Climate-related financial disclosures

This report provides the Group's climate-related financial disclosures consistent with the 11 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Financial Conduct Authority (FCA) climate-related disclosure requirements for premium listed companies. This report presents our approach to incorporating climate-related risks and opportunities into our governance, strategy, risk management, and metrics and targets (as per the TCFD-recommended disclosures), the progress we have made over the past financial year and key steps we plan to take next.

Benoît Durteste
CEO and CIO

"Taking a robust and proactive approach to managing our exposure to climate-related risks, and seizing the opportunities presented by the low-carbon transition, are integral to reaching net zero GHG emissions across our operations and relevant investments[1] by 2040."

ICG began adopting the TCFD recommendations in 2019, and made its first disclosure in 2020. Since then, we have continued to evolve our approach, recognising the interconnectivity between our growth strategy; the evolving expectations of our shareholders, clients, regulators, and other stakeholders; and the emergence of best practice in our industry.

Over the past financial year, we have:

- further reinforced alignment and accountability for climate-related risks and opportunities across the organisation as part of a wider effort to embed climate and other ESG considerations into our investment culture (see page 37);
- enhanced the frameworks, tools and metrics we use to support our understanding of climate-related risks and opportunities and their possible (positive or negative) financial impact on our business and the funds we manage (see page 35);
- made progress against ICG's science-based targets (see page 49);
- begun incorporating, as standard, TCFD-recommended portfolio climate metrics into certain fund-level reporting to clients (see page 49); and
- continued to incorporate climate-related issues into the Group's Risk Management Framework (RMF) and policy framework (see page 39).

The third-party funds we manage are generally not consolidated into the Group from a financial perspective. However, we consider the climate-related risks and opportunities surrounding these funds and our fund management activities as a key part of our business. Where material we also look at the level of our Group operations – but we recognise that our operations have very limited climate-related risks exposure.

Please also refer to ICG's Climate Change Policy and previous TCFD reports on our website →

Our commitment to net zero

In November 2021, ICG announced its commitment to reach net zero GHG emissions across its operations and relevant investments by 2040. Our net zero commitment is supported by two ambitious emissions reduction targets by 2030, which have been approved and validated by the SBTi:

1. Ensure 100% of relevant investments[1] have SBTi-approved science-based targets by 2030, with an interim target of 50% by 2026.
2. Reduce the Group's direct (Scope 1 and 2) emissions by 80% by 2030 from a 2020 base year.

Our approach towards net zero is summarised in the Strategy section and key identified metrics are outlined in the Metrics and targets section.

1. Relevant investments include all investments within Structured and Private Equity and Real Assets where ICG has sufficient influence (defined as at least 25% equity ownership and at least one Board seat). Investment strategies in scope of ICG's potfolio coverage SBT represent 22% of AUM as at 31 March 2023.

Governance

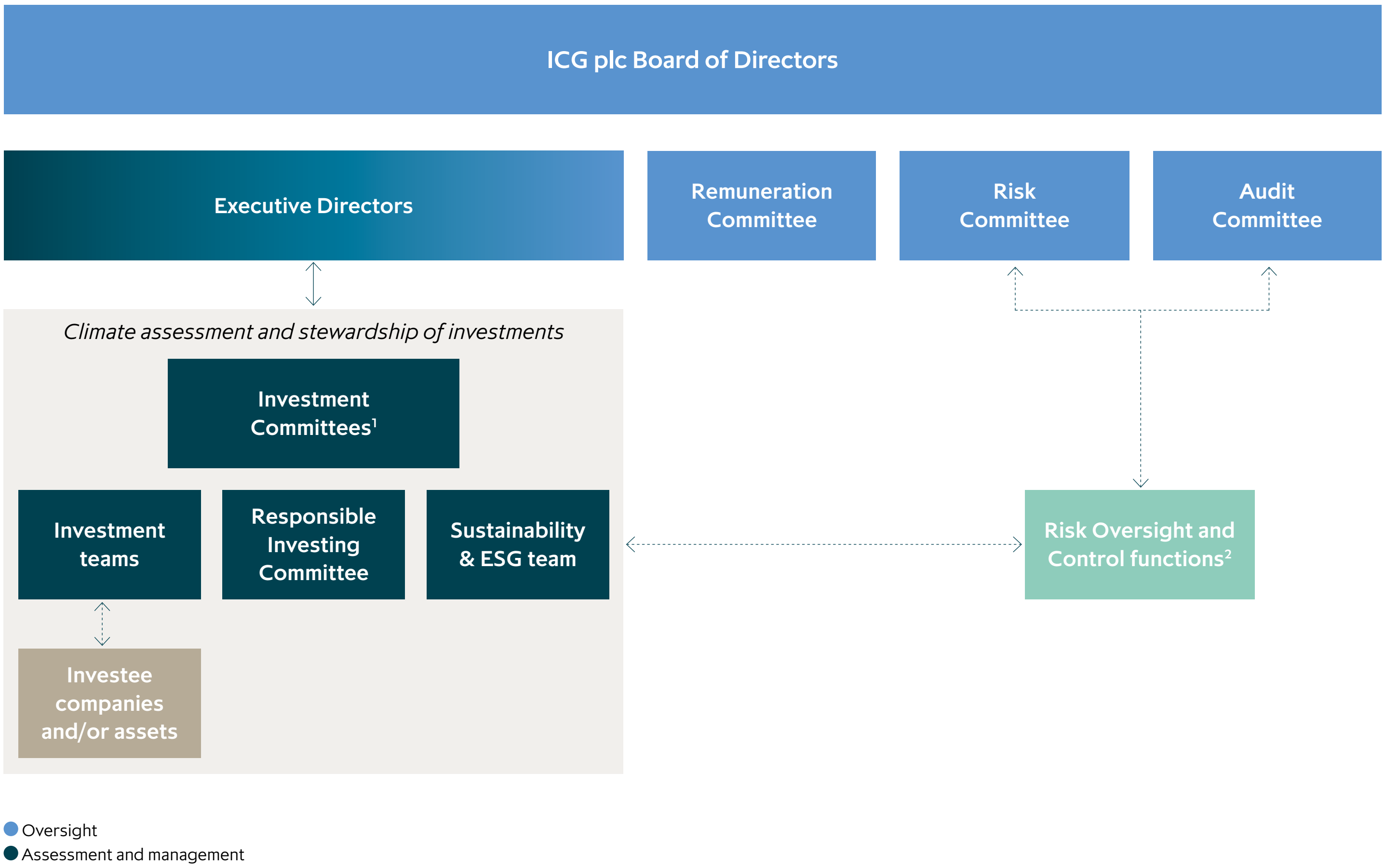
ICG's governance of climate-related risks and opportunities

TCFD recommended disclosure	
(a)	Description of ICG Board's oversight of climate-related risks and opportunities
(b)	Description of ICG Management's role in assessing and managing climate-related risks and opportunities

Oversight and management of climate-related risks and opportunities are incorporated into the Group's governance structure and risk management framework. The Board receives regular updates on climate-related matters, and has delegated oversight of such matters, including progress towards ICG's net zero commitment, and the implementation of ICG's Climate Change Policy, to the Executive Directors.

The diagram below provides an overview of the Group's governance structure for the oversight, assessment and management of climate-related risks and opportunities.

Organisational oversight of climate-related matters



1. Each fund has its own Investment Committee (IC). The ICs are comprised of senior investment professionals, including the respective fund Portfolio Manager(s).
2. Legal, Compliance, Risk, and Internal Audit functions.

Board oversight

ICG plc Board of Directors (the Board)

The Board comprises three Executive Directors, a Non-Executive Chair, and seven other Non-Executive Directors who have a broad and diverse set of relevant skills and experience.

The Board sets the Group's strategic direction and, when setting strategic objectives, it considers all material factors including those relating to climate change.

The Board is engaged in our focus on stewardship and ESG, and regularly receives reports on client considerations, client experience, investment performance and ESG matters. As part of this, the Board receives formal updates on ESG-related matters, including climate-related matters, at least twice every financial year. For specific climate-related targets (see Metrics and Targets section), the Board receives annual updates on progress. To facilitate the Board's engagement on these topics, the Board has nominated a Non-Executive Director to oversee management's implementation of ESG matters (see page 75). In addition, the Board also considers climate-related risks, as relevant, when reviewing the annual strategy and business plans over the short, medium, and long term, for example, in annual budgets, performance objectives and determining the risk appetite of the Group.

As part of the normal course of business, the Board receives updates on how these policies are being implemented.

Executive Directors

The Executive Directors implement the Group's approved strategy, including driving our net zero commitment and various climate-related programmes across the organisation. The CEO has lead responsibility for climate-related matters. As part of the Board, the CEO reviews and guides any decisions made regarding investment strategies, including the update and implementation of the Group's Responsible Investing Policy and the Climate Change Policy, as well as any arising or potential climate-related matters within the Group's fund management activities and operations.

Board Risk Committee

The Board Risk Committee oversees the Group's RMF, compliance processes and procedures, and controls assurance to ensure that all risks, including ESG and climate-related risks, are identified, managed, and monitored and that the Group is compliant with all applicable legislation. ICG's eight established principal risks incorporate or consider a variety of factors, including ESG and climate-related matters. Further information on our approach to managing risk can be found on page 66.

Board Audit Committee

The Board Audit Committee oversees the Group's financial reporting and related elements of its internal controls and regulatory compliance, including TCFD disclosure obligations of the Group and other climate-related disclosure requirements, such as the UK Streamlined Energy and Carbon Reporting (SECR) requirements.

Board Remuneration Committee

The Board Remuneration Committee oversees the Directors' Remuneration Policy and its application to senior employees, and reviews and approves incentive arrangements to ensure they are commensurate with market practice. Since FY22, the remuneration of the Executive Directors has been directly linked to several sustainability targets, including progress towards ICG's net zero commitment. See Remuneration Committee Report for further detail (page 103).

Role of Management

Climate-related risks are considered as a cross-cutting risk type that manifests through the Group's established principal risks and are integrated into the Group-wide risk management framework through existing policies, processes, and controls. We assess materiality primarily at a Group level, as well as specifically within our fund management activities. The Group risk management framework is consistent with the principles of the 'three lines of defence' model. This ensures clarity over responsibility for risk management and segregation of duties between those who take on risk and manage risk, those who oversee risk and those who provide assurance; and this approach is applied to climate-related risks and opportunities.

- The first line of defence with regards to climate-related risks comprises ICs and investment teams, who own and manage risk and controls across our fund management activities, and are guided and supported by the Sustainability & ESG team and the Responsible Investing Committee.
- The second line of defence is made up of the control and oversight functions, including the Legal, Risk and Compliance teams, who provide oversight and assurance that climate-related risk management policies and procedures are operating effectively.
- The third line of defence is Internal Audit who provide independent assurance over the design and operation of controls established by the first and second lines to manage climate-related risk.

Fund management activities

The overarching charters governing climate-related risks within our fund management activities are the Responsible Investing Policy and the Climate Change Policy, which cover 100% of our AUM. The Climate Change Policy contains an exclusion list and, furthermore, requires consideration of the implications of climate-related risks and opportunities in our investment due diligence, portfolio management, valuation, and decision-making processes.

The Board has delegated responsibility for the implementation of the Responsible Investing Policy and Climate Change Policy to the CEO. The CEO, who also serves as Chief Investment Officer, has ultimate accountability and oversight of investment processes of ICG's funds and is therefore responsible for climate-related issues across the investment process and in our portfolios.

Investment Committees

An assessment of climate-related risks and opportunities is included in all investment proposals, presented to, and considered by, the ICs of the vast majority of our investment strategies. Each IC is responsible for ensuring that climate-related issues are appropriately considered when taking an investment decision. This also includes ensuring that the Sustainability & ESG team's view is factored into the investment decision, where climate-related issues are material or unclear.

In FY23, supported by the Executive Directors, 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, including climate-related issues, are being appropriately and consistently considered in their teams' approaches to investment decision-making and portfolio management.

Responsible Investing Committee

The Group has had a Responsible Investing (RI) Committee since 2014, made up of our Head of Investment Office, Global Head of Sustainability & ESG, and senior investment professionals from ICG's investment strategies. The RI Committee promotes, supports, and helps to integrate responsible and sustainable business practices across ICG's investment strategies and the businesses in which we invest, in line with our Responsible Investing Policy and Climate Change Policy. The RI Committee is also responsible for ensuring that ICG's investment teams have the required skills and understanding to effectively identify ESG risks and opportunities and engage with relevant company management in our portfolio companies on ESG matters. The RI committee may escalate matters to the Executive Directors, as necessary.

Sustainability & ESG team

The Global Head of Sustainability & ESG reports to the Head of the Investment Office to ensure an embedded approach to ESG across the firm. The Sustainability & ESG team provides subject-matter expertise to the Group to support the assessment and management of climate-related risks and opportunities across our fund management activities, including assessment and engagement of investee companies; setting strategic objectives and targets; building capacity across the organisation; and fostering collaboration within the industry. The team works closely with Risk Oversight and Control functions within the Group, to ensure adequate governance frameworks and controls are in place to assess and manage climate-related risks. The Global Head of Sustainability & ESG provides updates to the Board twice a financial year and quarterly to the Executive Directors.

Investment teams

Day-to-day implementation of the Responsible Investing Policy and Climate Change Policy, and the integration of climate-related consideration in investment processes, are the responsibility of all portfolio managers and investment professionals, guided by the RI Committee and the Sustainability & ESG team.

Ensuring that our investment teams have sufficient knowledge to implement the Responsible Investing Policy and Climate Change Policy is essential. ICG is committed to providing investment teams with regular bespoke training, comprehensive guidance and access to online ESG tools to ensure they can identify and address ESG, including climate-related, risks and opportunities in their investment activities. The Sustainability & ESG team also provides regular briefings on emerging ESG topics, regulatory developments and industry best practice.

In FY23, ICG formally incorporated ESG assessment into the annual performance appraisals of portfolio managers across the firm 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 (as outlined earlier in this report).

Group operations

The CFOO, reporting to the CEO, is responsible for ensuring climate-related risks which might impact the Group's own operations are understood and mitigated.

The Operations and IT teams, with support from the Sustainability & ESG team, are responsible for assessing and managing climate-related risks associated with Group offices, IT infrastructure or third-party providers. Updates on climate-related issues are provided to the CFOO, as and when they manifest.

Training and capacity building

Comprehensive online ESG training has been delivered to all IC members and investment teams, and the Marketing and Client Relations team every two years over the last decade. During FY23, ICG has been developing its training programme so it can be delivered to the wider business. Mandatory training for all employees will incorporate core understanding of ESG at ICG, and will focus on specific themes, such as climate-related risks and opportunities. This will be supplemented by more advanced specific knowledge-building for relevant professionals such as investment teams 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 and inclusion, and governance. The new approach was rolled out at the end of FY23 and will evolve further over the coming years.

Strategy

The actual and potential impacts of climate-related risks and opportunities on ICG's businesses, strategy and financial planning

TCFD recommended disclosure	
(a)	Description of the climate-related risks and opportunities ICG has identified over the short, medium, and long term.
(b)	Description of the impact of climate-related risks and opportunities on ICG's businesses, strategy, and financial planning.
(c)	Description of the resilience of ICG's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Climate change remains one of the most existential challenges of our time – a threat to human lives, the natural world, individual livelihoods, and economies at large. Addressing this challenge is an urgent yet complex task that requires a fundamental transformation of the global economy, so that no more GHG emissions are added to the atmosphere.

As a global alternative asset manager, we recognise that climate-related risks and opportunities are most likely to materialise through our fund management activities and may have a material impact on investment performance and returns over the short, medium and long term. Therefore, it is important that we continue to act as good stewards of our clients' capital by properly accounting for climate-related risks and opportunities in the design of new products, our investment decisions and portfolio management activities, and the focused engagement with our investment counter-parties portfolio companies, and industry peers. As an investor and provider of capital, ICG has an opportunity and a responsibility to support the transition to a more sustainable and equitable economy, and play its role in limiting the most adverse impacts of climate change.

ICG's approach towards net zero

In November 2021, ICG announced its commitment to reaching net zero GHG emissions across its operations and relevant investments[1] by 2040. ICG's net zero commitment is supported by two ambitious emissions reduction targets by 2030, which have been approved and validated by the SBTi:

1. Ensure 100% of relevant investments[1] have SBTi-approved science-based targets by 2030, with an interim target of 50% by 2026; and
2. Reduce ICG's Scope 1 and 2 GHG emissions by 80% by 2030 from a 2020 base year.

While ICG's own operational emissions have negligible impact and exposure to climate-related risks compared to those of our investments, we recognise our responsibility to ensure our own business operations are fully accounted for. The Group will continue to deploy energy efficiency initiatives and source renewable energy, and will offset any residual emissions using credible removal solutions, as well as monitor the potential physical risks that may affect its operations.

1. Relevant investments include all investments within Structured and Private Equity and Real Assets where ICG has sufficient influence (defined as at least 25% equity ownership and at least one Board seat).Investment strategies in scope of ICG's SBT represent 22% of total AUM as at 31 March 2023.

In order to chart a path to net zero, ICG's top priority is the decarbonisation of our investment portfolios wherever possible, through our investment decision-making and engagement. Over time, the tools to assess financed emissions and measure net zero will evolve in the private markets. In addition to the setting of SBTs for relevant investments, ICG is developing a plan to systematically assess potential net zero solutions for the strategies not covered by our SBTs.

We will continue to engage with industry groups and thought leaders to explore decarbonisation tools and net zero measurement frameworks for asset classes which do not currently have them, and ICG will consider whether these new solutions might be applicable to our portfolios.

Another powerful tool for responding to climate change is ICG's capacity for investing in climate solutions needed for the real economy to reach net zero GHG emissions, such as the infrastructure required for the growth of renewable energy.

Lastly, a successful global approach to net zero will require the financial industry to account for nature's fundamental contributions to combating climate change, as well as a 'Just Transition[1]' to respond to the impacts that a changing climate has on human communities and livelihoods. ICG will reflect these considerations into our ESG assessment and action over time – taking a holistic approach.

ICG's net zero strategy will continue to evolve as we work towards building a more comprehensive approach across the firm, to support the global goals of decarbonising the real economy, and towards building a more sustainable financial system.

Climate-related risks and opportunities and their potential impact

The time horizons and materiality of the impact of climate-related risks and opportunities on our business may differ depending on a range of factors, including the nature and type of investments, geographical focus, and the external market environment.

Generally, we look at three time horizons for the potential impacts of climate-related risks and opportunities: short term (0 to 5 years), medium term (5 to 10 years) and long term (10 to 20 years). These are broadly related to the length of an individual investment (short term), the length of a fund's life (medium term) and a reasonable period of visibility for the Group as a whole (long term).

We consider climate-related risks as a cross-cutting risk type that manifests through the Group's established principal risks (see page 66), and therefore may affect the Group's strategic objectives (see page 4). The Board Risk Committee meets regularly to assess the Group's risk profile and factors climate-related risks and opportunities into its decision making when assessing which risks could have a material impact on our business, strategy and financial planning, in line with the Group's RMF and approved risk appetites.

We have developed policies and processes to support us in understanding where climate-related risks may be realised, prioritising and managing these risks and actively engaging as appropriate with portfolio companies or deal counterparties on these matters. Ensuring our portfolio managers, investment teams and the Sustainability & ESG team have the necessary skills and expertise to deliver on our ambitious climate commitments and successfully launch new strategies has required careful planning in terms of headcount and resource planning.

The table on page 36 outlines the relevant climate-related risks and opportunities we have identified within the Group's fund management activities and their potential impact on our business, strategic objectives and financial planning, as well as their link to the Group's principal risks. Each of these climate-related risks and opportunities may materially contribute, to varying degrees, to the manifestation of the principal risks it relates to. The Group has implemented a range of mitigating controls for each of these principal risks (see page 66). Further detail on how climate-related risks are identified and managed within our fund management activities is provided in the Risk Management section (see page 39).

1. The Paris Agreement preamble reflects the close links between climate action, sustainable development, and a just transition, with Parties to the Agreement "taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities", commonly referred to as a 'Just Transition'. Source: United Nations.

	Type	Description	Principal risks	Time horizon	Potential impact
Climate-related risks	Policy, regulatory and legal (Transition)	• Enhanced climate-related disclosure obligations for funds and investments • Increasing regulatory pressure (e.g. carbon price/tax and energy efficiency standards) and litigation risk for current and potential investments in carbon-intensive companies or real assets not adequately prepared for a transition to a low-carbon economy	• Legal, Regulatory and Tax risk	Short term	• Increased cost of compliance for funds and investments • Increased due diligence cost • Reduced fund performance and impact on ICG's track record • Loss of clients or reduced demand for our funds
	Market, technology and reputation (Transition)	• Changing preferences on climate change affecting demand for products and/or services of the Group as well as of current or potential investments • Increasing production costs affecting current and potential investments in certain sectors due to changing input prices and/or output controls • Substitution of existing products and services with lower emissions options impacting the competitiveness of current and potential investments in certain sectors • Stigmatisation of specific industries, impacting existing investment exposure	• Fund Performance risk • Financial risk • External Environment Risk	Short to long term	• Lower fund performance and impact on track record • Lower asset valuations impacting the Group's balance sheet and fund investments • Negative stakeholder perception and impact on ICG's brand and positioning • Loss of clients or reduced demand for our funds
	Acute and chronic physical risks (Physical)	• Increased severity and frequency of extreme weather events that may cause damage to physical assets or disrupt critical operations in certain industries and/or locations • Shifts in climate patterns, such as rising temperatures or sea levels that could affect entire sectors and geographic regions that haven't built resilience or adapted to such risks (typically in the longer term)	• Fund Performance risk • Financial risk	Short to long term	• Lower fund performance and impact on track record • Lower asset valuations impacting the Group's balance sheet and fund investments
Climate-related opportunities	Products and services (Transition)	• Evolution of existing investment strategies to further incorporate climate change mitigation and/or adaptation • Attracting new clients through strategies supporting the transition to low-carbon economy and investing in climate solutions	• Fund Performance risk • Financial risk	Short to medium term	• Increased Group revenues in line with growing demand • Growth in AUM through retention of current and attraction of new clients
	Market and reputation (Transition)	• Stronger performance of company and real asset investments aligned with the transition to a low-carbon economy; and with developed resilience to physical climate risks • Climate-linked financing reducing the cost of capital at deal and fund level	• Financial risk	Short to medium term	• Growth in AUM through retention of current and attraction of new clients • Enhanced brand and competitive reputation of Group and investments • Higher fund performance and enhanced track record • Higher asset valuations impacting the Group's balance sheet and fund investments

Resilience of our strategy to climate-related risks and opportunities

The Group has a highly resilient business model, which is driven by management fee income. This fee income is paid by our clients for managing our funds, and as such is long-term and visible in nature. The fees are predominantly charged on the basis of invested or committed capital that is contractually locked in for a long term and largely not based on fund valuation.

As such any short-term increase or decrease in the valuation of individual investments or funds (including as a result of climate-related issues) would not immediately impact the Group's financial position. However, the impact of climate change on portfolio companies or assets may impact the valuation of our investments in the short term, and the performance of funds in the medium term. Fund underperformance or a failure to develop funds that address our clients' requirements in respect of climate change is a medium to long-term risk to the Group.

ICG's net zero commitment has an important role in building the long-term resilience of our business strategy and funds to climate-related risks and opportunities. This is exhibited in the launch of new products and the investment decisions and management of portfolios to crystallise returns for our clients.

Developing our investment strategies

We future-proof our organisation in part by continually evolving our existing strategies and developing new strategies. This enables us to better serve the needs of our clients and to capitalise on a wider range of investment opportunities. An important component of considering new potential strategies is incorporating climate-related risk and opportunities into the approval process.

We seek unique opportunities, including those presented by the transition to a low-carbon economy, befitting ICG's investment approach and ability to invest across the capital structure to create sustainable value. For example, 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, enhancing social cohesion and delivering the transition to a low-carbon economy. To capitalise on this growing investment opportunity, ICG has launched a number of strategies investing in infrastructure and real estate that underpin or have strong potential to align with the transition to a low-carbon economy and the goals of the Paris Agreement. As at 31 March 2023, these strategies constituted 48% of total AUM in Real Assets, compared to 40% a year earlier.

We have also considered climate change in the launch of the latest vintages of European Corporate and Mid-Market, Sale and Leaseback, Strategic Equity, and Infrastructure Equity investment strategies, which have explicit focus on engagement with portfolio companies on decarbonisation. Since 1 April 2021, ICG has raised a total of $11.6bn of capital in investment strategies with explicit focus on engagement on climate change and/or in scope of ICG's portfolio coverage science-based target. Such strategies represent 28% of total AUM, as at 31 March 2023.

Embedding climate considerations into investment decisions and portfolio management

We take a selective and thoughtful approach to making investments, with due consideration of climate-related risks and opportunities.

ICG's Exclusion List (see page 41) prohibits direct investments in certain coal, oil and gas activities which limits the exposure of our portfolios to investments with higher probability of becoming stranded assets in the medium to long term.

In addition, climate risk assessment is a mandatory step in the evaluation of new investment opportunities across the vast majority of ICG's investment strategies, with findings presented to ICs for consideration in investment decision making. Investment opportunities with potentially heightened climate risk exposure are discussed with the ICG Sustainability & ESG team and expert advisers, where appropriate. Between February 2021 and March 2023, we have declined 99 investment opportunities where climate-related risk was a contributing factor to the investment decision.

We also seek to invest in climate-related opportunities, primarily through our Real Assets investment strategies.

Following investment, material climate-related risks and opportunities are tracked and reviewed as a standard part of the portfolio monitoring process. Depending on the nature of the issues and the level of influence, we may ask portfolio companies or transaction counterparties to disclose to us how they manage these issues. Where we have sufficient influence, we support portfolio companies to address climate-related risks and capitalise on climate-related opportunities in a number of ways, including by:

- Assigning responsibility for climate-related matters;
- Sharing the results of our company-specific climate risk assessment, including scenario analysis, as relevant;
- Supporting a carbon footprint assessment of the business in line with the GHG Protocol and the development of a Board-level approved climate action and decarbonisation plan;
- Establishing company-specific climate change and energy-focused KPIs and targets; and
- Seeking validation by the SBTi.

At a fund level, we also seek to link our climate ambition to our third-party financing, where possible. Since 2021, we have raised a total of $2.8bn ESG-linked fund-level financing, including climate-related KPIs.

Exposure of portfolios to climate-related risks

Overall, our portfolios[1] as at 31 December 2022 have limited exposure to heightened climate-related risks, with only 3% of invested capital[1] assessed as having potentially heightened climate risk.

The principal mechanism for this assessment is ICG's proprietary climate risk assessment methodology, which was introduced in 2021 and which we further enhanced at the start of 2023 (see page 46). This climate risk assessment is incorporated into the due dilligence of new investment opportunities and results in a climate risk rating for any such investment opportunity.

While the assessment has some inherent limitations, the exposure metrics provide, in our view, a useful indication of the resilience of our funds' portfolios to climate-related risks. Please refer to the Metrics and Targets section for further detail of the assessment and breakdown of exposure by asset class.

Approach to scenario analysis

Starting in 2020, we have been conducting a formal assessment of the exposure to climate-related risks across our portfolios every two years. This assessment is considering the impact of climate-related drivers associated with both changing climatic conditions (physical risks) and the transition to a low-carbon economy (transition risks), such as policy, regulatory, market and technology changes on individual investments across key portfolios.

The latest such assessment, undertaken in 2022, included approximately 900 portfolio companies across our four asset classes covering almost 90% of our AUM as at 31 December 2021. The principal mechanism we employed for assessing climate risk across our portfolios was through proprietary climate risk assessment methodology and tools (see page 46).

We then conducted a scenario analysis on certain investments which we identified as having potentially heightened exposure to climate-related risks. This comprised 13 companies within our Structured and Private Equity and Private Debt asset classes.

We also conducted a sector-based transition-risk scenario analysis across 10 sectors that are more likely to have higher exposure to climate-related risks.

While the analysis confirmed that we have limited exposure to potentially heightened climate-related risks across our portfolios, this bottom-up approach enabled us to improve our understanding of the exposure of specific investments to transition and/or physical risks in the medium to long term. The findings of the analysis were shared with the portfolio company management teams, where relevant, to support their strategic decision making.

To conduct the transition risk scenario analysis, in line with market practice, we adopted three of the transition scenarios provided by the Network for Greening the Financial System (NGFS):

- Current Policies (base case) – this scenario assumes that only currently implemented policies are preserved, resulting in emissions growth until 2080, which leads to about 3°C of warming and severe physical risks.
- Below 2°C – this scenario gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C by the end of the century. Under this scenario net zero emissions are achieved after 2070. Physical and transition risks are both relatively low.
- Delayed Transition – this scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies. As a result, emissions exceed the carbon budget temporarily and decline more rapidly after 2030 to ensure a 67% chance of limiting global warming to below 2°C by the end of the century. This leads to both higher transition and physical risks than the the Below 2°C scenario.

Read the full description of the scenarios on the NGFS website: https://www.ngfs.net/ngfs-scenarios-portal/explore →

The physical risk scenario analysis was performed at a country-level looking at key operating geographies using two Representative Concentration Pathways (RCPs) adopted by the Intergovernmental Panel on Climate Change (IPCC):

- RCP4.5, described by the IPCC as a moderate scenario in which emissions peak around 2040 and then decline. This scenario assumes future implementation of emissions management and mitigation policies; and
- RCP8.5, is the highest baseline emissions scenario, in which emissions continue to rise throughout the twenty-first century, such that the most adverse effects of physical climate change manifest.

Building on this approach, with expert support from external advisers, we enhanced our proprietary climate risk assessment methodology to incorporate sector-based transition risk scenario analysis using the above scenarios. Implemented at the end of FY23, this enhancement will provide investment teams with more nuanced insight on climate-related risk as part of the ESG evaluation process for new deals, and enable us to consider the potential impact on portfolios under different transition scenarios.

Our approach to scenario analysis will evolve over time to further incorporate expectations of clients, regulators and best practice in the industry, with the aim to provide decision-useful and actionable insight for building resilience to climate-related risks of our portfolios.

1. The assessment was conducted for portfolios as at 31 December 2022, for which ICG's proprietary climate risk assessment methodology applies, and as such excluded ICG Enterprise Trust, LP Secondaries, Alternative Credit, Secured Credit, and Real Estate portfolios.

Group operations

We consider that the Group's direct operations are not materially exposed to physical climate-related risks because, amongst other factors, the Group procures mainly professional and business services and does not have a complex supply chain, does not make capital investments in research and development, and is able to operate flexibly from a variety of locations.

From a real estate perspective, the Group operates from leased offices, and our employees have the ability to work remotely. The Group has assessed the physical-climate-risk exposure of its office locations using an established external physical-climate-risk assessment tool. The results indicated that none of our key offices (London, New York, Warsaw and Paris) are likely to be materially exposed to physical climate-related risks in the short and medium term.

The Sustainability & ESG, Legal, Risk and Compliance, and Operations teams work closely to ensure the Group's compliance with current and emerging climate-related regulations of relevance to its operations, including the UK SECR.

To support ICG's net zero commitment, we have set science-based target to reduce our direct (Scope 1 and Scope 2) emissions by 80% by 2030 from a 2020 base year, and are on track to deliver (see page 49).

We also seek to link our climate ambition to our Group-level third-party financing, where possible. We have raised a total of £1.2bn ESG and sustainability-linked financing, including issuing a €500 million sustainability-linked Bond with adjustments to the coupon rate linked to progress against ICG's approved and validated science-based targets.

Risk management

The processes used by ICG to identify, assess and manage climate-related risks

TCFD recommended disclosure	
(a)	Description of ICG's processes for identifying and assessing climate-related risks.
(b)	Description of ICG's processes for managing climate-related risks.
(c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into ICG's overall risk management.

Group Risk Management Framework

Risk management is embedded across the Group through a dedicated RMF, which ensures that current and emerging risks are identified, assessed, monitored, mitigated, and appropriately governed based on a common risk taxonomy and methodology. This is done within the risk appetite set by the Board, i.e. the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives. The Group adopts both a top-down and a bottom-up approach to risk assessment.

At a Group level, climate-related risk is considered broadly and has been incorporated into our Group-wide RMF as a cross-cutting risk. This means that we recognise the potential impact climate-related issues may have on other material risks within our RMF, namely the Group principal risks[1] (see page 66). In line with the recommendations of TCFD and regulatory guidance, the Group considers the financial and non-financial risks arising from physical climate risk (risks related to the physical impacts of climate change) and transition climate risk (risks related to the transition to a low-carbon economy).

1. The Group defines principal risks as those that would threaten the Group's business model, future performance, solvency, or liquidity.

Of the Group's eight principal risks, we have assessed the following as currently most likely to be impacted by climate-related matters, to varying degrees, as follows:

Principal risk	Potential impact	Process for risk identification and management
External Environment Risk	Climate-related conditions and/or events outside the Group's control, such as rapid shifts in climate policy and/or clients' climate requirements, volatility in energy markets, and/or increased frequency and severity of extreme weather events; may adversely affect our business, including by reducing the value or performance of the investments made by our funds, making it more difficult to find opportunities for our funds to exit and realise value from existing investments and to find suitable investments for our funds to effectively deploy capital.	• Implementation of Climate Change Policy • Screening and due diligence processes for new investment opportunities • Portfolio monitoring and stewardship (see table on page 41) • The Group's New Product Approval process requires ESG considerations, including climate-related risks and opportunities, to be integrated into the design of new strategies or funds where their nature allows us to drive better ESG outcomes
Fund Performance Risk	Climate-related issues (as described above) may affect the performance of our funds, and therefore make it more challenging to raise capital or new funds and affect our reputation, thereby impacting the Group's ability to grow and compete effectively.	
Financial Risk	Climate-related risks will increasingly be incorporated into risk assessments and asset valuations, which could have a material impact on the attractiveness of existing and potential investments impacting the Group's balance sheet and fund investments.	
Legal, Regulatory and Tax Risk	Increasing legal and regulatory requirements in relation to climate-related issues may result in increasing regulatory enforcement or litigation risk for the Group and its fund management entities and potential reputational damage due to instances of non-compliance with current or emerging climate-related regulations or market/client expectations, and ensuring that (where relevant) such requirements are embedded in our processes, procedures, controls and disclosures.	• Global regulatory horizon scanning, including current and emerging ESG and climate-related regulations • Participation in industry working groups focused on effective implementation of ESG-related regulations • ESG regulatory task-force within the Group comprising Legal, Sustainability & ESG, Risk and Compliance functions; monitoring the implementation of new regulatory requirements across the Group
Operational Resilience Risk	Potential operational disruption caused by climate-related issues. primarily physical risk, including within the Group's key third-party providers.	• Implementation of Climate Change Policy • Implementation of the Group's Sustainable fit-out guide to our offices • Implementation of the Supplier Code of Conduct • Third-party provider ESG assessment questionnaire rolled out in FY23 to better assess ESG-related risks, including arising from or related to climate change

Reputational risk, whilst not a principal risk, is also an important consideration for the Board and the Executive Directors, in setting and implementing the Group's strategic objectives. Therefore we recognise the potential impact to the Group if it is not seen by stakeholders to be adequately supporting the transition to a low-carbon economy, addressing clients' requirements on climate change, and demonstrating progress towards its commitment to reach net zero across its operations and relevant investments by 2040.

Further details of the Group's RMF, including the processes used to determine which risks could have a material financial impact on the Group, are set out on page 66 →

Incorporating climate considerations into fund management

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

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

Please refer to ICG's Climate Change Policy for further details including our complete Exclusion List →

Identifying, assessing and managing climate-related risks

Our approach to identifying, assessing, prioritising, and managing climate-related risks for active funds is summarised by key strategy in the table below:

Asset class	Structured and Private Equity			Private Debt		Real Assets			Credit
Key strategy	European and Asia Pacific Corporate	Strategic Equity	ICG Enterprise Trust / LP Secondaries	Senior Debt Partners	North America Capital Partners	Real Estate Debt	Real Estate Equity	Infrastructure Equity	Liquid Credit CLOs
Pre investment									
Exclusion List screening	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bespoke climate risk assessment	✓	✓	✓	✓	✓	✓	✓	✓	✓
Additional due diligence for higher climate risk exposures	✓	✓	✓	✓	✓	✓	✓	✓	✓
Climate risk assessment findings included in IC memos	✓	✓	✓[1]	✓	✓	✓[2]	✓[2]	✓	✓
Post investment									
Ongoing portfolio monitoring process (including through annual surveys, where relevant)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Climate stewardship and engagement	✓	✓		✓		✓[3]	✓	✓	✓[4]
Investment-specific climate-related targets and KPIs[5]	✓					✓[3]	✓	✓	

1. Applicable to direct investments by ICG Enterprise Trust.
2. Harmonised and formalised across all real estate investments from January 2023.
3. For certain investments in the European Real Estate Debt strategy as part of the strategy's Green Loan Framework.
4. Typically focused on improved disclosures on climate risk and GHG emissions by investee companies.
5. For investments where we have sufficient influence.

Exclusion List screening

For any direct investment, investment teams screen against ICG's Exclusion List which, among other activities, prohibits us from knowingly making direct investments in certain coal, oil and gas activities, to avoid exposure of our funds to investments that are inherently prone to having the most significant adverse environmental and/or social impacts which could impact their performance in the short, medium and/or long term.

For indirect investments, where feasible, ICG seeks to ensure that the Exclusion List is implemented subject to a materiality threshold.

Between February 2021 and March 2023, we have declined 99 investment opportunities where climate-related risk was a contributing factor to the investment decision.

Climate risk assessment

For each potential investment opportunity, we use a climate risk assessment tool and methodology bespoke to the nature of the investment (in a company or real asset) to help us identify and assess whether there are any material climate-related risks associated with an investment. As standard, these tools utilise established external and ICG proprietary sources of data to support the assessment of both physical climate risks and transitional climate risks. A climate risk scorecard is produced and additional analysis must be completed for investment opportunities identified as having a higher exposure to climate-related risks. In situations where we have sufficient influence, external ESG due diligence, including a specific analysis of climate-related risks and opportunities, is conducted as standard. The findings of the climate risk assessment are consolidated and included as standard in the investment proposal to the respective IC for most strategies. Where material climate-related issues are identified, the IC may decide not to proceed; may request further action is taken to ensure these issues are properly investigated; or may require further actions to be taken following the closing of an investment.

In the year to 31 March 2023, we introduced a dedicated climate risk assessment for our Real Estate and LP secondaries strategies, with 98% of total AUM in funds in their investing period being covered by an assessment of climate-related risks.

Engagement and monitoring

Following an investment, material climate-related risks and opportunities are monitored and reviewed as a standard part of the portfolio monitoring process. Depending on the nature of the issue and the level of influence, ICG may seek to better understand how these issues are managed either through ongoing dialogue or through our annual ESG surveys. Climate change is an integral part of our annual ESG surveys which monitor governance and management of climate change, as well as performance and decarbonisation plans. We publish summary results of our ESG surveys in our annual Sustainability and People report.

Read our Sustainability and People Report →

Where ICG has sufficient influence, we undertake specific carbon footprint analysis of investments and set bespoke climate-related targets. For relevant investments, the investment team and Sustainability & ESG team engage directly with the board and management teams of the relevant portfolio companies to help them establish a baseline carbon footprint assessment, and then set emissions reduction targets aligned with the latest climate science and develop strategies to help deliver these targets. We also support portfolio companies to get these targets approved and validated by the SBTi.

The Group's exposure to climate risk arising from its balance sheet investment portfolio (seed assets) is managed in line with our standard fund management activities, as outlined on page 41.

Further embedding sustainability risks

In FY23, a cross-functional working group with representatives of Sustainability & ESG, Legal, Risk and Compliance teams was formed to review the Group's governance of sustainability risks (including climate-related risks) and their integration as part of the Group's processes, procedures, and RMF. This also included an update of ICG's Sustainability Considerations Policy, which summarises our approach to integrating sustainability risks and other sustainability-related considerations, as part of its internal porocesses and procedures.

Following the review, in FY24 we intend to implement any identified enhancements and further formalise our approach.

Group operations – identifying and managing climate-related risks

Physical climate risks

Following our established RMF and associated procedures, we consider that the Group's direct operations are not materially exposed to physical climate risks because, amongst other factors, the Group does not have a complex supply chain, does not make capital investments in research and development, and is able to operate flexibly from a variety of locations. From a real estate perspective, the Group operates from leased offices and our employees have the ability to work remotely. The Group has assessed the physical climate risk exposure of its office locations using an established external physical climate risk assessment tool. The results indicated that none of our key offices (London, New York, Warsaw and Paris) is likely to be materially exposed to physical climate risks.

The Group's consistent approach to the management of climate change is further demonstrated by a Sustainable Fit-Out guide which sets out our expected minimum standards for the sustainable fit-out, as necessary, of our offices to ensure lower-carbon development and enable the reduction of carbon emissions during operation. This policy is applied to all new material leases into which the Group enters.

All employees benefit from full remote working capability which minimises business risk and reduces reliance on our office locations for business continuity in the unlikely event of a physical climate risk being realised. In addition, 100% of our IT infrastructure systems and data resides in the cloud and the Group leverages cloud services from multiple providers, further reducing concentration risk.

We will continue to monitor changes in the exposure to physical climate risks of our direct operations and address any identified risks, as needed.

Transition climate risks

Enhanced GHG emissions reporting and climate-related compliance requirements have been identified as a potential climate-related risk to the Group operations. The Sustainability & ESG, Legal, Risk and Compliance and Operations and IT teams work closely to ensure the identification of relevant emerging regulatory requirements and the Group's compliance with climate-related regulation of relevance to its operations, including the UK SECR and the UK Energy Savings Opportunity Scheme (ESOS).

At the end of FY23, our assessment of key suppliers was enhanced to include a wider range of ESG considerations, including exposure to and capabilities to manage climate-related risks and opportunities, where relevant.This will be rolled out in FY24.

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

TCFD recommended disclosure	
(a)	Metrics used by ICG to assess climate-related risks and opportunities in line with its strategy and risk management process.
(b)	Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.
(c)	Description of the targets used by ICG to manage climate-related risks and opportunities and performance against targets.

The Group uses a variety of metrics and tools to assess climate-related risks and opportunities in line with its business strategy, net zero approach and risk management processes.

While a source of important insight into the Group's climate-risk exposure and a measure of progress towards our net zero commitment, some of these metrics and tools have inherent limitations (e.g. scope of coverage, availability of data as well as the uncertainty associated with some of the underlying assumptions). We utilise internal data and proprietary tools and methodologies, as well as external data sources and providers, to produce these climate metrics.

Category	Climate metrics	Group target and/or current activity
Climate-related risks exposure		
Climate risks	Proprietary climate risk rating	Climate-related risks (both physical and transition) are assessed as standard for all direct investment opportunities utilising our proprietary, asset-specific methodologies.
	Potentially heightened climate risk exposure	Conduct a Group-wide top-down portfolio assessment with a view to inform ICG's ESG and climate-specific objectives and priorities.
	Heightened climate risk sector exposure	Conduct a Group-wide top-down portfolio assessment with a view to inform ICG's ESG and climate-specific objectives and priorities.
Embedding climate considerations into our culture		
Remuneration	Proportion of Executive Directors remuneration linked to sustainability and climate considerations*	The Group and its Board has long-term approach to variable pay, which aligns our Executive Directors to the interests of our shareholders. As per the Directors' Remuneration Policy, the Group makes a single variable pay award each year to Executive Directors, based on a balanced scorecard of KPIs. Since FY22, the remuneration of the Executive Directors has been directly linked to several sustainability targets. See Remuneration Committee Report for further detail (page 103).
Investment lifecycle	ESG and climate considerations incorporated into the investment lifecycle	For each investment strategy, investment teams analyse ESG matters, including climate change, to the extent feasible, at each stage of the investment process, from screening, through due diligence, closing, monitoring and eventual exit. See page 41 as well as ICG Responsible Investing and Climate Change policies for further details.
Sustainability-linked financing	Amount of ESG or Sustainability financing, with climate-related metrics	The Group seeks to link its climate ambition to third-party financing, where possible.
Transition to low-carbon economy		
Decarbonising our investment portfolios	Financed emissions	Long-term goal: reach net zero GHG emissions across relevant investments by 2040. Interim target (approved and validated by the SBTi): 100% of relevant investments to have SBTi-approved science-based targets by 2030, with an interim target of 50% by 2026.
		Over time, the tools to assess financed emissions and measure net zero will evolve in the private markets. In addition to the setting of SBTs for relevant investments, ICG is developing a plan to systematically assess potential net zero solutions for the strategies not covered by our SBTs.
	Weighted average carbon intensity	The Group is establishing a baseline for this metric across its portfolios.
Capacity for investing in climate solutions	Investments in low-carbon and energy transition infrastructure and real estate*	ICG has three strategies that focus on investments in real assets that are already low-carbon in nature or support directly the energy transition.
	Installed renewable energy generating capacity	
Our operations	Scope 1 and 2 absolute GHG emissions (market and location based)*	Long-term goal: net zero GHG emissions across operations by 2040. Interim target (approved and validated by the SBTi): to reduce the Group's direct Scope 1 and Scope 2 GHG emissions by 80% by 2030 from a 2020 base year (market based).
	Scope 1 and 2 GHG emissions intensity (market based)*	ICG seeks to improve the GHG intensity of our operations, year on year.
	Purchased energy from renewable sources (%)	ICG seeks to maximise the proportion of electricity consumption from renewables sources, and encourage landlords to provide low-carbon heating solutions, wherever feasible.
	Scope 3 absolute GHG emissions*	The Group is establishing a complete baseline and assessing the tools and levers necessary to reduce its scope 3 emissions.

* Indicates a cross-industry climate-related metric as per the TCFD Guidance on Metrics, Targets, and Transition Plans, 2021

1. Source ICG, the Heightened climate risk sectors categorisation is based on the latest TCFD Implementation Guidance (October 2021) which identifies the following sectors with the highest likelihood of climate-related financial impacts: Energy, Transport, Materials & Buildings, and Agriculture, Food & Forestry Products. ICG has adapted these to incorporate the framework provided by the Guidance on Use of Sectoral Pathways for Financial Institutions, produced by the Glasgow Financial Alliance for Net Zero in June 2022.

Scope	Climate risk	Use and measurement
Individual direct investments	Transition & Physical	Assesses the potential physical and transition climate-related risks for individual investment opportunities using the Group's proprietary climate risks assessment methodology. Climate risk rating is incorporated into all investment proposals for consideration by ICs.
Investments across our Structured and Private Equity, Private Debt and Credit asset classes, and Infrastructure Equity strategy.	Transition & Physical	Measures the exposure of portfolios to potentially heightened climate risk based on the Group's proprietary climate risks assessment methodology, expressed as % of portfolio by cost/value of investments, and % of investments with material exposure.
Investments across our Structured and Private Equity, Private Debt, Real Assets and Credit asset classes.	Transition	Assess the exposure of certain portfolios to heightened climate risk sectors [1], expressed as % of portfolio by invested capital.
Executive Directors' annual variable pay	Transition & Physical	Assesses the link of executive remuneration with sustainability considerations, including the Group's net zero commitment (see page 103).
All investment strategies	Transition & Physical	Assesses the extent to which ESG and climate change considerations are embedded within the investment decision making and portfolio monitoring processes adopted by ICG.
Group and Fund related third-party financing	Transition & Physical	Measures the amount of third-party financing with built in climate-metrics that may adjust the margin or coupon of the facility. Expressed as an aggregate absolute amounts in GBP for the Group and USD for fund related third-party financing.
Relevant investments[2]	Transition	Measures the proportion of relevant investments covered by science based targets. Measured as % of invested capital. Monitored internally and reported publicly on an annual basis.
Other Active funds[3] making direct investments across our Structured and Private Equity, Private Debt, Real Assets, and Credit asset classes.	Transition	Assesses the absolute GHG emissions associated with and attributable to a portfolio of investments, expressed in tCO_2e. Monitored internally and reported to investors in certain active funds at least annually.
Active funds making direct investments across our Structured and Private Equity, Private Debt, Real Assets, and Credit asset classes.	Transition	Measures a portfolio's exposure to carbon-intensive investments, expressed in tCO_2e/million revenue in fund currency for corporate investments; or in tCO_2e/m^2 for real estate investments. Monitored internally and reported to investors in certain active funds at least annually.
Infrastructure Equity, European Real Estate Debt, and Sale and Leaseback	Transition	Measures the proportion of Group's investments into low-carbon and energy transition related infrastructure and real estate, expressed as % of total AUM. Monitored internally and publicly reported annually.
Infrastructure Equity strategy	Transition	Measures the aggregate and annual change in installed renewable energy generating capacity, expressed in GW. Monitored internally and publicly reported annually.
Group operations: combustion of fuel, fugitive emissions, and purchased electricity and heat	Transition	Measures the direct operational carbon footprint of the Group in line with the GHG Protocol, expressed in tCO_2e. Assessed annually and reported publicly, subject to independent limited assurance.
Group operations: combustion of fuel, fugitive emissions, and purchased electricity and heat	Transition	Measures efficiency of the direct operational carbon footprint of the Group relative to its revenue, expressed in tCO_2e per £M revenue. Assessed annually and reported publicly, subject to independent limited assurance.
Group operations: purchased electricity and heat	Transition	Measures the proportion of purchased electricity and heat from renewable sources. Assessed annually and reported publicly, subject to independent limited assurance.
Group operations: business travel, purchased goods and services, water supply and waste generation	Transition	Measures the indirect operational carbon footprint of the Group in line with the GHG Protocol, expressed in tCO_2e. Assessed annually and reported publicly, subject to independent limited assurance.

2. Relevant investments includes all investments within Structured and Private Equity and Real Assets where ICG has sufficient influence - defined as at least 25% of fully diluted shares and a board seat.
3. Active funds for this metric are those third-party funds managed by ICG that principally focus on direct investments and that were either in fundraising or investing period or open-ended in nature, or were already measuring this metric at the start of FY22.

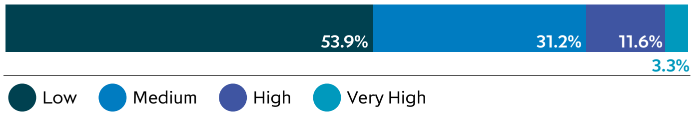
Assessing the exposure of portfolios to climate-related risks

Exposure to heightened climate-related risks by asset class

The principal mechanism ICG employs for assessing climate-related risks before making a direct investment in a company is a proprietary climate risk assessment methodology and tool that we developed in-house with the support of a third-party adviser. The assessment methodology utilises various external data sources, including TCFD guidelines, the SASB Climate Risk Technical Bulletin, ThinkHazard, the World Bank's Climate Change Performance Index and Carbon Pricing Dashboard, among others. Each investment opportunity receives an overall climate risk rating on a 4-grade scale from Low to Very High. The rating combines exposure to transition risk (sector and value chain) and physical risk, taking into account the countries of company headquarters and key operational assets.

While this assessment approach was designed primarily to support investment decision making and engagement, we also use the climate risk ratings to assess the exposure of relevant portfolios to potentially heightened climate-related risks. As at 31 December 2022, 85.0% of assessed portfolios received a climate risk rating of Low or Medium and only 3.3% with Very High risk rating, which we consider as potentially heightened climate-related risk.

Distribution of climate risk ratings for total assessed ICG portfolios (31 December 2022)



The proportion of investments with potentially heightened exposure to climate-related risks by asset class is presented in the table below. Overall, we saw low exposure of our portfolios as at 31 December 2022 across all assessed ICG asset classes, which is also in line with low exposure as at 31 December 2021.

Exposure of assessed portfolios[1] to potentially heightened climate-related risks by asset class

	Structured and Private Equity[2]		Private Debt		Infrastructure Equity (Real Assets)[3]		Credit[4]		Total assessed ICG portfolios	
Year	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
% of portfolio by investment cost[5]	**2.1%**	3.4%	**0.3%**	0.0%	**0.0%**	0.0%	**7.8%**	6.4%	**3.3%**	3.8%

1. Portfolio composition as at 31 December in each respective year.
2. Excludes ICG Enterprise Trust and LP Secondaries - assessed portfolio in 2022 represents 93% of third-party AUM in this asset class as at 31 December 2022 (2021: 93%).
3. Relates to Infrastructure Equity, which represents 16% of third party AUM in this asset class as at 31 December 2022 (2021: 16%)
4. Excludes Alternative Credit and Secured Credit portfolios. Assessed portfolio in 2022 represents 87% of third-party AUM in this asset class as at 31 December 2022 (2021: 91%)
5. Except for Liquid Credit figures which are based on Market Value of investments. 2022 figures as at 31 December 2022, 2021 figures based on latest available at the time of conducting the assessment.

Embedding climate considerations into our culture

Remuneration

The Group and its Board have a long-term orientated approach to variable pay, which aligns our Executive Directors to the interests of our shareholders. As per the Directors' Remuneration Policy, the Group makes a single variable pay award each year to Executive Directors, based on a balanced scorecard of KPIs, one of which is Culture, D&I and Sustainability. The details of the FY23 outcome and weighting for each Executive Director can be found on page 103.

During FY23, the Group took efforts to further embed assessment and management of climate-related risks and opportunities in our investment culture. The Group 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 and climate-related issues are being appropriately and consistently considered in their teams' approaches to investment.

Investment lifecycle

For each investment strategy, investment teams analyse ESG matters, including climate change, to the extent feasible, at each stage of the investment process, from screening, through due diligence, closing, monitoring and eventual exit.

See ICG Responsible Investing and Climate Change policies for further details about our approach. ICG Sustainability and People Report 2022 provides further insight into key process enhancements and highlights per asset class during 2022.

Sustainability-linked financing

At the Group level we have raised a total of $1.2bn ESG and sustainability-linked financing, including issuing a €500 million sustainability-linked Bond with adjustments to the coupon rate linked to progress against the Group's portfolio-level science-based target.

Across the funds managed by the Group, we have raised a total of $2.8bn ESG-linked fund-level financing since 2021, with climate-related metrics.

Transition to low-carbon economy

Our net zero strategy will continue to evolve as we work towards building a more comprehensive approach across the Group. Over time, as we incorporate measurement frameworks for our various investment portfolios and build our capabilities and access to relevant, quality data, we will expand our reporting on metrics, taking into consideration the upcoming, applicable TCFD-related regulatory requirements, the recommendations and guidance of the TCFD, industry best practice and stakeholder expectations. Below we outline the key metrics and targets we currently assess and monitor, where available.

Decarbonising our investment portfolios

Financed emissions

In November 2021, ICG committed to reach net zero GHG emissions across its operations and relevant investments. In order to meet this ambition we need to reduce emissions associated with our investment activities. To support our commitment we set a portfolio coverage science based target approved and validated by the SBTi:

- ICG's target for 100% of relevant investments to have SBTi-approved science-based targets by 2030, with an interim target of 50% by 2026.

As at 31 December 2022, the Group has engaged with all 32[6] portfolio companies across five investment strategies[7] qualifying as relevant investments, representing nearly $8bn of invested capital.

Over time, the tools to assess financed emissions and measure net zero will evolve in the private markets. In addition to the setting of SBTs for relevant investments, ICG is developing a plan to systematically assess potential net zero solutions for the strategies not covered by our SBTs.

In FY23 we continued to expand the measurement of financed emissions in line with the Partnership for Carbon Accounting Financials Standard, and inclusion of such data as standard in ESG reporting to clients or active funds. Disclosure of GHG data by private companies and for real estate property is still nascent, so for any gaps in actual data we utilise proxy data modelled by a reputable external data provider. At the end of FY23, financed emissions, alongside other portfolio metrics recommended by the TCFD, such as weighted average carbon intensity and portfolio carbon footprint, were assessed and reported for funds representing 36% of total AUM and we will continue to explore ways to increase this coverage.

6. Relevant investments that were in our portfolios at the time of setting our portfolio coverage target that are still in the portfolio as at 31 December 2022. Note that the SBTi currently does not validate and approve SBTs for educational institutions, so three portfolio companies in this sector have been excluded from our update.
7. These are Europe Corporate, Asia Pacific Corporate, Europe Mid-Market, and Infrastructure Equity.

32

companies located in Asia Pacific, Europe, and North America qualify as relevant investments for ICG's portfolio coverage target. ICG has engaged all such relevant investments on setting SBTi-approved GHG emissions reduction targets.

Completed | In progress | In early stages

Each of these companies is at a different stage of the SBT setting process, with progress shown below across three key milestones:

1 Establishing the required baseline carbon footprint by the SBTi[3]

13% are in early stages

16% are working on their baseline

28% have completed Scope 1 and 2 emissions, and are in the process of completing Scope 3 emissions calculations

44% have completed a full baseline

2 Developing SBTs and decarbonisation plans to deliver on them in the short to mid term

25% are in early stages

47% are in the process of developing their targets and plans

28% have a fully developed target and plan

3 Have set SBTs

	Number of relevant investments	% of relevant investments by invested capital	% of relevant investments by number of companies
Have set SBTs and submitted them to SBTi	9	15%	28%
Of which, have approved targets by SBTi	6	7%	19%

Commitments for over

69

thousand tonnes CO_2e of baseline emissions to be reduced in line with the latest climate science[4]

1. Relevant investments that were in our portfolios at the time of setting our portfolio coverage target that are still in this portfolio as at 31 December 2022. Note that the STBi currently does not validate and approve SBT's for educational institutions, so three portfolio companies in this sector have been excluded from our update.
2. These are Europe Corporate, Asia Pacific Corporate, Europe Mid-Market, and Infrastructure Equity.
3. Percentages are calculated based on number of companies in the respective stages, and may not add to 100% due to rounding.
4. As per the applicable SBTi requirements for target setting and validation, as of 31 December 2022.

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.
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.

Capacity for investing in climate solutions

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 estimates[5] 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 strategies investing in infrastructure and real estate that underpin or have strong potential to align with the transition to a low carbon economy. These strategies have sustainability frameworks designed to align with specific UN Sustainable Development Goals (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 plans. As at 31 March 2023, these strategies constitute 48% of total Group AUM in Real Assets, compared to 40% a year earlier; and represent a growth opportunity for ICG.

In addition, as at 31 March 2023, 1.9GW of renewable energy capacity was deployed across the Infrastructure Equity portfolios, compared to 221 MW, as at 31 December 2020.

Our operations

The following targets and underlying metrics are used by the Group to assess climate-related risk and opportunities for its operations in line with its strategy and risk management process.

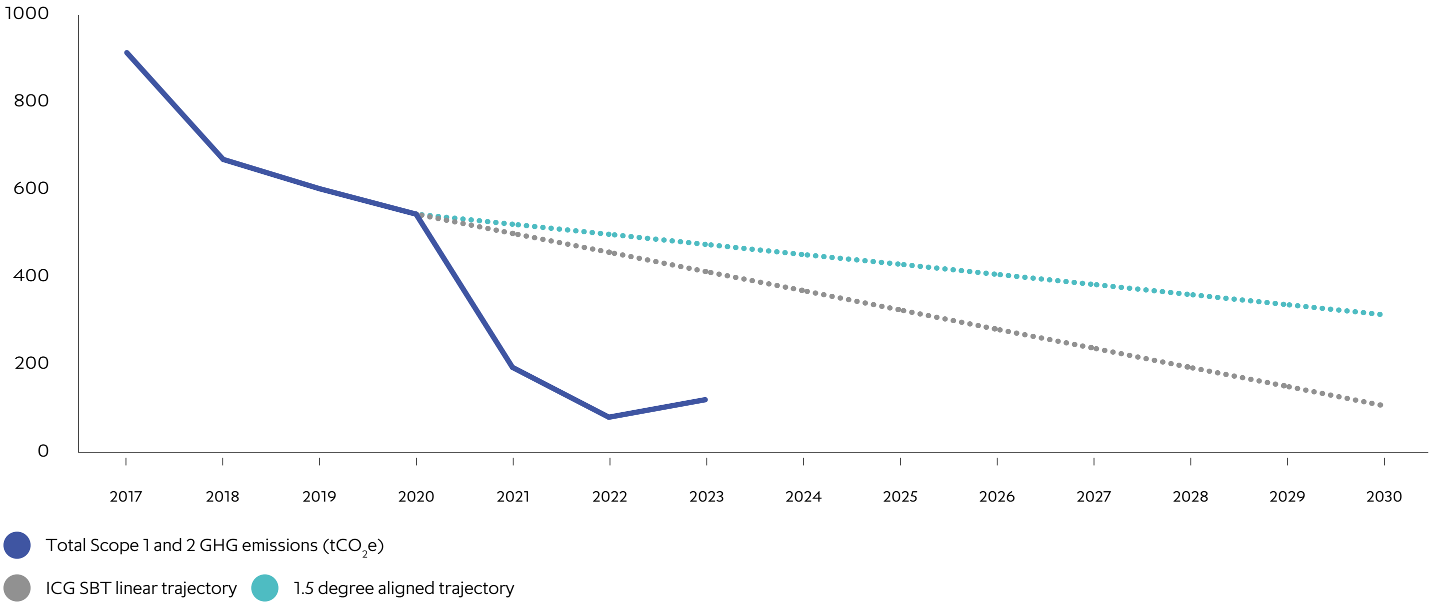
Long-term goal: net zero operations by 2040

Interim target (approved and validated by the SBTi): to reduce the Group's direct Scope 1 and Scope 2 GHG emissions by 80% by 2030 from a 2020 base year.

The Group measures and discloses its operational GHG emissions in compliance with the SECR requirements (see page 50). This includes Scope 1 and Scope 2 GHG emissions and related energy use broken down by region and source. In addition, we disclose scope 1 and 2 emissions intensity (tCO_2e/£M revenue), and Scope 3 GHG emissions related to business travel, purchased goods and services, water use, and generated waste.

The chart below illustrates ICG's emissions reduction versus its scope 1 and 2 SBT trajectory and a 1.5 degree aligned trajectory.

Group Scope 1 and 2 (market-based) GHG emissions (tCO_2e)



5. Source: UNEP, accessed on 29 November 2022, https://www.unep.org/explore-topics/green-economy/what-we-do/sustainable-infrastructure-investment

Annual Group GHG emissions statement

This statement has been prepared in accordance with our regulatory obligation to report GHG emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the UK government's policy on SECR.

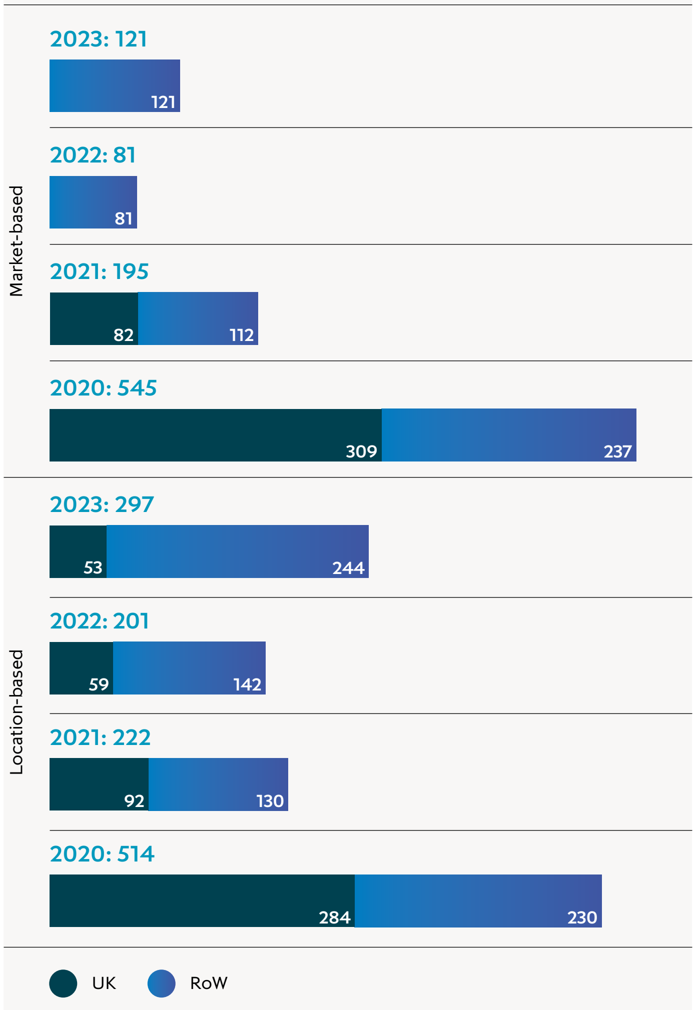
Operational GHG Emissions Performance

During the reporting period 1 April 2022 to 31 March 2023, our measured Scope 1 and Scope 2 (market-based) emissions totalled 121 metric tCO_2e compared to 81 metric tCO_2e in FY22. The scope 1 and 2 intensity equated to 0.20* metric tCO_2e/FTE and 0.19* metric tCO_2e/£mn revenue, compared to 0.13 metric tCO_2e/FTE and 0.08 metric tCO_2e/£mn revenue in FY22.

GHG Emissions[1]		FY23	FY22	FY21	FY20
Direct emissions (scope 1)	Combustion of fuel and operation of facilities	46*	7	11	66
Indirect emissions (scope 2)	Purchased electricity/heat (location-based)	250*	194	211	448
	Purchased electricity/heat (market-based)	75*	74	184	479
	Total scope 1 and 2[2]	**121**	**81**	**195**	**545**
Indirect emissions (scope 3)	Business travel (flights, rail, vehicles, taxis, hotels)	2,724*	749	41	2,640
	Waste generated in operation (incl. water)	3*	4	0.6	8
	New scope 3 categories to FY23				
	Purchased Goods and Services[3,4]	13,286*	–	–	–
	Fuel and energy related activities[3]	76*	–	–	–
	Total Scope 3	**16,089**	**753**	**42**	**2,648**

* ICG plc engaged Ernst & Young LLP (EY) to provide limited assurance over GHG emission metrics as indicated by * in the FY23 annual GHG Emission Statement. The assurance engagement was planned and performed in accordance with International Standard on Assurance Engagements (UK) 3000 (July 2020), as promulgated by the Financial Reporting Council (FRC). The assurance report is publicly available at https://www.icgam.com/sustainability-esg/. It includes details on the scope, respective responsibilities, approach, restrictions, limitations and conclusions. Previous years data were verified to ISO14064 by alternative providers.

Scope 1 and 2 emissions ($mtCO_2e$)[1]



FY23 Scope 1 and 2 (market-based) emissions have decreased by 78% from ICG's FY20 baseline, driven by an increase in the number of offices procuring 100% renewable electricity.

The year-on-year increase in scope 1 and 2 (market-based) emissions from FY22 to FY23 is primarily due to the expansion of ICG operations in North America (New York), and an improvement in the accessibility of heating (scope 1) data from landlords in leased facilities in other global operations. During FY23, ICG North America

1. Numbers in the table have been rounded up or down to the nearest metric tonne (mt) of CO_2e.
2. The sum of scope 1 and 2 emissions is based on the scope 2 market based data.
3. 2023 was the first year that Purchased Goods and services (PG&S) and fuel and energy related activities were calculated for ICG. PG&S calculation method used was a spend-based approach.
4. PG&S spend does not include third party administrators of funds managed by ICG.

moved to a larger office location, resulting in an overlap of two separate premises under ICG control for a period of 6 months from 31 August to 31 January 2023, while experiencing an increase in electricity demand (and therefore scope 2 location-based emissions) from its expanded workforce.

In FY23, ICG expanded its inventory profile to include its purchased goods and services (PG&S), which now constitute the majority of scope 3 emissions (82%). As this is the first year of estimating PG&S emissions, ICG has utilised a spend-based estimation method for this initial GHG profile of the supply chain. Waste and water related emissions have reduced year on year due to waste reduction measures implemented in our London office, whilst business travel has rebounded to pre-pandemic levels, driven by an increase in FTE and the removal of global restrictions to international travel.

Metrics	FY23	FY22	FY21	FY20
Scope 1 and 2 (market-based emissions) per FTE (mtC02e)[1]	0.20	0.13	0.35	1.07
Scope 1 and 2 (market-based emissions) per £Mn revenue ($mtCO_2e$)	0.19	0.08	0.24	1.32

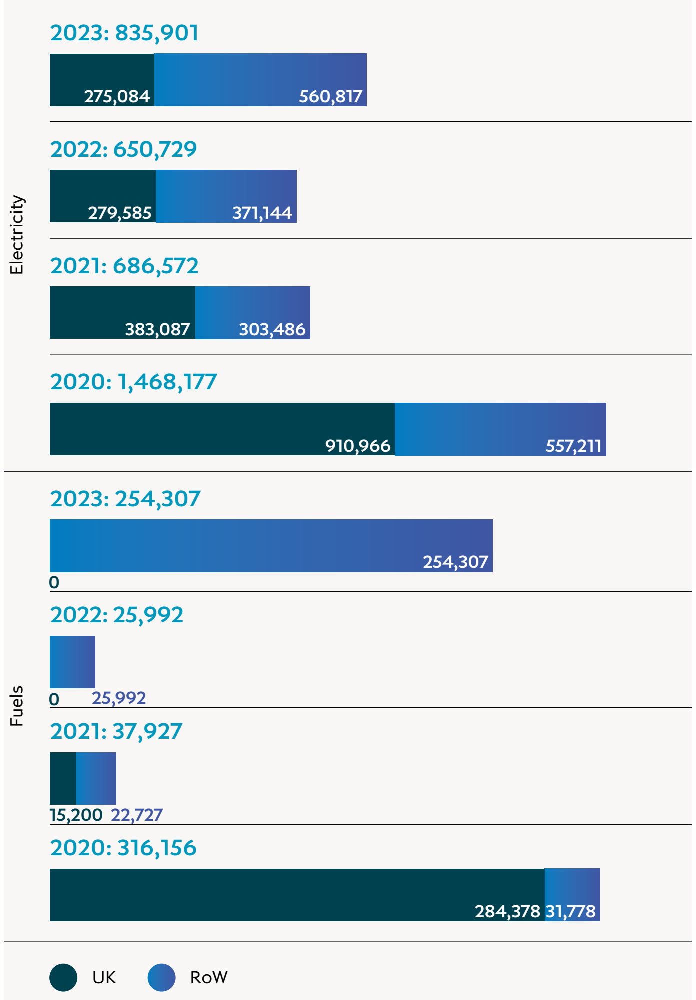
Energy Consumption and Efficiency

During the year, our total fuel and electricity consumption in our operations totalled 1,090 MWh. 25% of energy was electricity consumed in the UK, 33% was electricity consumed in the US, while the remaining 11 global sites consumed 18%. The remainder was through heating fuel in 4 sites globally. The split between fuel and electricity consumption is displayed in the table below. 76% of electricity purchased is from renewable sources either through green tariffs or backed by renewable energy certification, compared with 58% in the previous year. ICG continues to expand the purchase of renewable electricity while we explore energy efficiency solutions such as the installation of LED lighting in suitable global offices. Fuel consumption has increased from 2022 due to the new US office utilising natural gas as compared to the electric based heating system from the previous premises.

	FY23	FY22	FY21	FY20
Electricity [3]	835,901	650,729	686,572	1,468,177
Of which, from renewable sources [3]	638,697	379,161	154,744	–
Fuels[2, 3]	254,307	25,992	37,927	316,156
Total Electricity and Fuels[3]	**1,090,207**	**676,721**	**724,499**	**1,784,333**

1. FTE figures include all staff: permanent employees and contractors
2. Natural gas and transportation fuels (petrol and diesel)
3. Units provided in kWh

Energy Consumption (kWh)



GHG statement methodology

Reporting period - 1 April 2022 - 31 March 2023

Boundary - Operational control. Facilities that are operated by ICG where we have more than five members of staff in the building on a permanent basis.

ICG quantifies and reports our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, alignment with the Scope 2 Guidance, and Corporate Value Chain (Scope 3) Standard. We consolidate our organisational boundary according to the operational control approach, which includes all our offices around the world with five or more employees.

The GHG sources that constituted our operational boundary for the 2023 reporting period are:

- Scope 1: Natural gas combustion within boilers and refrigerants from air-conditioning equipment
- Scope 2: Purchased electricity consumption for our own use (location based and market based)
- Scope 3: Business travel (rail, taxis, hotels (new to FY23) and air travel), water supply and waste generation, transmission and distribution of electricity (new to FY23 inventory), purchased goods and services (new to FY23).

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy. Further detailed explanation of the calculation approach is provided in page 213.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured when certified green electricity has been procured.

Consumption data has been converted into CO_2 equivalent using:

- UK Government 2020, 2021 and 2022 Conversion Factors for Company Reporting across all emissions sources unless those below were used.
- International Energy Agency international electricity conversion factors (to calculate emissions from corresponding activity data)
- United States Environmental Protection Agency data for train travel in the US, and Network for Transport Measures (NTM) data for train travel in the EU.
- For business travel based on expenses, Quantis spend based emissions factors are used.
- Spend based emissions factors from the Department for Business, Energy and Industrial Strategy (BEIS) and sourced from the GHG Protocol scope 3 guidance.