in Strategic Equity III and IV responded.

Climate change

44% ↑
have a formalised approach to managing climate-related risks and opportunities
(2021: 40%)

33% ↑
already monitor the carbon footprint of portfolio companies
(2021: 30%)

Diversity and inclusion

100% NEW
of GP partners state that they actively support D&I in their firms
(2021: n/a)

19% ↑
female investment professionals on average among GP partners
(2021: 14%)

Engage

CONTINUED ESG PROGRESS ACROSS OUR DIRECT LENDING PORTFOLIOS

In our Direct Lending portfolios, the success of our engagement with borrowers depends on the strength of our relationship with their private equity shareholders and the continuous alignment of our overarching ESG objectives.

Asset class
PRIVATE DEBT

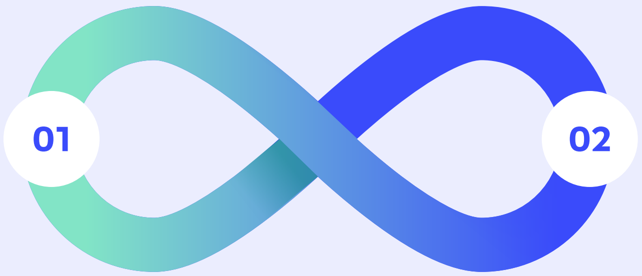
Total asset class AUM
$18.7bn[1]

Strategy in focus
Senior Debt Partners

Strategy overview
Providing senior debt financing to high-quality corporate borrowers.

Engagement in our Direct Lending portfolios is vital to understand and account for the ESG risks and opportunities pertinent to our investments. We engage with borrowers and monitor the ESG performance of investments through a two-pronged approach:

01
Deal teams maintain ongoing dialogue with management and/or PE sponsors, which covers material ESG developments.



02
Our Annual ESG Survey enables us to assess more holistically how ESG matters are managed by borrowers in our portfolios and the progress they have achieved over time.

The focus of engagement varies from deal to deal but we typically prioritise the following three themes as we believe they have universal importance for the lasting success of any business: **ESG governance, Climate change, and Diversity and inclusion**.

We noted continued progress among the borrowers in our Direct Lending portfolios, as demonstrated by responses to our Annual ESG Survey (see pg. 21). 37 borrowers responded to the survey in 2022, up from 31 in 2021, and 26 in 2020. Among the borrowers who took part:

ESG governance

87% ↑
have implemented or are implementing a sustainability policy
(2021: 65%, 2020: 44%)

62% ↑
have set or are in the process of developing ESG KPIs and targets
(2021: 38%, 2020: 33%)

Climate change

57% ↑
have begun assessing exposure to climate risks & opportunities
(2021: 35%, 2020: 28%)

81% ↑
have initiatives to reduce GHG emissions
(2021: 69%, 2020: 39%)

Diversity and inclusion

77% ↑
have implemented or are developing initiatives or targets to improve diversity
(2021: 50%, 2020: 33%)

89% ↑
run regular employee engagement surveys
(2021: 81%, 2020: 72%)

1. As at 30 September 2022.

Engage

FINANCING THE GROWTH OF SUSTAINABLE REAL ASSETS

We recognise promising investment opportunities in growing sustainable real assets, and in supporting the transition of real estate and infrastructure assets to more sustainable models.

Asset class
REAL ASSETS

Total asset class AUM
$7.7bn[1]

Strategies in focus
European Real Estate Debt, Sale and Leaseback, and Infrastructure Equity

Strategies overview
Providing financing solutions in the real estate and infrastructure sectors, with focus predominantly on the European mid-market.

Towards a more sustainable real economy

Investments in real assets, such as commercial real estate, housing developments, renewable energy and other infrastructure delivering core services, can play an important role in supporting global economic growth and enhancing social cohesion. The Organisation for Economic Co-operation and Development (OECD) estimates[2] that $6.9 trillion per year is needed up to 2050 for investment in sustainable and resilient infrastructure to achieve the UN Sustainable Development Goals by 2030 and net zero emissions by 2050.

To capitalise on this growing investment opportunity, ICG has launched a number of sustainably-themed products investing in real assets. These products have sustainability frameworks designed to align with specific UN SDGs, and all incorporate climate-focused SDGs including SDG 7 (Clean Energy) and 13 (Climate Action); and deliver tangible, targeted improvements in the sustainability performance of assets as part of the asset management plan.

As at 30 September 2022, these sustainably-themed products constitute nearly half (48%) of total AUM in real assets, compared to 34% a year earlier; and a significant growth opportunity for ICG.

Asset class	**Real Estate**		**Infrastructure**
Strategy	**European Real Estate Debt**	**Sale and Leaseback**	**Infrastructure Equity**
Strategy overview	Pan-European real estate debt strategy with a distinctive approach to investing in self originated, predominantly first mortgage investments	Targets mission-critical, commercial real estate assets across the UK and Europe	Seeks to acquire a diversified sustainable portfolio of Core+ mid-market infrastructure assets in Europe, with a focus on downside protection
Sustainability approach	Financial incentives for improvements, and targeted engagement	Allocated capital for sustainability improvements, and targeted engagement	Incorporated into active asset management
Sustainability focus themes	– Climate change – Natural resource use	– Climate change – Natural resource use	– Climate change – Natural resource use – Diversity and inclusion – Human capital management
Targeted UN SDGs	3, 7, 11, 12, 13	6, 7, 9, 11, 12	7, 9, 11, 12

1. As at 30 September 2022.
2. Source: UNEP, accessed on 29 November 2022, https://www.unep.org/explore-topics/green-economy/what-we-do/sustainable-infrastructure-investment

Engage

FINANCING THE GROWTH OF SUSTAINABLE REAL ASSETS
CONTINUED

European Real Estate Debt

The strategy provides financial incentives, in the form of margin ratchets, to borrowers seeking to improve the sustainability of existing and new commercial real estate. This is achieved through a dedicated Green Loan Framework (GLF) that ICG designed in alignment with current best practice, including the recommendations laid out in the LMA Green Loan Principles and the EU Taxonomy. The aim of is for the majority of committed capital to qualify under the GLF by demonstrating, over time, a high standard of performance across a combination of areas (see graph).

To date,

80%

of committed capital has been in green loans[2] to projects that have made clear commitments to sustainability.

Creating innovative opportunities in sustainable real estate debt investments

Since the inception of the strategy, 80% of committed capital has been in green loans[2] to projects that have made clear commitments to sustainability. The investment team has actively engaged with borrowers and sponsors, typically at the time of investment, to identify value-add opportunities for improvement. Bellow are some examples of green loans provided and our engagement efforts.

Supporting the borrower's commitment to refurbish a central London office with the aim to deliver a Net Zero Carbon[3] building, which among other things will include pursuing an EPC A rating and replacing gas boilers with an electric air source heat pump system. The property will seek an Excellent BREEAM certification in demonstration of its holistic approach to sustainability.

A mezzanine facility to finance an office campus in Berlin with clear commitments to reduce energy consumption by 57% and corresponding carbon emissions by 58%, in line with the Goals of the Paris Agreement.

Supporting the development of a premium hotel in the south of France working with a sponsor that has a long-term commitment to operate the property in line with the Goals of the Paris Agreement, including switching over time to 100% renewable energy supply and delivering top-tier energy efficiency performance when benchmarked against similar properties, among other sustainability characteristics.

1 The Primary Goal of the Paris Agreement is defined as "limiting global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels." https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

2 Committed capital based on deals in the portfolio as at 30 September 2022. Green loan qualification status accurate as at 1 December 2022, based on independent verification by a third-party advisor.

3 In line with the UK Net Zero Carbon Buildings Standard – https://www.nzcbuildings.co.uk/

Engage

FINANCING THE GROWTH OF SUSTAINABLE REAL ASSETS CONTINUED

Sale and Leaseback

ICG Sale and Leaseback has adopted a distinctive approach to enhancing the sustainability of the underlying assets in its portfolios.

The Sale and Leaseback team is working collaboratively with tenants of mission-critical real estate to diagnose current performance and to drive improvements that promote greater energy security and cost predictability, reduction of greenhouse gas emissions, better utilisation of energy and water resources, and efficient waste management programmes.

As part of its approach Sale and Leaseback is able to re-invest up to 2% of its committed capital to enhance the sustainability of the underlying assets in its portfolios. Since launching the strategy in 2019, the team has engaged with the majority of tenants and directly contributed to the financing – or facilitated third-party, innovative financing solutions – for a range of tangible improvements that have a combination of environmental, economic, and social benefits.

Some recent examples of such engagements include:

ICG's Sale and Leaseback team worked closely with the developer and contractors of a logistics park in the Midlands, UK, on one of the largest net zero-ready developments in the UK, benefiting from a BREEAM Excellent rating. High levels of sustainability and safety standards were adopted during construction, including recycling almost all waste, on-site concrete batching, and using 100% green diesel for deliveries, which alone resulted in over 300 tCO_2e saved to date.

ICG worked with an energy solutions tenant in Austria to facilitate the construction of an energy transfer station which deploys innovative technologies to redistribute surplus energy from that tenant's operations to other members of the community, including heating the local public outdoor swimming pool.

The Sale and Leaseback team has partnered with renewable technology solution providers to facilitate the installation of solar panels on the rooftops of suitable assets in the portfolio. Through energy-as-a-service arrangements, tenants benefit from greater energy supply security at competitive prices with limited impact on the environment and in support of their own corporate climate commitments.

Infrastructure Equity

The strategy has adopted a "green generalist" approach, including operational value creation with a sustainability focus.

Through its asset management efforts, ICG operates a tailored Infrastructure Sustainability Framework, drawing on the Global Impact Investing Network's IRIS+ taxonomy, to identify, assess, monitor and, where possible, quantify the direct contribution of portfolio companies' core activities to relevant SDGs. Under the Infrastructure Sustainability Framework, portfolio company engagement – including KPIs setting (where ICG has access to and influence over management) – prioritises four themes: Climate change, Natural resource use, Human capital management, and Diversity and inclusion, alongside other material company-specific ESG risks and opportunities.

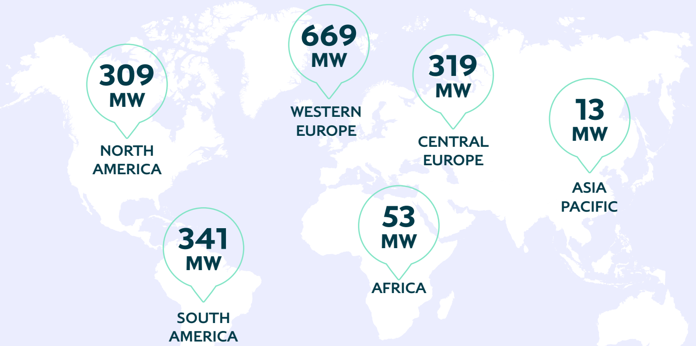
Below are examples of the positive impacts[4] of the portfolio in 2021 and 2022:

455 GWh ↑

of renewable energy generated (2020: 277 GWh), contributing to the growing electricity demand around the world

1,703 MW[5] ↑

of installed renewable energy generating capacity (2020: 221 MW) contributing to the low carbon energy transition on 5 continents



Solar PV | Wind | Hydro | Hybrid | Biomass | Biogas

4,300 km ↑

of owned fibre network deployed and operated (2020: 4,075 km) — 25% in rural areas (2020: 22%), supporting the connectivity of over 112,000 households and businesses (2020: 80,000)

30 million m^3 ↑

of water saved (2020: 27 million m^3) across 1.7 million households through smart metering (2020: 1.6 million)

215 ↑

net jobs created (2020: 135)

Providing decent jobs to over

1,330 ↑

(2020: 1,100) people,

36%

of whom are female (2020: 35%)

4 Source: ICG, figures aggregated from data reported by individual assets in the portfolio for the specified period.

5 Installed capacity across all assets in the Infrastructure Equity portfolio as at 30 September 2022.

Engage

GREATER FOCUS ON ENGAGEMENT ACROSS OUR FLAGSHIP CREDIT FUNDS

In order to play a more active role in encouraging better ESG practices, ICG has increased our focus on engaging directly with issuers in our liquid credit funds, in addition to collaborating with other stakeholders.

Asset class
CREDIT

Total asset class AUM
$16.9bn[1]

Strategies in focus
Syndicated Loans, Multi-Asset Credit, and US and Europe CLOs

Strategies overview
Investing in primary and secondary credit markets, with focus on sub-investment grade credit in Europe and the US. We invest in liquid (tradable) senior secured loans and high yield bonds as part of a syndicate of lenders or investors, as well as structured credit.

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

In the 12 months to 30 September 2022, ICG credit analysts engaged with more than 300 issuers across North America and Europe to seek more information and/or improvements on relevant ESG topics. As comprehensive ESG disclosures are still nascent among sub-investment grade private issuers, our key focus of engagement in many cases was on improving transparency on ESG matters, including disclosure of ESG performance and GHG emissions.

It is encouraging to see that 48% of issuers in six of our market value credit portfolios (as at 30 September 2022) measure and report GHG emissions – a significant increase from only 30% of issuers as at 31 December 2021.

Our requests for ESG information from issuers[2]

Environment

243
issuers were engaged on Environmental topics, such as climate change, natural resource use, and environmental compliance.

Social

166
issuers were engaged on Social topics, such as health and safety, workforce diversity and inclusion, and customer welfare.

Governance

207
issuers were engaged on Governance topics, such as board diversity, business conduct, and exposure to high-risk countries.

1. As at 30 September 2022.
2. For the 12 months to 30 September 2022. An issuer may be engaged on more than one ESG topic.

Report

IMPROVING TRANSPARENCY ON ESG MATTERS

Why does it matter?

Better-informed investment decisions

We believe that transparency on material ESG-related risks and opportunities, such as those posed by climate change, is important to fully consider the risk-return characteristics of investments and as such can better inform decision-making of investors. That is why we have supported the TCFD since 2019, and in 2022 formally expressed our support for the Taskforce on Nature-related Financial Disclosures (TNFD) by becoming a member of the TNFD Forum.

The role of regulation – standardisation

Financial market regulators around the world have understood the importance of standardised, minimum ESG disclosures for preventing greenwashing. The EU Sustainable Finance Disclosure Regulation (SFDR), which came into effect in March 2021, is a prime example of such a regulation in our industry. As the US Securities Exchange Commission, the UK Financial Conduct Authority and other regulators globally are contemplating ESG disclosure and/or labelling regimes in their markets, we urge for suitable harmonisation and proportionate and practical implementation in private markets, to ensure a truly levelled playing field.

To support this, in 2022, we collaborated with peers at Initiative Climate International and BVCA to collectively respond to the UK FCA consultations on Climate Disclosures for Asset Managers (finalised) and Sustainable Disclosure Regulation (pending); and with fellow members of Invest Europe to respond to further consultations by the European Commission on the implementation of SFDR.

Read more
about our participation in collaborative initiatives on pg. 30

Our disclosures

We seek to provide regular updates to our clients and other stakeholders on how ESG considerations are integrated into our investment decisions and processes; and the outcomes we have achieved. We do this at firm level and for individual funds, depending on the purpose of disclosure and nature of underlying information.

ICG-level disclosures

As a listed company and a regulated asset manager, ICG seeks to provide timely and detailed reporting on relevant ESG matters through its own annual disclosures and by participating in voluntary assessments.

TCFD disclosures

Recognising the importance of climate disclosures, ICG has been reporting voluntarily against the TCFD recommendations since 2019. Building on this, as part of its Annual Report for FY22, ICG plc produced its first mandatory climate disclosures in line with the recommendations of the TCFD to respond to the requirements for premium listed companies in the UK.

View more
in our TCFD disclosures

Sustainability & People Reports

Our first firm-level ESG report was produced in 2014, and the focus, breadth and depth of this report have considerably expanded ever since. For its 2021 Sustainability & People Report, ICG further enhanced its approach by drawing on relevant GRI & SASB standards.

View more
in our Sustainability & People Reports

UK FCA Stewardship Code

ICG was admitted as a signatory to the UK FCA Stewardship Code in March 2022 and has an obligation to provide an annual update on progress on its stewardship activities.

View more
in our most recent disclosure

Report

IMPROVING TRANSPARENCY ON ESG MATTERS CONTINUED

Fund-level disclosures

Responding to key regulatory developments

The EU Sustainable Finance Disclosure Regulation has been one of the most substantive disclosure regimes that covers our investment activities. Since March 2021, for each fund in scope of the SFDR, we have prepared and provided to investors:

– pre-contractual disclosures, specifying the promoted environmental and/or social characteristics or the pursued sustainable objectives by each fund, as relevant and applicable.

– periodic disclosures, communicating the extent of attainment of the promoted environmental and/or social characteristics or pursued sustainable objectives by each fund, as relevant and applicable.

99%

of raised capital in scope of SFDR, since March 2021, has been in products that promote environmental and/or social characteristics (Article 8)

Promoting best practice, beyond regulation

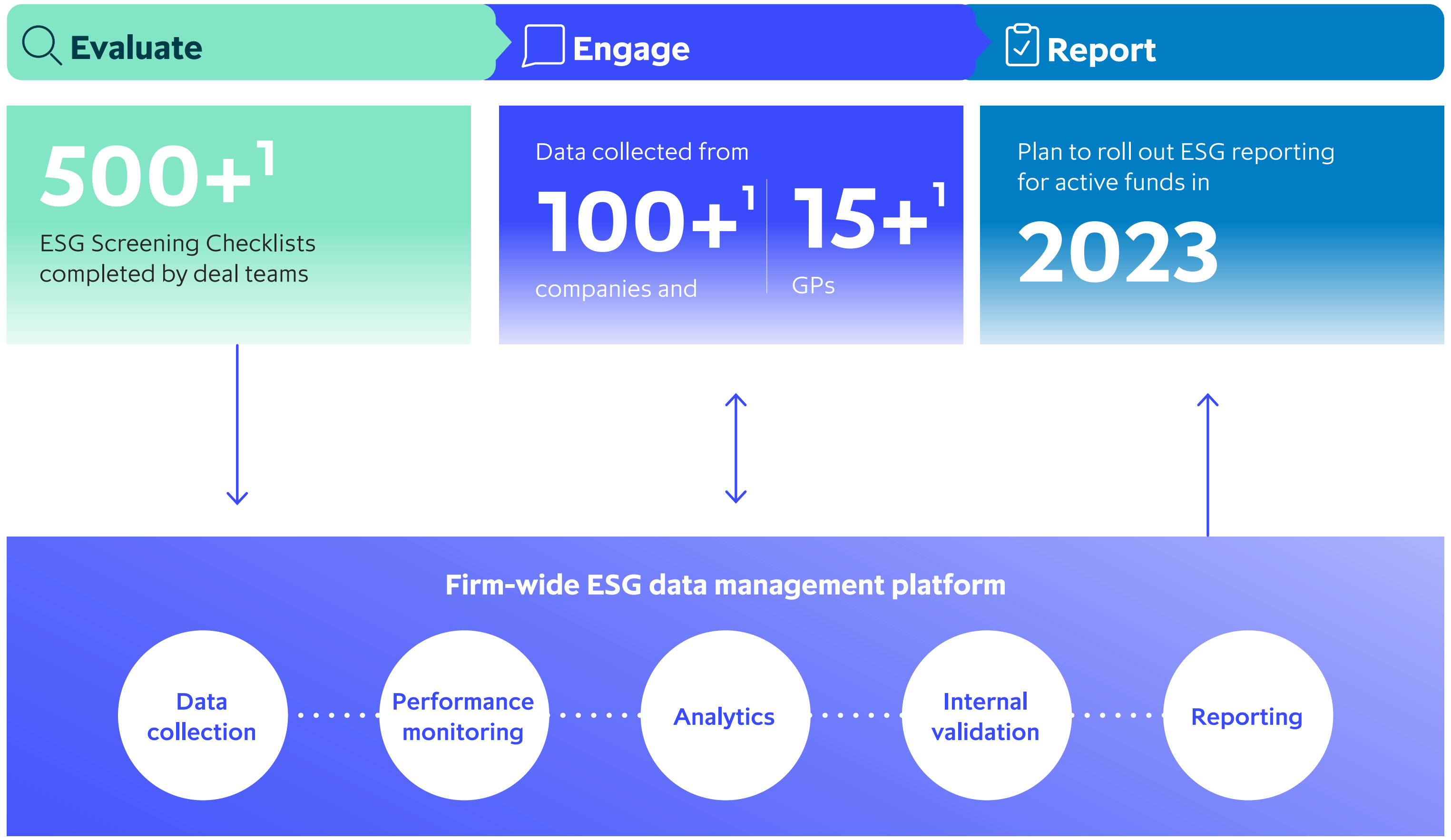
In 2022, after listening to our clients' needs, and exploring best practices from peers, we developed a harmonised, modular approach to fund-level ESG reporting across the firm. This approach was first implemented to one Direct Lending fund (Senior Debt Partners 4) and select liquid credit funds. All of these reports incorporated a presentation of ESG Risk Ratings distribution across the portfolio, based on ICG's proprietary methodology which we rolled out across our Private Debt, and Credit asset classes at the end of 2021 (see pg. 17-18).

We also continued to enhance the dedicated fund-level ESG reporting to investors in our European Corporate funds (first issued in 2019) and Infrastructure Equity fund (first issued in 2021).

In the past year, we also incorporated the TCFD-recommended portfolio climate metrics as standard in our fund-level ESG reporting. Disclosure of greenhouse gas emissions data by private companies is still nascent, so for any gaps in actual data we utilise proxy data modelled by a reputable external data provider.

Data integration for ESG assessment and reporting

At the start of 2022, ICG began implementing a dedicated web-based ESG data management solution to enable more efficient data collection, analysis and reporting for our portfolios, in line with ICG's wider efforts to build digital resilience across the firm.



1 Since the platform was launched at the start of 2022.

Collaborate

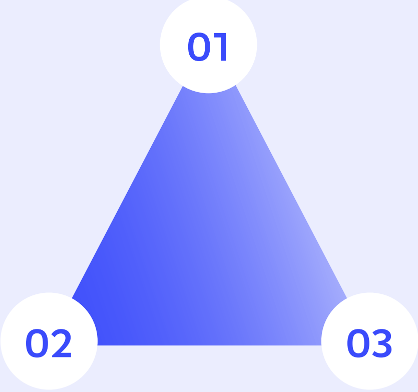
COLLABORATING TO STRENGTHEN THE INDUSTRY

ICG recognises that, in pursuing the best interests of our clients, we have a responsibility to collaborate and work closely with our peers and other stakeholder groups.

We are committed to working with others operating in the space of responsible investing, in order to advance best practice and drive consistency in shared challenges such as data consistency, measurement frameworks, and reporting. We also recognise the value of learning from industry experts and thought leaders, in order to leverage that knowledge in our own ESG approaches.

ICG has been focused on 3 key areas:

Driving better data, particularly climate data



Supporting standardisation within the industry across asset classes

Promoting efficient and proportionate implementation of ESG regulations

2022 working groups participation

- Active member of the Initiative Climat International (iCI) – co-chaired the Carbon Footprinting Working Group – see spotlight for further details. ICG also cofounded the Private Credit Working Group and sits on the Net Zero, and Regulatory working groups.
- Contributing to industry advancement through a number of other collaboration groups: PRI Investors Corporate Reporting Reference, Invest Europe ESG standards, PRI/LSTA/ACC – ESG Integrated Disclosure Initiative.
- Member of the TNFD Forum.
- Regularly contributes to the BVCA and Invest Europe regulatory working groups.

Industry initiatives

Signatory of: PRI Principles for Responsible Investment

GIIN Global Impact Investing Network

iCi initiative climat international – Private equity action on climate change

Invest Europe

The Net Zero Asset Managers initiative

bvca

Science Based Targets – Driving ambitious corporate climate action

TCFD

TNFD

Spotlight: Towards harmonised GHG accounting and reporting in private equity – an iCI sector guidance

Private market investors are increasingly being called upon to set ambitious climate commitments. Regulators, investors, lenders, and other stakeholders alike, are demanding GHG reporting against consistent and comparable climate metrics.

Against this backdrop of rising transparency requests, the iCI members saw an opportunity to develop a specific guidance to private equity investors. As co-chair of the working group tasked with developing this guidance, ICG was proud to spearhead this effort, and bring our experience to bear in providing investors and their portfolio companies consistent guidance on:

1. Carbon footprinting

Calculating Scope 1, Scope 2 and Scope 3 emissions.

2. Financed emissions

Attributing GHG emissions from portfolios to GPs and Limited Partners (LPs).

3. Fund reporting

Aggregating emissions at the fund level and reporting to stakeholders.

4. Target setting

Conducting portfolio analysis with a view to set targets that support the transition to a net zero economy.

View more

The guidance is available here and was developed in partnership with leading sustainability consultants – ERM