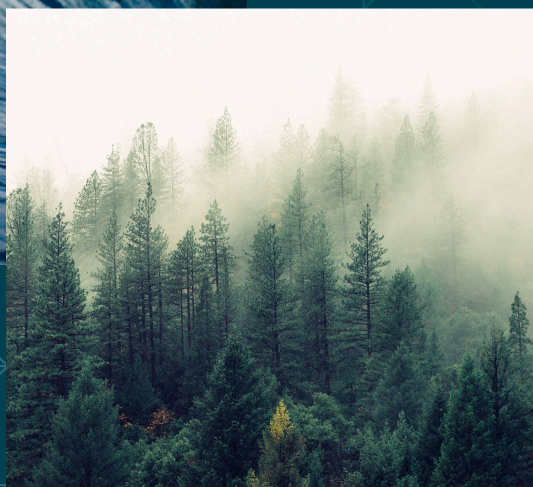
ICG

Climate Change Policy 2022



About ICG

ICG provides flexible capital solutions to help companies develop and grow. We are a leading global alternative asset manager with over 30 years' history, investing across the capital structure. We operate across four asset classes: Structured and Private Equity, Private Debt, Real Assets, and Credit. We develop long-term relationships with our business partners to deliver value for shareholders, clients and employees, and use our position of influence to benefit the environment and society.

Further details are available at www.icgam.com.

Context

Under the 2015 Paris Agreement, 195 states agreed that the global increase in temperature should be kept well below 2˚C and that countries should strive to limit the increase to 1.5˚C. Since then, many governments around the world have formally adopted legally binding or other policies to achieve net zero by 2050 or sooner.

The Paris Agreement confirmed that we are at the start of the transition to a net zero economy, and that we need to prepare for this transition. It is also clear to us that we need to prepare for the unavoidable consequences associated with the increase in global temperatures resulting from emissions of carbon dioxide and other greenhouse gases (GHG).

The Sixth Assessment Report published in April 2022 by the Intergovernmental Panel on Climate Change (IPCC) warned that global GHG emissions must peak by 2025 to preserve any chance of meeting the Paris Agreement goals. For companies, this means rapidly transitioning towards business models that are compatible with a net zero economy. For the financial sector, this means aligning global capital with what is required to sufficiently mitigate and adapt to climate change and ensuring an orderly transition to a net zero economy. ICG are committed to supporting this transition.

IN SUMMARY

Paris Agreement 2015

Keep temperatures below
2˚C

Limit temperature increase to
1.5˚C

Net zero economy by
2050

Our Beliefs and Commitments

We recognise that climate change may have a material impact on investment performance and returns over the short, medium and long-term. We therefore need to ensure we properly 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 our portfolio companies and industry peers, as well as in our global operations.

We recognise that climate change can be an important source of investment risk and of investment opportunity. We believe that by identifying and assessing climate-related risks as an integral part of our investment process and by ensuring that such potential risks are properly managed over the lifetime of our investments, we can create more successful and sustainable businesses over the long-term and generate enhanced value for our clients.

We believe that, through encouraging the companies in which we invest to adopt robust and effective climate change mitigation and adaptation strategies, we can both enhance our investment performance and make a meaningful contribution to society's response to climate change.

ICG is committed to support the goal of net zero GHG emissions by 2040 or sooner, in line with global efforts to limit warming to 1.5°C. Our net zero commitment is supported by two ambitious emissions reduction targets by 2030, which have been approved and validated by the Science Based Targets initiative (SBTi):

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

For other investments, ICG is committed to actively working with peers and the wider financial sector to develop credible ways to, over time, align its investment portfolios with net zero where economically and practically feasible.

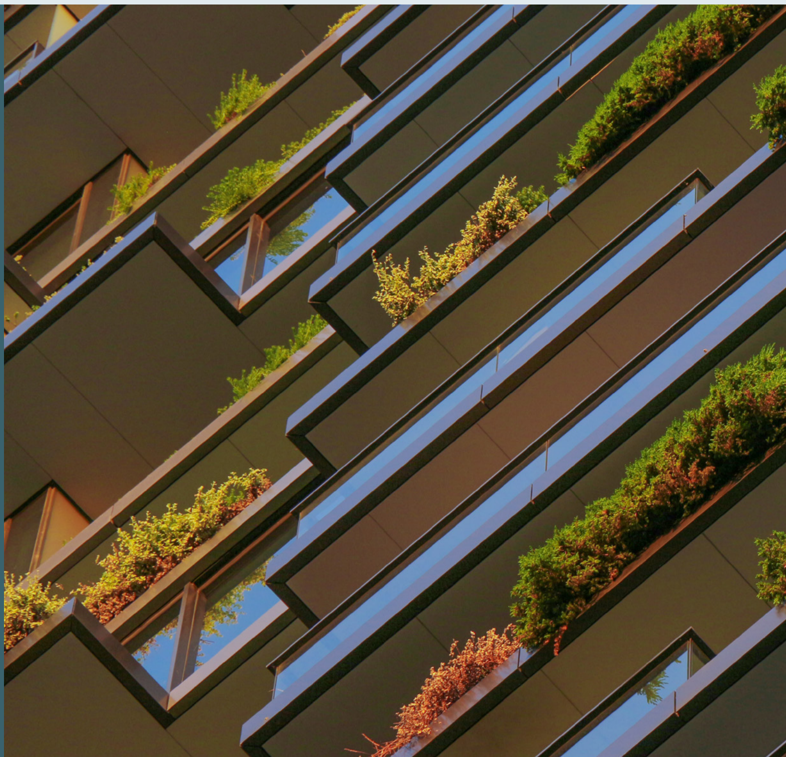
Furthermore, where relevant across ICG's asset classes, we intend to:

- Support decarbonisation efforts across our portfolio through our investment decision making and portfolio company engagement; and
- Invest in climate solutions needed for the real economy to reach net zero emissions e.g. sustainable infrastructure.

*Relevant investments include all investments within Structured and Private Equity and Real Assets where a Fund has sufficient influence (defined as at least 25% equity ownership and at least one Board seat).

Scope

This policy covers 100% of our assets under management ('AUM'). This policy requires us to consider the implications of climate-related risk and opportunities in our investment research, valuation, and decision-making processes.



Incorporating Climate Change into Fund Management

Climate risk is a core component of our Responsible Investing approach and is integrated into each stage of the investment process.

Screening

Exclusion List

ICG will not make investments in companies that are incompatible with the corporate values and ESG objectives of the firm. ICG will not knowingly[1] make direct[2] investments in businesses:

- which directly manufacture, distribute or sell
  (i) anti-personnel landmines,
  (ii) nuclear, chemical or biological weapons, or
  (iii) cluster bombs or munitions

- which systematically use harmful or exploitative forms of forced or child labour

- whose principal activity[3] is:
  (i) the direct manufacturing[4] of arms, ammunition or tobacco, or
  (ii) coal and/or oil upstream (i.e. exploration, extraction and/or production)

- which generates the majority[5] of its revenue from coal and/or oil upstream, midstream and/or downstream6 activities and/or upstream gas activities

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

Climate Risk Assessment Tool

For each potential investment opportunity, we assess whether there are any material climate-related risks associated with the investment. We use our Climate Risk Assessment Tool (‘Tool’) to guide this process. The Tool assesses climate risk by incorporating industry sub-sector, transition and physical risks.

The Tool utilises various data sources, including the Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), ThinkHazard, Climate Change Performance Index and the World Bank Carbon Pricing Dashboard. All data sources are regularly reviewed and updated as necessary.

Each investment opportunity receives a climate risk rating. During due diligence, additional analysis must be completed for opportunities identified as having a higher exposure to climate-related risks.

The Tool is embedded within our ESG Screening Checklist and the results of this assessment are recorded in each investment proposal. This ensures that the Investment Committee can consider the climate risk exposure when making an investment decision.

Due Diligence

Following the climate risk screening, further analysis is conducted for opportunities identified as having a higher exposure to climate-related risks. This includes a review of the integration of climate risk into governance, reporting and disclosure along with any adverse impacts due to climate-related hazards. In strategies where we have more influence and access to management, climate risk assessments are incorporated as standard in external ESG due diligence.

1 Defined as actual knowledge following reasonable enquiry in the pre-investment due diligence process.
2 Intended to exclude fund of funds investments.
3 Defined in this context as more than 20% of total revenue.
4 Excludes (i) businesses which directly produce, sell or distribute components that are intended for use within such weapons, firearms or ammunitions or (ii) businesses which market or maintain arms or ammunition.
5 Defined in this context as more than 50% of total revenue.
6 For the purposes of this Exclusion List, midstream is defined as transportation and storage and downstream is defined as power generation, and distribution.

Engagement and Monitoring

Following investment, material climate-related risks and opportunities are monitored and reviewed, as a standard part of the portfolio monitoring process. Depending on the issue and the level of influence, we may ask portfolio companies to disclose to us how they manage these issues. We may also encourage them to set company-specific targets and KPIs which can then be monitored over the life of the investment.

Climate change is an integral part of our Annual ESG surveys of portfolio companies and private equity sponsors. We request information on their governance and management of climate change, as well as their performance and plans for improvement.

We consider the implications of climate-related risks in our investment research, valuation, and decision-making processes.

We regularly review ICG's exposure to climate-related risks across key strategies and conduct a scenario analysis exercise on individual investments and/or sectors where we may have potentially heightened exposure to climate-related risks on a bi-annual basis. The findings from this analysis are typically shared with portfolio company management and/or ICG investment teams, and follow up actions are agreed as necessary.

Engagement and Value Creation

For relevant investments, we support portfolio companies to address climate risk and capitalise on climate opportunities in a number of ways, including:

- 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 & targets; and seeking validation by the Science Based Targets initiative;

Exit

In strategies with sufficient influence in the capital structure, sell-side ESG due diligence is typically conducted prior to exit including a climate risk assessment and review of performance.

For relevant investments, progress with regards to climate-related initiatives is monitored through an internal ICG climate-focused working group, including senior investment professionals.

Addressing Climate Change in our Operations

While the focus of this Policy is our investments, we also believe it is important to lead by example and transition towards net zero in our own operations.

ICG operates from leased offices. A such our efforts may differ depending on the size of the office and our contractual arrangement with the landlord. However, where possible, we seek to:

- Procure 100% renewable electricity
- Optimise the use of energy for heating and cooling in our offices
- Implement ICG's sustainable fit-out policy when moving or refurbishing office spaces
- Divert all waste from landfill and maximise recycling rates
- Work with cloud-based solution providers with robust decarbonisation policies
- Conduct meetings virtually as far as possible to avoid unnecessary business travel

Reporting and Accountability

Public Disclosures

We support the recommendations of Taskforce on Climate-related Financial Disclosures (TCFD) and incorporate our response to the recommendations into our Annual Report and Accounts. Our response sets out how climate-related risks and opportunities are addressed through our governance, strategy, risk management and targets. Our most recent response to the TCFD recommendations is included in our Annual Report available online at https://www.icgam.com.

To support greater transparency, we participate in relevant external climate-related assessments on an annual basis, for example the CDP Climate Change assessment programme. CDP provides a framework which encourages companies to measure,
manage and disclose their GHG emissions with the ultimate aim of enabling their reduction.

We publish an annual Sustainability and People report on our approach to responsible investment, which we make available to all stakeholders on ICG website. This report includes discussion of climate change and related issues across our investments and operations. Our most recent report is available online at https://www.icgam.com.

We also complete the annual PRI signatory assessment, which requires us to describe how we have implemented the recommendations of the TCFD. Our most recent transparency report can be found on the PRI website.

We increasingly seek to incorporate climate-related metrics into our firm and fund-level financing, where feasible.

Product Level Disclosures

We are committed to enhancing transparency with regard to product-level climate related risk and opportunities. We endeavour to provide clients fund-level climate metrics insofar as feasible.

Industry Collaboration

We recognise that effective action on climate change requires us to work collaboratively with investors and other stakeholders.

ICG is a founding signatory and active member of the UK network of the Initiative Climate International (iCI), a group of investors that collectively commit to action on climate change. As a signatory, ICG commits to reducing the carbon emission intensity of private equity-backed companies and securing sustainable investment performance by recognising and incorporating the materiality of climate risk.

ICG is also one of first alternative asset managers to become a signatory to the Net Zero Asset Managers (NZAM) initiative, an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner.

We seek to use our positions across various industry initiatives to engage with policy makers to contribute to the development of effective climate regulation for the private markets.

Governance and Oversight

The Board has delegated responsibility for the implementation of the Climate Change policy to the Executive Directors. The CEO has lead responsibility for climate-related issues. The CEO also serves as the Group's Chief Investment Officer and has ultimate accountability and oversight of investment processes and is therefore responsible for climate-related issues across the investment process and in our portfolios. 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 Board receives formal updates on ESG-related matters, including climate-related issues, at least twice every financial year. For specific climate-related targets (see Metrics in this TCFD disclosure), the Board receives annual updates on progress. To facilitate the Board's engagement on these topics, the Board has nominated a nonexecutive director to oversee management's implementation of ESG matters. In addition, the Board also considers climate risk, 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 profile/ appetite of the Group.

Moreover, the Board Risk Committee oversees the Group's risk management framework and controls associated with it, including ESG and climate-related risks, and formally discusses climate risk as it relates to the Group at least annually.

Day-to-day implementation of our approach to incorporating climate change into investment processes is the responsibility of all ICG investment professionals, guided by the Responsible Investing Committee and the Responsible Investing team. See ICG's Responsible Investing Policy for further details of the remit of our Responsible Investing Committee.

Ensuring that our investment teams have sufficient knowledge to implement this policy is essential. ICG is committed to providing all relevant ICG employees with regular briefings on climate change including related regulatory developments and industry best practice.

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