UK Stewardship Code

Statement of Compliance and Disclosure

October 2023

Contents

Foreword

Dear ICG stakeholders,

I am pleased to share the third report by ICG PLC (**"ICG"** or the **"Group"**) detailing how we implement the UK Stewardship Code 2020 (the **"Code"**). This report provides an overview of our stewardship approach and sets out how we have applied the Code in the twelve months to 30 September 2023.

We report annually on our activities in line with the Code's requirements. This report has been compiled with input from the breadth of the business including those working in our Structured and Private Equity, Private Debt, Real Assets and Credit strategies in addition to the Sustainability & ESG, Legal, Risk, Compliance and Internal Audit teams and benefits from Executive Director oversight.

These reports will be publicly available on our website and will supplement our current disclosures and reporting. As a UK-listed company and member of the FTSE 250, we produce an Annual Report and interim trading updates, along with an annual Sustainability and People report, which are all also publicly available on our website (www.icgam.com). In addition, we provide regular updates on our funds and investments to our clients on a private basis.

As a responsible steward of our clients' and our own capital, ICG has a clear purpose to provide capital to help companies develop and grow. We do this by investing across the capital structure, with the vast majority of our investments being in unlisted companies. The level of direct influence we have over our investments varies substantially across our investment strategies given the range of different types of capital we are able to provide. However, our overall belief is consistent: that we are active stewards of our clients' and our own capital, and that we have an obligation to systematically incorporate a range of stewardship considerations into each investment decision we make and in the way we manage portfolios. Amongst these considerations we also pay due regard to macro trends and environmental, social and governance (ESG) factors. This is not new for ICG; we have long believed that carefully considering these matters as part of our investment process will lead to long-term value creation for our clients and other stakeholders.

I hope you will find this report informative, and we look forward to continuing to focus on stewardship of our clients' and our own capital and of our portfolio companies.

BENOÎT DURTESTE

Chief Executive Officer and Chief Investment Officer

ICG PLC

30 October 2023

Note on the use of case studies

Case studies can be a useful mechanism within reports such as these to provide tangible examples of turning policies and processes into practice. However, in order to be useful and relevant, case studies need to be specific. As a result, a case study taken individually is unlikely to provide a complete picture of how ICG approaches stewardship. This challenge is further complicated given the variety of investment strategies we manage, and the different routes we have to exercise active stewardship.

In order to address this, we have ensured that the case studies included in this report are drawn from a range of investment strategies across all our asset classes and the different regions in which we operate, which we have identified as a sub-heading for each case study, as well as some Group-level examples of stewardship. All case studies occurred during the reporting period of this report (twelve months to 30 September 2023). Taken as a whole, we believe they represent a diverse variety of tangible examples that help to illustrate the Code's principles are enshrined into our approach to stewardship.

To assist the reader in navigating the body of case studies as a whole, the table below sets out those that are included in this report with the corresponding principle.

Principle		Case study title	Relevant asset class(es) or Group level
2	Governance, resources and initiatives	Updated sustainability training offered to all ICG staff	Group
2	Governance, resources and initiatives	ESG-linked compensation for all ICG portfolio managers	Group
3	Conflicts of interest	Managing strategy-by-strategy conflict (new investment into an existing Credit)	Private Debt, Credit
3	Conflicts of interest	Managing strategy-by-strategy conflict (different strategies looking at the same target)	Structured and Private Equity
3	Conflicts of interest	Managing potential conflicts between clients	Structured and Private Equity
4	Promoting well-functioning markets	Market-wide and Systemic Risks	Group
4	Promoting well-functioning markets	Investment Risk Management Assurance	Private Debt
4	Promoting well-functioning markets	BVCA Regulatory Committee	All asset classes
4	Promoting well-functioning markets	Continuing to embed the TCFD recommendations in our approach to addressing climate-related risks and opportunities	Group
5	Review and assurance	Enhancing ESG integration in investment decision making in the reporting period	Group, Structured and Private Equity, Real Assets

6	Client and beneficiary needs	Adapting for Client Needs (Enhanced SFDR Reporting & Additional Exclusion Criteria for European CLOs)	Credit
6	Client and beneficiary needs	Adapting for Client Needs (Introduction of Implied Credit Ratings for ICG Senior Debt Partners)	Private Debt
7	Stewardship, investment and ESG integration	Rolling out an ESG Risk Rating	Private Debt, Credit
7	Stewardship, investment and ESG integration	Investment declined for governance reasons	Private Debt
7	Stewardship, investment and ESG integration	Investment declined for governance reasons	Credit
7	Stewardship, investment and ESG integration	Investment declined for social reasons	Credit
7	Stewardship, investment and ESG integration	Investment declined for environmental reasons	Credit
7	Stewardship, investment and ESG integration	Investment declined as incompatible with the ESG objectives and potential reputational risk	Real Assets
8	Monitoring managers and service providers	Service providers in the investment process	Credit
8	Monitoring managers and service providers	ESG Due Diligence advisors	Structured and Private Equity, Real Assets
8	Monitoring managers and service providers	Cyber and Information Review	Group
8	Monitoring managers and service providers	Third-party administrator default	All asset classes
9	Engagement	Setting science-based emissions reduction targets	Structured and Private Equity, Real Assets
9	Engagement	Achieving higher sustainability standards with the Green Loan Framework	Real Assets
10	Collaboration	ICG co-led the development of guidance to encourage measurement of greenhouse gas emissions in private markets	Private Debt, Credit
10	Collaboration	Collaboration in a restructuring scenario	Credit
11	Escalation	Escalating our ESG concerns	Structured and Private Equity
11	Escalation	Escalating our ESG concerns	Credit
12	Exercising rights and responsibilities	Exercising our ESG responsibilities	Structured and Private Equity

12	Exercising rights and responsibilities	Influencing terms and strategy	Private Debt and Structured and Private Equity

Purpose and Governance

Principle 1 – Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Introduction

ICG is a global alternative asset manager, investing on behalf of a global client base and providing flexible and sustainable financing solutions across the capital structure to help companies develop and grow. Headquartered in London, we manage $78.9bn[1] in third party assets under management (**"AUM"**). We believe that as stewards of our clients' capital[2], we are obliged to manage our business and investments actively and responsibly in order to unlock sustainable value. We take a long-term view on investing for future growth, hiring selectively across the firm and investing balance sheet capital in seed assets for a number of investment strategies. We also develop enduring relationships with our business partners to deliver value for clients, shareholders and employees.

We aim for our employees to feel a sense of wellbeing and promote an inclusive working culture where they can freely question current practices and suggest alternatives. We offer access to a range of flexible, market-leading benefits in terms of parental benefits, mental and physical wellbeing and career sustainability. We ensure our levels of overall remuneration are without gender bias and designed to attract, develop and retain talented employees. We are also developing a more inclusive leadership model, with more decisions made by larger representative groups sharing a vision, ideas and challenge, instead of narrow committee structures, which also supports cultural cohesion amongst senior leaders.

Our culture is entrepreneurial and our current business model as a third-party asset manager was a result of a pivot in strategy commenced over a decade ago to respond to the market climate. We manage our clients' assets across a broad range of products, spanning the entire capital structure from common equity to senior debt. From the perspective of our portfolio companies or borrowers, we are a partner who can provide the most appropriate form of capital to meet their needs. For our clients, this diversification allows us to help them achieve their investment objectives in their alternative asset allocations – whether in Structured and Private Equity, Private Debt, Real Assets, or Credit. For shareholders, the diversity of our business is a powerful driver of resilience and growth, providing multiple avenues to increase our AUM and thereby develop further long-term streams of management fee income.

Our business is organised to seek to maximise our ability to meet our clients' needs. Each investment strategy is managed by a dedicated investment team who are focused on generating appropriate returns with regards to the risk appetite of clients investing in that strategy. This wide range of investment teams is supported by a central operating platform, including staff dedicated to client engagement in our Marketing and Client Relations function and our Corporate Business Services division, including functions such as Operations, Treasury and Legal which help manage the Group in a way that benefits our clients.

Our AUM by investment strategy is summarised below:

Strategy	Type of capital provided	AUM[1]
Structured and Private Equity	Structured and equity financing solutions to private companies	$29.2bn
Private Debt	Debt financing to high-quality corporate borrowers	$24.1bn

[1] As at 30 June 2023.

[2] Where we refer to "clients" or "investors" in the context of this report we mean investors in our funds. Reference to "shareholders" means holders of ICG shares.

Real Assets	Debt and equity in the real estate and infrastructure sectors	$8.2bn
Credit	Investing in primary and secondary public credit markets	$17.4bn

The funds we manage are typically closed-ended vehicles with contractual lives of 7 to 12 years. Each fund contains a number of investments in order to mitigate concentration risk, and within each fund we typically intend to hold each investment for a period of up to 7 years. We believe this time horizon enables us to focus on creating long-term value and aligns our clients' interests with those of the portfolio company, borrower or real assets' counterparties. As an organisation, this long-term approach to creating value and ability to provide flexible financing solutions drives our culture.

Our teams are empowered to source investment opportunities, while operating within the broader architecture and governance of ICG. As part of the ICG platform, our investment teams also have access (within the confines of regulatory and legal confidentiality requirements) to our valuable and proprietary information database to gain market intelligence and unique insight for the benefit of our clients.

Our Investment Committee process is a key conduit for our culture throughout the investment teams. The Investment Committee members are senior investment executives within ICG, and these committees collaboratively debate and decide what investments we make on behalf of our clients and when we exit them. As such, the committees' approaches to risk (including sustainability risk), the range of factors they focus on when deciding whether to approve investments, and the way in which committee members interact with each other and their colleagues, all drive and reinforce ICG's investment and stewardship culture more broadly.

We ensure economic alignment between our clients, our investment teams and the ICG Group. This is largely through co-investment, whereby both our investment teams and the ICG Group itself commit capital alongside our clients, demonstrating our conviction in the capital allocation decisions we are making on behalf of clients. The reward schemes for our investment teams are also linked to the performance outcomes achieved for clients.

As an asset manager and an institutional investor, ICG recognises that environmental, social and governance ("**ESG**") factors can be an important driver of investment value and a source of investment risk as well as opportunity. We make concerted efforts to reduce our environmental impact and to enhance diversity, equity and inclusion in the workplace. We are amongst the first group of alternative asset managers to commit to net zero (by 2040) across our operations and relevant investments[3] and we exceeded our commitment made under the UK Women in Finance Charter in 2021 to having at least 30% of management roles filled by women, two years earlier than planned.

Our Responsible Investing Policy provides the overarching framework for our approach to responsible investing and covers 100% of our AUM. We believe that by identifying and assessing ESG factors as part of our investment process, and by ensuring that these factors are properly managed over the lifetime of our investments, we can help to create more sustainable businesses or real assets over the long-term and generate enhanced value for our clients.

We have a diversified group of blue-chip clients, which we have grown by 148% since 31 March 2016 and as at 31 March 2023 we had 647 clients. Our third-party AUM has grown by 250% over the same period. While this is only one measure of success, our ability to grow the number of clients who entrust their capital to us, and the amount of capital they want us to manage on their behalf, is a good indicator of how we have historically served our clients' interests. Principle 6 below sets out how we have been effective in meeting our clients' needs.

[3] Relevant investments are defined, in line with the Science Based Targets Initiative (SBTi), as buyout-style investments where ICG has at least 25% of the fully diluted shares and a board seat.

Purpose and Governance

Principle 2 – Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Governance

ICG has been a publicly listed company since 1994 and is a constituent of the FTSE250. We adhere to the UK Corporate Governance Code and seek to promote the highest standards of corporate governance throughout our structures and culture to act in the best interests of our clients.

Our governance structure has evolved over the years to ensure we meet applicable governance standards and provide adequate control and challenge across our business. Some aspects of these structures are required by law or guidance applicable to listed public companies; we have sought to enhance these base requirements through the use of further responsible bodies, oversight structures and reporting lines to ensure robust and sustained oversight of the business as a whole. Our Board (which has a majority of independent non-executive directors) regularly reviews our internal governance framework in the light of regulation, guidance and industry best practice to ensure that we have the appropriate structure at every level of our operations.

ICG Board

The Board comprises three Executive Directors, a Non-Executive Chair, and seven Non-Executive Directors (all of whom are independent) who have a broad and diverse set of skills and experience.

Non Executive Director area of expertise

Name	Asset Management	Investment	UK Corporate Governance	International	Risk Management	Financial
William Rucker (Chair)	●	●	●			●
Virginia Holmes	●	●	●	●		
Rusty Nelligan				●	●	●
Amy Schioldager	●	●		●	●	
Andrew Sykes (SID)	●	●	●		●	●
Stephen Welton	●	●			●	●
Rosemary Leith		●	●	●	●	
Matthew Lester	●	●	●		●	●

Further details of the Board, including their biographies, are available on ICG's website and pages 78 – 80 of ICG's Annual Report and Accounts 2023 ("**ICG's Annual Report 2023**").

The Board provides leadership and oversight within a framework of prudent controls which enable risk to be assessed and managed to ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Board's principal functions include, but are not limited to, determining the Group's strategy and basis on which it is managed, upholding the Group's culture and shaping the Group's risk appetite. Moreover, the Board has overall responsibility for ICG's internal control system to give reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are prevented or detected. A number of committees support the work of the Board, including the Audit, Risk, Nominations and Governance and Remuneration Committee; each of these four committees are constituted solely by Non-Executive Directors. The Board's performance is reviewed annually. This assessment covers the effectiveness and performance of the Board as a whole, the Board Committees and an individual evaluation of each Director. It is typically led by the Chair, with support from the Company Secretary, and includes an independent evaluation of the Chair by the Senior Independent Director.

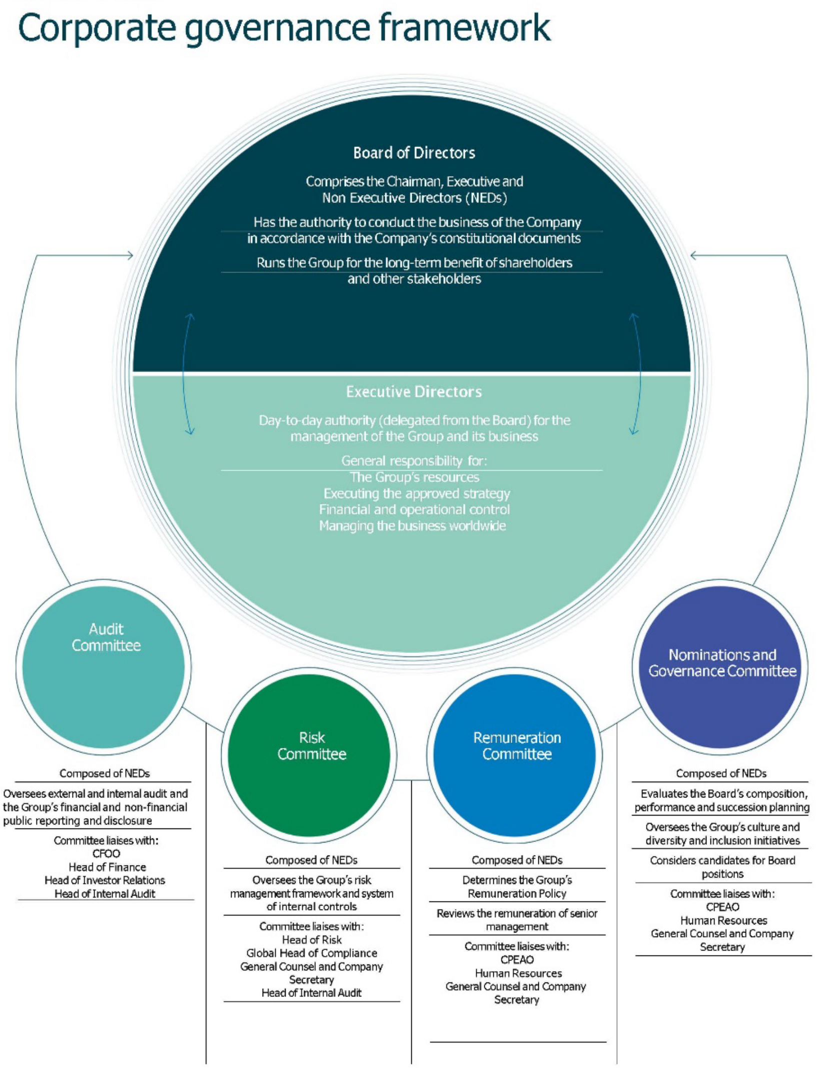
The Board conduct a performance review annually, making an assessment of the effectiveness and performance of the Board as a whole, its Committees and each Director. Once every three years, this exercise is conducted as a formal external review led by independent experts. The results of the most recent internal review were disclosed in full in the Annual Report for the year ending 31 March 2023, and during the year the Board has continued to progress the areas of refinement identified. An external review will be held during this financial year, and the results will be disclosed in our Annual Report.

The ICG Board is strongly engaged in our focus on stewardship, regularly receiving reports on client considerations, client experience, investment performance and sustainability matters. We have a Non-Executive Director responsible for ESG matters and another Non-Executive Director with a specific responsibility for Employee Engagement. Our Chief Executive and Chief Investment Officer oversees our investment business, including the engagement by our investment teams with all investee entities. The Board will continue to keep our stewardship approach under review as the obligations of ICG and expectations of our clients develop.

Stewardship is embedded within investment decision making in our view and we do not believe that it should be the responsibility of a separate team.

ICG's Governance Framework

Extract from page 81 of [ICG's Annual Report 2023] (where more detail is available)



Executive Directors

The Executive Directors are responsible for ensuring the effective implementation of the strategy and policies set by the Board. They are supported by a Senior Leadership Group of senior executives drawn from across the business who help to assess relevant strategic and business initiatives, talent management and risk, compliance, operational, financial and IT (including Cyber) matters. In particular, the executive team oversees risks and opportunities related to our investment activities and to our own operations, addressing issues if they arise and approving new investment strategies, including those with specific sustainability or climate-related objectives and targets. We believe that this level of oversight and accountability is appropriate given the importance of stewardship at ICG and our desire to demonstrate to all stakeholders our commitment in this area.

In considering new potential investment strategies, our executive leadership is supported by a New Product Working Group, which is responsible for assessing any potential new fund in the light of relevant client requirements. This includes input from a wide range of operational, legal and compliance functions and the relevant product manager, and ultimately makes a recommendation as to the suitability of any new product.

Investment Committees

ICG has a number of Investment Committees - one dedicated to each investment strategy – which are typically comprised of the most senior investment executives within the relevant strategy. Each Investment Committee is responsible for scrutinising, challenging and, ultimately, approving or denying every investment proposed by the relevant investment team, in line with the investment objectives of the fund in question. It is also responsible for the ongoing monitoring of the performance of investee businesses, including stewardship related activities, and the ultimate divestment of investments. Each Investment Committee is made up of a number of experienced executives who have significant industry experience in making investments of client's capital and all of whom receive regular training on sustainability, responsible investing, and other stewardship matters.

Investment Committees for all strategies meet regularly. By way of example, for our Structured and Private Equity asset class, a typical investment approval process is as follows:

- Investment teams undertake an initial assessment of a potential deal and prepare a paper which is submitted to the Investment Committee for an initial review;
- If the deal is approved at the initial Investment Committee, the team undertakes extensive analysis on the business in question, sector in which it operates, valuation, structure and any key concerns or issues raised. These findings are presented at a second Investment Committee. If the deal is approved at this stage, budget for enhanced due diligence is agreed; and
- Once due diligence is complete, investment teams return to the Investment Committee for final approval. This meeting decides whether to proceed with the investment and will cover any key issues raised in the process so far, final valuation and final deal terms. This step in the process may be iterative, depending on the circumstances. Unanimous approval is required by all Committee members present at the meeting, with a minimum quorum of three members required to approve the investment.

ESG considerations are reviewed and incorporated at every stage of the investment process.

Investment Committees for our other strategies follow the same or a similar process, but may have a condensed number of meetings, depending on the nature of the transaction and/or strategy in question.

In addition, Investment Committees for all strategies undertake a quarterly review of each of their investments, which includes a performance evaluation and an update on the progress of any strategic, including ESG initiatives.

Responsible Investing Committee

ICG's Responsible Investing 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 ESG Frameworks. The Responsible Investing Committee is made up of the Head of the Investment Office, the Global Head of Sustainability & ESG and senior investment professionals from across ICG's investment strategies. The Responsible Investing Committee works closely with an experienced Sustainability & ESG team with significant expertise in integrating sustainability and ESG factors across a wide range of alternative asset classes and industries, as well as professional services experience.

The day-to-day implementation of our Responsible Investing Policy is the responsibility of investment professionals across our investment strategies, who integrate ESG considerations, among other relevant factors, into investment decisions and active ownership activities, where applicable. ICG's Sustainability & ESG team provides specialist input and expertise, working closely with investment professionals across our strategies to ensure effective integration of ESG factors.

Building knowledge, understanding and expertise on stewardship matters

Throughout the year, Executive Directors receive regular briefings and training sessions (including from external advisors) on emerging topics to ensure they are able to exercise effective oversight of ICG's stewardship activities.

All ICG personnel also regularly undertake other focused training, including Compliance training on matters such as anti-bribery, money laundering, and cybersecurity to ensure they are well placed to meet the obligations we have to clients.

As noted previously, the Sustainability & ESG team and Responsible Investing Committee ensure that our investment teams have the required skills and understanding to effectively assess, monitor and engage with investments on sustainability matters, cognisant of the fact that this is a rapidly evolving area in which new issues can rapidly emerge.

We are committed to ensuring that the knowledge of our teams remains current and therefore provide all relevant employees with regular, bespoke ESG and responsible investing training, comprehensive responsible investing guidance and access to online ESG tools, to ensure they can identify, assess and manage ESG risks and opportunities in investment activities.

Case study: Updated sustainability training offered to all ICG staff

Asset classes: all; Regions: global.

During 2022 and 2023, ICG enhanced its training programme by developing a bespoke course for Executive Directors, all partners and investment, marketing and client relations staff to continue to build our teams' knowledge and to capitalise on the expertise we are building internally.

The training incorporates core understanding of sustainability, responsible investing and ESG at ICG to help participants gain a better understanding as to why responsible investing is important, what it involves and what ICG has to do to apply key ESG concepts and invest responsibly. It also extends the opportunity for more advanced specific knowledge-building for relevant professionals such as investment executives in key topics that relate to their role.

Our Sustainability & ESG team regularly reviews the training materials to maintain relevance and introduce customised content on ESG regulations and emerging ESG risks which may affect our funds and our stewardship efforts. In 2023, the training was refreshed and has been rolled out to all ICG staff globally as part of our mandatory training programme.

Incentives and compensation

All investment teams have a responsibility to consider relevant risks and opportunities in their investment decisions (including sustainability-related matters) and the extent to which they have done this effectively is taken into account when determining performance-related compensation levels. Each year, the Executive Directors are set targets by the Board for the variable elements of their remuneration, which include KPIs linked to non-financial factors, such as Culture, Diversity & Inclusion (see page 102 of ICG's Annual Report 2023).

Following an extensive review of the performance criteria for Executive Directors, we expanded our KPIs relating to Culture, Diversity & Inclusion to include Sustainability to reflect the Board's strong focus on sustainability metrics overall. During the year to 31 March 2023, 10-15% of Executive Directors' annual variable pay was linked to targets set in respect of ICG's progress on Culture, Diversity & Inclusion and Sustainability; the criteria measured are set out in detail on pages 105-106 of ICG's Annual Report 2023. We believe that setting targets in these areas for our senior management is an important factor in enabling ICG to act as an effective steward of our clients' assets. The performance targets set for Executive Directors for the financial year ending 31 March 2024 also contain targets in these stewardship related areas, and the reward opportunities for Executive Directors will therefore be impacted by whether these targets are met (which will be publicly disclosed in the annual report for the year, to be published in June 2024).

Case study: ESG-linked compensation for all ICG portfolio managers

Asset classes: all; Regions: global.

In the end of 2022, ICG incorporated an ESG assessment into the annual performance appraisals of portfolio managers across the firm with the outcome of variable reward opportunities being partially linked to this assessment. The aim of this practice is to reinforce alignment and accountability at the right levels for achieving sustainability excellence and delivering long-term value to our clients, while ensuring we comply with a growing body of relevant regulatory requirements. It will also position portfolio managers to lead by example, ensuring ESG factors are being appropriately and consistently considered in their teams' approaches to investment.

Purpose and Governance

Principle 3 – Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

ICG seeks to operate in accordance with the highest standards of compliance, ethics and corporate governance across all of our operations and investments. Moreover, all of our personnel have a responsibility to act in the best interests of our clients. To this end, we maintain an extensive framework of internal policies, procedures, systems and controls, including a comprehensive conflicts of interest policy, which is applicable to all personnel.

Our conflicts of interest policy assists with the identification, prevention and management of actual, potential or perceived conflicts to ensure we take all appropriate steps to prevent conflicts from adversely affecting the interests of our clients and/or unduly impacting our stewardship practices on their behalf. In certain circumstances it may be deemed appropriate for ICG to decline to act where it deems a conflict cannot be managed. The conflicts of interest policy is subject to annual review and is available to all personnel on our intranet page. In addition to this, all new joiners and personnel annually thereafter are required to undertake conflicts of interest training.

Conflicts of Interest Principles

ICG has adopted the following principles in relation to identifying, preventing, managing, and mitigating potential, actual or perceived conflicts of interest. ICG:

- seeks to manage conflicts of interest in a way that is in the best interests of each of its funds, and therefore the overall best interests of each of its investors;
- has established and implemented written policies and procedures to identify, manage and appropriately mitigate conflicts of interest throughout the scope of business that ICG conducts;
- utilises mitigation techniques which provide the most effective mitigation and greatest level of protection and clarity to investors;
- has established and implemented a clearly documented and defined process which facilitates investor consultation regarding matters relating to conflicts of interest;
- discloses the substance of opinion given through the investor consultation process and any related actions taken to all affected investors in a timely manner (save where to do so would breach any other legal or regulatory requirement or duties of confidentiality); and
- seeks to ensure that all disclosures provided to investors are clear, complete, fair and not misleading.

The overall management and mitigation of conflicts of interest is the responsibility of the ICG Board, implemented on a day-to-day basis by relevant senior executives with support, oversight and monitoring from the Compliance function. We conduct regular reviews of potential conflicts of interest, which is an important part of the initial investment approval and on-going investment management process.

Actual or potential conflicts may be managed in a number of ways, depending on the circumstances and type of conflicts involved. All ICG personnel are expected to use good judgement in the determination of how best to resolve a potential conflict, including through appropriate escalation to the Compliance department. All new joiners undertake training on areas relating to conflicts and all personnel receive mandatory annual compliance training, which focuses on identifying and managing areas of conflict. Compliance also undertakes monitoring of the business to help identify potential conflicts. Our objective is to create a culture of awareness and appropriate action in identifying and reconciling any conflicts.

ICG maintains a centralised conflicts register, which consists of each identified conflict across the business, the strategies that are impacted and the actions undertaken to manage or mitigate the conflict.

Potential conflicts broadly fall into four main categories:

- deal by deal conflicts;
- strategy by strategy conflicts;
- conflicts between ICG's own interests and those of a client; and
- conflicts between the interests of ICG personnel and those of ICG or a client.

For the purposes of identifying the types of Conflicts that arise, or may arise, ICG will take into account whether ICG or a person directly or indirectly linked by control to ICG, or any of their respective managers or personnel:

- is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of one client or group of clients over the interests of another client or group of clients;
- carries on the same business as a client; or
- receives or will receive from a person other than a client an inducement in relation to a service provided to a client, in the form of monies, goods or services, other than the standard commission or fee for that service.

There are separate Investment Committees for each strategy to assist in the effective management of conflicts of interest. Where a deal by deal or strategy by strategy conflict is identified, conflict mitigation is typically handled as follows:

- conflict issues identified and notified to senior individuals in the relevant team;
- potential conflicts are escalated to the Compliance department and logged in the centralised conflicts register;
- employees who have identified the conflict will be expected to prepare a paper detailing the terms of the conflict and proposals to avoid or manage the conflict;
- the conflict may need to be escalated to the relevant Investment Committee and where Investment Committee members may, themselves, be conflicted they would be recused from the relevant Investment Committee meeting; and
- access to information which is the subject of the conflict will be managed through physical, information and technological barriers, including separate electronic storage sites, secure access areas, password protected documentation and ''follow me'' printing procedures.

In addition to the above, members of the Compliance department may act as an intermediary between conflicted teams or individuals and the potential conflict may be disclosed to clients where necessary or appropriate for best practice.

Case study: Managing strategy-by-strategy conflict (new investment into an existing Credit)

Asset classes: Private Debt and Credit; Regions: North America.

ICG's Credit team were invested in the loans of a multinational healthcare company. Our Senior Debt Partners team were considering entry into a potential financing transaction with the same healthcare company. Upon conducting conflict searches Compliance identified the existing involvement of the Credit team. The Head of the Credit team sits on the IC for Senior Debt Partners and to avoid any potential conflicts between the funds Compliance required that the Head of Credit be recused from the IC.

Employee conflicts are managed through our personal account dealing and outside business interests policies. Information walls are also used to prevent the exchange of information between different businesses and functions within ICG aid in the detection and management of actual, potential or perceived conflicts and ICG staff are only permitted to share information on a “need to know” basis in accordance with ICG policy, client confidentiality obligations and applicable law and regulation. Where employees identify a potential, actual or perceived conflict, they must report it to relevant senior management and the Compliance department as soon as possible.

Where it is determined that a potential conflict of interest cannot be managed by the processes above, then ICG will seek to avoid the conflict in the most appropriate way, which may be by declining to participate in the relevant transaction.

Our full conflicts of interest policy is available in more detail to our clients upon request.

And

Case study: Managing strategy-by-strategy conflict (different strategies looking at the same target)

Asset classes: Structured and Private Equity; Regions: Europe.

ICG's Recovery Fund were offered the opportunity to participate in a loan repurchase in the secondary market for a large UK leisure park operator. In a second potential deal the European Mid-Market team were considering a way to assist a sponsor bank with refinancing the existing debt of the same leisure park operator. The conflict between strategies was managed by Compliance using the information wall structure at ICG. In unusual circumstances, one member of the Compliance team had family connections with the Leisure Park Operator. That member was recused from any involvement in management of the conflict and all records were maintained using a code name.

Case study: Managing potential conflicts between clients

Asset class: Structured and Private Equity; Regions: Europe and North America.

ICG is the manager of ICG Enterprise Trust ("ICGT"), a listed private equity investor, investing through primary fund commitments, secondary fund commitments and co-investments.

Part of ICGT's investment mandate targets vehicles managed by ICG, including commitments to ICG funds and direct investments in ICG underlying portfolio companies. When assessing an opportunity to invest in a vehicle managed by ICG, there are processes in place to ensure potential conflicts of interest are reviewed and documented, in line with ICG's Conflicts of Interest Policy.

Potential conflicts of interest are reviewed during due diligence and documented in the investment paper. The investment paper is reviewed by the ICGT Investment Committee and key discussion points are documented in minutes. The investment will not proceed further if conflicts of interest have been identified and, under the ICGT Investment Committee's judgement, are not possible to resolve.

Investments in ICG-managed vehicles also require independent approval from ICGT's board of directors. The board assesses potential conflicts of interest between ICGT and ICG and will not provide approval if conflicts have been identified.

Grievance procedures

ICG is committed to promoting a ''speak up'' culture where staff feel they can raise concerns, including those related to conflicts of interest, without fear of retaliation and in the knowledge that the matters they report will be taken seriously. Our Speak Up Policy outlines how staff may report a concern through both internal channels (including to a Non-Executive Director) and external routes. All personnel globally have access to a 24/7 anonymous and confidential service to make a report, which is operated by the independent third party EthicsPoint.

In addition, all external stakeholders can file a complaint by following ICG's Complaints Policy (which is available on our website: ICG Complaints Policy). We support anyone who, in good faith, discloses a failure to meet our high standards of business conduct.

Purpose and Governance

Principle 4 – Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Corporate Risk Management

Our approach to risk management

The Board is accountable for the overall stewardship of the Risk Management Framework (the “**RMF**”), for internal control assurance, and for determining the nature and extent of the risks it is willing to take in achieving ICG’s strategic objectives. In so doing the Board sets an appetite for risk within a strong control environment to generate a return for clients and shareholders and protect their interests.

Risk management is embedded across ICG through the RMF, which ensures that current and emerging risks are identified, assessed, monitored, controlled, and appropriately governed, based on a common risk taxonomy and methodology. The RMF is designed to protect the interests of all stakeholders and meet our responsibilities as a UK listed company and parent of a number of regulated entities. The Board reviews the RMF regularly and it forms the basis on which the Board reaches its conclusions on the effectiveness of the Group’s system of internal controls.

We operate a risk framework consistent with the principles of the ‘three lines of defence’ model. This ensures clarity over responsibility for risk management and segregation of duties between those who take on risk and manage risk, those who oversee risk and those who provide assurance.

- The first line of defence is the business functions and their respective line managers, who own and manage risk and controls across the processes they operate.
- The second line of defence is made up of the control and oversight functions, including the Legal, Risk and Compliance teams, who provide assurance that risk management policies and procedures are operating effectively.
- 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 risk.

Assessing risk

We adopt both a top-down and a bottom-up approach to risk assessment:

- The Risk Committee undertakes a top-down review of the external environment and the strategic planning process to identify the most consequential and significant risks to the Group’s businesses. These are referred to as the ‘principal risks’.
- The business undertakes a bottom-up review which involves a comprehensive risk assessment process designed to facilitate the identification and assessment of key risks and controls related to each business function’s most important objectives and processes. This is primarily achieved through the Risk and Control Self-Assessment process (RCSA) The risk assessment process is supported by the Group’s Risk Taxonomy which is a top-down comprehensive set of risk categories designed to encourage those involved in risk identification to consider all types of risks that could affect the Group’s strategic objectives.

Case study: Market-wide and Systemic Risks

Asset classes: All; Regions: Global.

We take our responsibility to identify and navigate material market-wide and systemic risks seriously, as doing so successfully enhances our ability to help preserve investors' capital and, ultimately, enables them to achieve their long-term financial objectives. A recent examples of material market-wide risk which the ICG Group has identified and successfully mitigated is detailed below:

Silicon Valley Bank and Credit Suisse Bank collapse

In March 2023 the collapse of Silicon Valley Bank and Credit Suisse Bank caused widespread concern and uncertainty in financial markets. ICG's immediate priority was the protection of capital and at the first sign of issues our Treasury and Operations teams worked to identify any bank accounts or other exposures that could be affected. We implemented daily monitoring of all cash held in bank accounts and of credit default swap (CDS) curves, with regular reports to senior management, reviewed our overall debt facilities and fund facilities and adjusted our positions accordingly, for example refinancing one facility and temporarily ceasing all FX trading with one bank that was subject to CDS curve fluctuations. As a result of our responsiveness, we were able to avoid any negative impact of the March banking crisis.

The Group has since worked with its third party administrators to make certain improvements in response to the challenges faced, such as improvements to the way we access the live cash balances of our funds to enable us to collate data on thousands of accounts at very short notice.

Investment Risk Management

Within our investment activities, risks are overseen by the Investment Committee and investment teams. The investment teams and Investment Committees therefore look at each investment opportunity within the context of the broader fund to ensure an appropriate level of diversification across for example sector and geography.

The risks that specific investments are exposed to varies by strategy and by fund. A wide-range of market-wide risks as well as company-specific risks are factored into our pre-investment diligence and presented to the Investment Committee as part of the investment decision. In each instance, we will look to ensure that the investment decisions we make represent an appropriate risk / reward profile for the clients in the fund whose capital we are deploying. Post investment, we continue to monitor how the risk profile of each investment changes and whether we should be taking proactive measures to ensure an appropriate risk / reward profile. In particular, early identification of a potential deterioration in a portfolio company's performance can help us preserve the value of our investment and therefore be more effective stewards of our clients' capital.

Case study: Investment Risk Management Assurance

Asset classes: Private Debt; Regions: Europe and North America.

Risks associated with specific investments differ based on strategy and fund; with the direct lending strategy, complexity increases when dealing with funds structured as single investor mandates, securitisation vehicles, traditional commingled funds, or direct lending exposures.

During the reporting period ICG enhanced the assurance framework for pre-investment diligence, which ensures that all relevant risks are considered during investment decision-making. The framework includes checks on responsible investing, legal compliance, and alignment with each fund's defined exposure allocation limits.

ICG has also expanded coverage and robustness of the second line of defence processes on the direct lending strategy. The risk management function enhanced the funds' risk profiling, assessing financial and operational risks to refine fund-specific key risk indicators and their respective thresholds and limits. These indicators are monitored throughout the lifetime of the funds, benefiting from the risk management function's regular engagement with the first line of defence, and leveraging insights from the various workstreams of the second line of defence.

Where necessary, escalation by the risk management function proceeds independently within ICG's governance framework and to the governing bodies of the relevant funds.

Case study: BVCA Regulatory Committee

Asset classes: all; Region: Europe

ICG are a member of the board of the British Private Equity and Venture Capital Association (BVCA) regulatory committee. The role of the BVCA regulatory committee is to monitor UK and European regulatory policy developments that may impact the UK private equity and venture capital industry and to advocate regulation which is fit for purpose for the industry. The committee regularly meets with regulators and policy makers. It responds to relevant consultations published by the UK Financial Conduct Authority and other regulators, and publishes updates for members through a technical bulletin. The committee co-hosts an annual conference for members on current topics of interest to the regulated community, at which ICG is represented as panel speakers. The committee is made up of private equity and venture capital firms, as well as advisers to the industry. ICG actively contributes to the work of the committee through the General Counsel of ICG, who is a longstanding member of the committee.

As a member of this committee ICG has been involved in engaging and collaborating with the FCA on a number of issues such as increasing retail investor access to the private equity industry, the appropriate use of leverage in the industry and proposed changes to the SMCR regime. This involvement encourages change and improvement to financial and regulatory structures and a way in which to agree best practice which in turn supports business and clients to invest and grow within a responsible framework.

For example, in May 2023, the BVCA wrote to the FCA to input on the UK Senior Manager and Certifcation Regime, informed by the BVCA regulatory committee discussions. The BVCA advocated clarifying the regime to ensure that an appropriate balance is maintained to protect investor interests.

Sustainability-related risks

We have a responsibility to shareholders, clients, and all stakeholders to assess, report on, manage and mitigate sustainability-related risks. ICG utilises its RMF to assess sustainability-related risks for their proximity and significance to the Group and our funds. Sustainability-related risks are considered as cross-cutting risk types that manifest through ICG's established principal risks and are integrated into the RMF through existing policies, processes, and controls.

Our Responsible Investing Policy and approach include assessment of sustainability-related risks, among other factors, as part of our pre and post investment processes (see additional detail and relevant case studies at Principles 7 and 9).

Climate-related risks and opportunities

We recognise that climate change may have a material impact on investment performance and returns over the short, medium and long term. 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.

ICG's 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.

Case study: Continuing to embed the TCFD recommendations in our approach to addressing climate-related risks and opportunities

Asset classes: all; Regions: global.

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.

In FY23, we have:

- 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 of TCFD Report 2023);
- 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 of TCFD Report 2023);
- continued to incorporate climate-related issues into the Group's Risk Management Framework (RMF) and policy framework (see page 39 of TCFD Report 2023)
- made progress against ICG's science-based targets (see page 49 of TCFD Report 2023); and
- begun incorporating, as standard, TCFD-recommended portfolio climate metrics into certain fund-level reporting to clients (see page 49 of TCFD Report 2023).

More details on our approach to risk management at a Group level can be found in ICG's Annual Report 2023; and specifically on our approach to climate-related risks and opportunities in the TCFD disclosures forming part of ICG's Annual Report 2023.

Purpose and Governance

Principle 5 – Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

ICG operates a risk and oversight framework consistent with the principles of the ‘three lines of defence’ model. This ensures clarity over responsibility for risk management and segregation of duties between those who take on risk and manage risk, those who oversee risk and those who provide assurance. As part of that three lines of defence model the Stewardship Code is subject to review by various subject matter experts from all three lines including the Sustainability & ESG Team, Corporate Legal, Compliance, Group Risk and Internal Audit. The feedback from their review is incorporated into the Stewardship Code disclosures to ensure that is fair, balanced and understandable. ICG has implemented various policies to govern its practices and activities firm wide. These policies cover ICG activities relating to business conduct, employees, operations, technology including resilience and cyber security, risk management and compliance. In addition, the adherence to these policies form part of the risk management and assurance framework ICG employs. These policies ensure that ICG maintains fair and balanced stewardship practices.

Firm-wide policies

Firmwide ICG policies are subject to review and oversight by various key Board Committees, Executive management, control functions and where required legal counsel (examples include the: Data Breach Policy; Data Protection Policy; Business Continuity Policy; Third Party Security Management Policy; Employee Handbook; and Travel and Expenses Policy). These policies are implemented and enforced by the senior managers in each of the respective areas. These firm wide policies are made available to all ICG employees globally and periodic training is included on certain key topics.

Additionally, the ICG Risk Committee is responsible for oversight of the implementation and adherence to policies related to compliance and risk management including an annual review of updates or changes to these policies (examples include the: Group Compliance Manual; Group Allocation Policy; Group Anti-Bribery and Corruption Policy; Group Financial Crime Policy; Information Walls Policy; Group Personal Account Dealing Policy; and Speak Up Policy).

Responsible Investing and Climate Change policies

ICG has implemented a responsible investing policy which is regularly reviewed and updated. ICG also operates a standalone Change Policy which requires ICG to consider the implications of climate-related risk and opportunities in investment research, valuation, and decision-making processes. Both these policies are applicable to 100% of the assets under management and the investment process is governed by the various Investment Committees which ensure these policies are adhered too. The Board has delegated responsibility for the implementation of the Responsible Investing and Climate Change policies to Executive Directors Benoît Durteste (in respect of investments and financed emissions) and David Bicarregui (in respect of PLC and corporate matters). As part of the normal course of business, the Board regularly receives updates on how these policies are being implemented.

Case study: Enhancing ESG integration in investment decision making in the reporting period

Across all asset classes

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

Structured and Private Equity

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

Real Assets

Developed a tailored ESG Screening Tool for real estate investments to fully capture and assess the nuances and characteristics of this asset class. The tool includes a dedicated evaluation of location-based physical climate risk and transition climate risk.

Review and Assurance framework

ICG has a number of review and internal assurance processes that provide regular feedback to management and the Board in relation ICG's governance processes, adherence to policies, management of key risks and related controls. The recommendations from these reviews help ensure ICG's practices are effective which in turn helps achieve fair and balanced stewardship disclosures.

As part of the review framework Executive management and the Board receive periodic updates over the governance, processes and controls that impact ICG's stewardship practices. Examples of the updates received are from the Sustainability Team on current sustainability policies, practices and disclosures, and Corporate Technology provides updates on how ICG manages its cyber risks and how the operation of a distributed technology model improves the firm's business resilience. This ensures that senior management is able to challenge these processes periodically to maintain their effectiveness.

ICG's various business units are part of the Risk and Control Self-Assessment process (RCSA) (also referred to at Principle 4 above). This process is coordinated by Group Risk and ensures that each business unit periodically assesses their most material risks and controls. The output of the RCSAs provides opportunities to improve the ICG's approach to stewardship.

The second line functions also perform various review processes including the Compliance team's routine monitoring and deep-dive into activities to assess compliance with relevant regulations and legislation across ICG and the annual Fraud Risk assessment on the Group's controls that prevent fraud coordinated by Group Risk. The results of these reviews are reported to management ensure that processes, policies and controls are enhanced and remain effective. As the third line of defence, Internal Audit is a key provider of assurance to the Audit Committee and the Board in providing an independent view on the effectiveness of ICG's control environment including governance, the investment process and implementation of the firm's policies. Internal Audit operates an annual risk based audit plan which considers multiple risk factors including governance, policies of the firm and technology security which all impact stewardship. The recommendations made by Internal Audit ensure that the control environment, its related governance and policies are suitable to protect the interests of shareholders and investors.

ICG Executive management and where appropriate the Board can engage with other external assurance providers to review internal controls and systems. These reviews can be ad hoc or performed annually. An example of this is the annual ICG Report on Internal Controls. This report is prepared for clients and their respective auditors over the different control frameworks that reflect the specific systems of internal controls established for the relevant strategic asset classes managed by the Group.

The outcomes of these review and assurance assessments provide opportunities for ICG to continually improve stewardship policies and practices. These enhancements are then disclosed in the Stewardship Code which continually improves ICG's stewardship disclosures and ensures the reporting is fair, balanced and understandable.

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Investment Approach

Principle 6 – Client and beneficiary needs

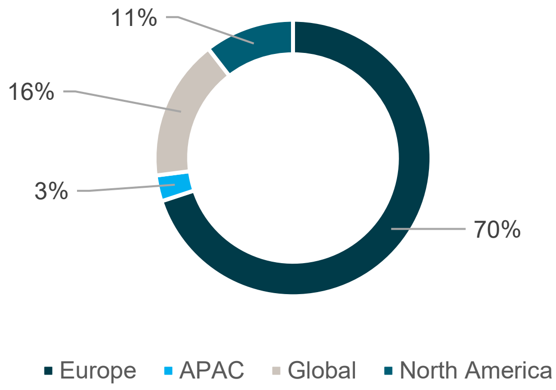
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

We manage $78.9bn of third-party assets globally on behalf of 655 clients (at 30 June 2023).

Our client base

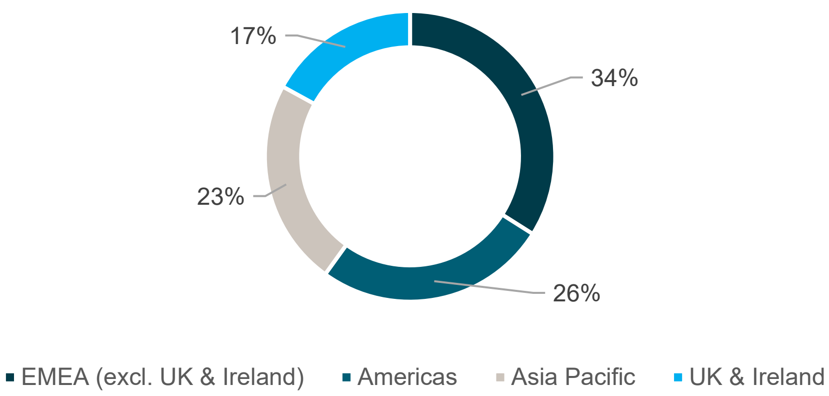
Our clients are all sophisticated investors, mostly institutions who have a range of investments across the alternative asset management space.

Third party AUM by geographical focus of strategy



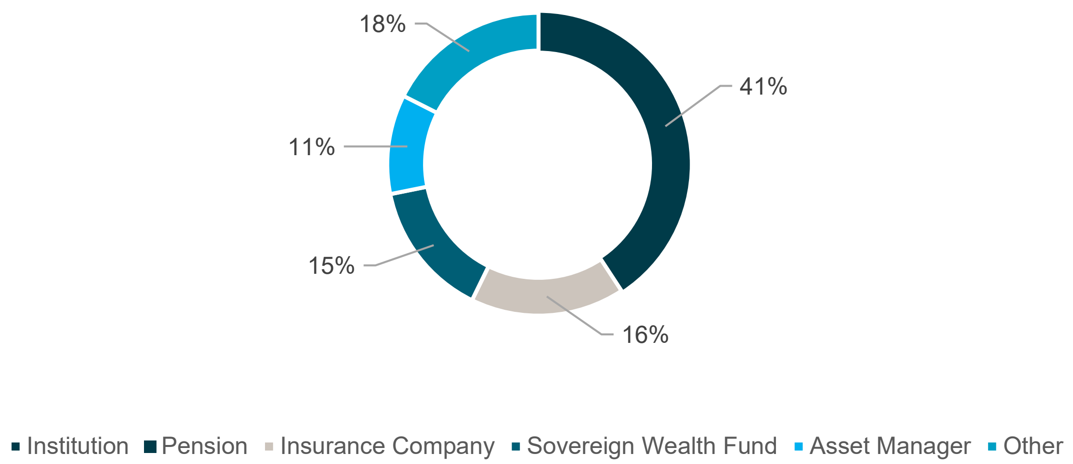
Note: Data as at 30 June 2023. Third party ICG AUM split by main geographical focus of the strategy.

Third party AUM by client geography



Note: Data as at 30 June 2023. Please note that due to secondary trading activities by CLO notes holders and shares in the listed funds, an exhaustive or accurate list of investors in CLOs or listed vehicles is not available and has therefore been excluded from AUM breakdown by client geography. Please note that the data provided in the breakdown here does not track redemptions from ICG's Liquid Credit funds. Data also excludes non-fee paying co-investments.

Third party AUM by client type



Note: Data as at 30 June 2023. Please note that due to secondary trading activities by CLO notes holders and shares in the listed funds, an exhaustive or accurate list of investors in CLOs or listed vehicles is not available and has therefore been excluded from AUM breakdown by client type. Please note that the data provided in the breakdown here does not track redemptions from ICG's Liquid Credit funds. Data also excludes non-fee paying co-investments.

The exact timeframes we consider appropriate for our investment activities and clients vary depending on the strategy, but typically our funds are closed-ended vehicles with contractual lives of 7 to 12 years; approximately 90% of our AUM is structured in this way with an investment period usually of 3 to 5 years. Each fund will contain a number of investments and, within each fund, we typically intend to hold each investment for a period of up to 7 years. We believe this time horizon enables us to focus on creating long-term value and aligns our clients' interests with those of the portfolio company.

When committing to a fund, our clients undertake detailed due diligence of the fund documentation, investment team, Investment Committee and the fund's investment remit and track record (if applicable). Clients may also enter into side letters where that client's requirements (whether in relation to investment approach, specific additional reporting or investment appetite) are documented. As a result, client expectations and their relationship with ICG are clearly documented and understood at the outset of their commitment to the fund, and these expectations and obligations are considered throughout the life of the fund.

Communication with our clients

Our in-house Marketing and Client Relations team engages regularly with all clients and potential clients, providing detailed updates on fund performance, new funds and other business developments. We hold annual client investor days and investor conferences which include detailed reviews of our strategies, deal developments, content on the macroeconomic outlook and performance, we also ensure our clients have access to our in-house distribution team as well as senior management and members of our investment teams. We also conduct more regular interactions and ongoing relationship meetings with existing clients and provide regular update reports on the performance of their investments.

The purpose of these meetings is broad, but in general meetings enable us to update clients on the portfolio and provide clients with an opportunity to discuss any concerns that they have so that we may respond appropriately.

Sustainability reporting is forming an increasingly integral part of our client reporting, including around climate change. Our Responsible Investing Policy, which includes our Climate Change Policy, is publicly available to all clients. We communicate to clients on how a number of topics, including how ESG factors are integrated into our investment process, the sustainability objectives that may be set by individual funds and details of key ESG factors considered.

Seeking and responding to clients' views

As part of our approach to ensuring we understand our clients and prospective clients' evolving priorities, our ongoing dialogue covers, as relevant, matters related to stewardship. In addition, we periodically undertake a comprehensive survey of client views covering all aspects of their relationship with ICG, including our approach to integrating ESG requirements into the investment process and ESG disclosures. During our last survey we undertook, we received feedback that clients would like more information about how we were integrating ESG considerations on their behalf. This feedback was timely as we were already in the process of deploying a standardised approach to ESG reporting across our strategies which we expect to be completed by the end of 2023. We have also made a number of changes to increase the clarity of our reporting around how we integrate ESG considerations into our investment decision-making and how we engage with companies in our portfolios (see case study).

Case study: Adapting for Client Needs

Enhanced SFDR Reporting & Additional Exclusion Criteria for European CLOs

Asset class: Credit; Regions: Europe.

Recognising that our investors have individual ESG considerations, we tailor our CLO offering to align with their standards and expectations regarding responsible investing. What each of our CLOs invests in is highly investor dependant, and this flexibility allows us to take into account client specific ESG exclusion lists. Where specific limitations are required by an investor, our CLO Administration and Credit Fund Management teams collaborate closely with our Sustainability & ESG team to ensure that client exclusions cover both ESG conduct and product issues. Additionally, we understand that many clients are requiring greater levels of ESG data and insights to better understand the wider impact of their CLO investments. In response, where requested we have expanded the scope of our SFDR Principal Adverse Impact reporting.

Case study: Adapting for Client Needs: Introduction of Implied Credit Ratings for ICG Senior Debt Partners

Asset class: Private Debt, Regions: Europe

At ICG, we understand that our investors need reliable and transparent information about the credit quality of their portfolio. As such, we have invested in a solution that leverages the expertise and data of a leading rating agency. ICG has partnered with Moody's Analytics' RiskCalc to enable greater accuracy, consistency and efficiency in the reporting and monitoring of implied credit ratings of privately held debt investments for our LPs. Moody's RiskCalc has been selected following a thorough review process, in which five rating agencies were invited to propose their solution for mid-market direct lenders.

Investment Approach

Principle 7 – Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

As active stewards of our clients' capital we have an obligation to systematically incorporate a wide range of considerations into our investment decision making and processes, including material ESG factors, which can be an important driver of investment value as well as a source of investment risk.

ICG has been a signatory to the UN Principles of Responsible Investing (PRI) since 2013, and an active contributor to a range of collaborative industry initiatives, such as: initiative Climat International (iCI), CDP, Net Zero Asset Managers initiative, Invest Europe, the British Venture Capital Association (BVCA), Alternative Credit Council, and International Limited Partners Association (ILPA).

The day-to-day management of ICG, including oversight of ESG matters, is the responsibility of the Executive Directors. At a Group level, we focus on where we have a material footprint and meaningful impact.

The integration of ESG considerations into our investment activities, as governed by ICG's Responsible Investing Policy, is the responsibility of all ICG investment professionals, guided by the Sustainability & ESG team and the Responsible Investing Committee. The committee currently comprises senior professionals drawn from ICG's investment teams as well as the Sustainability & ESG team.

Our Responsible Investing Policy provides the overarching charter for our approach to responsible investing and covers 100% of ICG's assets under management. Our Responsible Investing approach is an internal point of reference that provides practical guidance for our investment teams. For each investment strategy, we analyse material ESG factors at each stage of the investment process, from screening through due diligence, closing, monitoring and eventual exit.

Integration of ESG considerations in investment and stewardship activities

Each ICG investment strategy takes into account relevant ESG considerations, depending on the nature of the strategy and the level of influence over, and access to, management. The vast majority of ICG funds in the market that are subject to EU Sustainable Finance Disclosure Regulation are classified as Article 8 (funds that promote environmental and/or social characteristics) as at 30 September 2023.

Pre-Investment

For many of our strategies, the best opportunity to fully understand the ESG implications of an investment and to exert influence are largely at the time of initial investment. We start by considering our Exclusion List, as defined in our Responsible Investing Policy, to ensure that we do not make direct investments in companies that we consider to be incompatible with the corporate values and responsible investing approach of the firm.

For all potential investments, we identify whether there are any material ESG factors associated with the investment. We use our ESG Screening Tool, with an incorporated Climate Risk Assessment, to guide this process. The tool identifies potential ESG risks by industry, sector and geography, including environmental concerns (with specific questions on climate change), social concerns (incorporating community, supply chain, human resources and health and safety-related issues) and corporate governance and ethical concerns. The results of this process are recorded in each investment proposal, so that the Investment Committee can confirm that ESG factors have been explicitly assessed and ensure they are considered when making the investment decision.

In situations where ICG has significant influence, external ESG due diligence is typically conducted as standard and the results incorporated in the Investment Committee papers. Where material issues are identified, the

Investment Committee may request further action is taken to ensure these issues are properly investigated or require further actions to be taken following an investment.

Case study: Rolling out an ESG Risk Rating

Asset classes: Private Debt, Credit; Regions: Europe, North America, Australia.

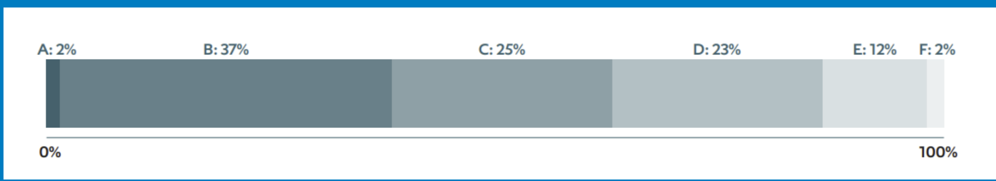
In November 2021, we began rolling out a pre-investment ESG rating to relevant ICG strategies, starting with our Credit and Private Debt asset classes. For each investment opportunity we now assess and rate both its inherent sector risk and company specific risks. This is done by utilising the information collated through our existing ESG processes and tools, specifically our ESG Screening Tool and Climate Risk Assessment, and by incorporating additional questions on the maturity of approach to ESG matters of each company. The internal ESG rating enables us to not only assess ESG related risks for each potential investment but also helps to inform and guide our ESG engagement and reporting to investors.

During the reporting period, our Private Debt and Credit investment teams carried out more than 400 evaluations utilising the enhanced ESG Screening Checklist to produce a two-dimensional ESG risk rating.

Illustrative ESG Risk Distribution of a select credit funds' portfolio

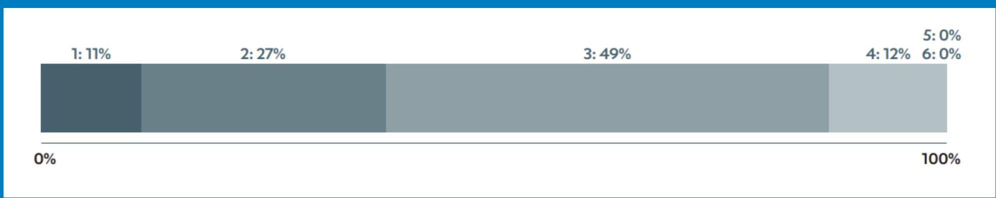
Inherent sector ESG risk

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



Company-specific ESG risk

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



Post-Investment

In strategies where ICG is a minority stakeholder or where the nature of the strategy limits our ability to influence management with regards to ESG, we seek to monitor ESG risks and engage with management and other investors insofar as is feasible.

Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, we engage with management to seek to ensure they deliver high levels of sustainability. Where appropriate we also exercise our influence at the board level of a portfolio company or an asset to engage on strategy, risk, performance and governance matters.

In strategies where ICG has influence and access to management, we look to maintain strong relationships with management at portfolio companies, and with controlling private equity sponsors, as relevant. These relationships allow us to maintain an ongoing dialogue around the ESG factors impacting the business and allow us to exert influence, wherever possible. For these companies, we circulate our Annual ESG Survey to better understand how they are managing ESG issues. Our Annual ESG Survey includes questions on risk assessment and management, governance, environmental management, climate change, and social performance.

At exit

In strategies where ICG has influence and access to management, we typically consider engaging a specialist to conduct sell-side ESG due diligence in preparation for exit, to ensure that we are supporting the company to continue to make progress on ESG and so that the potential buyer has a good understanding of the ESG risks and opportunities.

How ESG considerations influence our investment decisions

ESG considerations are an integral part of making investment decisions and, as such, there are deals we decline or assets we exclude because they do not meet our robust ESG standards.

Case Study: Investment declined for governance reasons

Asset class: Private Debt; Region: Europe.

ICG SDP was introduced to an opportunity to support Project Frankfurt ("Frankfurt"), a private hospital chain which operates hospitals and medical centres providing a wide range of medical services supported by high technology equipment. Frankfurt was looking for refinancing its current debt and to increase its capex line to grow inorganically and invest in new equipment to expand its services.

The proposed opportunity was attractive as Frankfurt held prominent positions in the regions where it operated. It had healthy margins and high cash flow conversion alongside modern equipment and well-invested facilities, leading to high patient and physician satisfaction rates. Private healthcare market trends were also anticipated to be positive, driven by an aging population, increasing health consciousness, public budget constraints and an improving private healthcare image combined with high barriers to entry.

Frankfurt was a family-owned business where the chairman and sole shareholder played a critical role in the daily management with no succession plan in place. The ESG screening and due diligence processes also revealed alleged historical governance issues related to a prior restructuring process that the company went through.

Despite the credit strength and the limited likelihood of Frankfurt's future financial distress, based on the deal team's governance concerns around a repeat of the alleged historical issues in a potential downside scenario and the lack of succession plan, ICG SDP decided not to proceed with the opportunity.

Case study: Investment declined for governance reasons

Asset class: Credit; Regions: Europe.

ICG's Credit team declined to invest in a potential bond issue by a UK gaming company on the grounds of significant exposure to near-term regulatory changes and a weak record of player protection.

At the time, the UK government was conducting a review of the Gambling Act 2005 with expectations to propose additional regulations for 2023/24. Management was not able to provide us with adequate comfort that the controls environment had improved materially at the time of the transaction, and this contributed to our decline. This contrasts with prior investments by other ICG funds in this sector where management had demonstrated a much more robust approach to regulatory matters.

Additionally, in our view the company's player protection methods were weaker than top tier peers. The company has subsequently been fined by the Gambling Commission (the largest fine ever issued by the regulator) due to "widespread and alarming" failures in safer gambling and anti-money laundering controls. In early 2023, the company announced the CFO's resignation amidst a slowdown in online betting and the company announced an investigation into failures to follow anti-money laundering procedures.

Case study: Investment declined for social reasons

Asset class: Credit; Regions: Europe

In 2023, ICG's Credit team looked at a new deal for a provider of telecommunication services to correctional facilities and law enforcement agencies that allow incarcerated individuals to communicate with their families, attorneys and support network.

ICG declined the deal due to concerns that the company's services were quite expensive on a relative basis and could exacerbate the financial burdens faced by low-income families. ICG was also concerned that the company collected and stored sensitive information about its users, including call and message logs, creating concerns around privacy compliance.

Case study: Investment declined for environmental reasons

Asset class: Credit, Region: North America

During the reporting period, ICG's Credit team looked at a new transaction for an integrated provider of treated wood products. One of the company's main raw materials is derived from the distillation of tar from wood or coal and used as a wood preservative. During ICG's due diligence process, it was discovered that the company is indicated to be a potentially responsible party for a coal tar pit located on the US west coast. The US Environmental Protection Agency's estimated cost to clean up the site was significant which could have materially impacted the company's financial condition. Although the final outcome of this issue remains uncertain, we declined investing due to environmental concerns.

Similarly, earlier this year, ICG evaluated a transaction for an oil pipeline in the Permian Basin. ICG declined the deal because ICG's Exclusion List does not permit investments in companies that generate a majority of revenue from oil midstream activities.

Case study: Investment declined as incompatible with the ESG objectives and potential reputational risk

Asset class: Real Assets, Regions: Europe.

An ICG Real Estate Fund ("ICGRE") declined to act as lender on a debt refinancing opportunity due to multiple risks flagged during the screening and due diligence process. The asset was a single let office and warehouse manufacturing asset leased to a multinational company specialising in aerospace, defence and security. The company manufactures critical defence components, sold both in the UK and exported globally.

Due diligence by the deal team established that the tenant had a high ESG risk rating in RepRisk (a reputational risk research and data provider) with potential UN Global Compact violations. NGO reports suggested the tenant was associated with nuclear weapons production and sales of weapons components to high risk political regimes. In addition, the property itself had been subject to anti-war protests against the tenant.

Whilst ICGRE would not be lending directly to the tenant, they accounted for 99.3% of the in-place rental income, which would be used to service our loan coupon. As such, as a result of concerns regarding activities of the tenant and the associated reputational risk to ICG, the transaction was not taken forward.

Investment Approach

Principle 8 – Monitoring managers and service providers

Signatories monitor and hold to account service providers.

As an active asset manager, typically investing in unlisted assets, the majority of our activities are undertaken in-house. Where we believe efficiencies may be improved, we outsource certain services to experienced market-leading providers, such as our third-party administrators which are appointed to support each strategy with the administration of their funds, including by assisting in the onboarding of, and satisfying certain reporting obligations to, our clients. ICG personnel are responsible for the service delivery of such third-party providers and they actively and regularly review the quality of the service provision and escalate any issues to our Head of Operations and IT or our Executive Directors, where applicable. In advance of the appointment of all service providers, thorough due diligence is undertaken.

Service providers are not used to directly support our stewardship or ESG integration specifically, but they are used as a source of data, analytics, research or advice to inform discussions with companies and supplement the analysis of our teams in relation to investment decision-making. In each case the provider has a clear remit.

ICG does not outsource any of its investment or stewardship responsibilities to service providers.

Case study: Service providers in the investment process

<u>Asset class: Credit; Regions: North America, Europe.</u>

ICG appoints third party service providers whose analysis informs and enhances our investment process. ICG has appointed a leading third-party ESG data vendor to provide principal adverse impact indicators ("PAI Indicators") for portfolio assets across our liquid credit platform. During our active review of the vendor's data, the ICG credit team identified that the carbon emissions data for a European issuer had been sourced incorrectly, using emissions data for a US business with a similar name.

ICG engaged with the data vendor to make them aware of the error. The data vendor agreed that the data was incorrect and promptly updated their source data. Through such reviews of third-party vendor data, we have been able to actively improve data integrity for ESG reporting.

Case study: ESG Due Diligence advisors

<u>Asset classes: Structured and Private Equity, Real Assets; Regions: Global.</u>

For investments where we will be exercising significant influence; or have direct access to counterparties, we typically use third party ESG consultants for expert ESG due diligence.

Both our investment and ESG teams work closely with the relevant consultant, discussing due diligence updates regularly. The due diligence provider's final report is thoroughly challenged and reviewed, with the findings reported to the Investment Committee, as relevant, and/or incorporated into post-investment improvement plans of the underlying investee companies or assets.

Case Study: Cyber and Information Review

Asset class: All; Regions: Global.

Cyber and data security is a key priority for ICG and ICG undergoes a rigorous cyber and information review of new service providers before engagement, and current service providers annually, to ensure the safeguarding of its clients' data:

1.Any potential new service provider is required to provide their audit reports to ICG and populate a customised cyber and information security questionnaire, which automatically generates a risk score for that provider. Such risk scores are reviewed by the Head of Cyber Security and Service Delivery to ensure that the level of risk is acceptable to ICG and aligns with its risk policies. The questionnaire is repopulated and reviewed annually.

2.ICG conducts financial monitoring of each service provider by reviewing their credit reports, which also informs the risk rating assigned to each provider.

3.ICG also administers a vulnerability assessment of each service provider by checking the security of any of their public-facing IT services, the assumption being that poor external security measures are indicative of inadequate internal security.

During the reporting period ICG followed up with five service providers for more detailed investigation on the basis of their responses to item 3 above, until ICG were ultimately satisfied with the measures in place.

ICG is constantly assessing and updating its review procedure to ensure it provides adequate protection for today's risks. For example, ICG recently updated its cyber and information security questionnaire to include questions regarding artificial intelligence, given the increasing use of AI technology by service providers.

Case Study: Third-party administrator default

Asset class: All; Regions: Global.

The services of ICG’s third-party administrators ("TPAs") are provided pursuant to service level agreements ("SLAs") which set out the deliverables and deadlines to be met and the relevant escalation procedure in the event of failure or default by the TPA. TPAs are reviewed against specific KPIs every quarter and assigned a risk RAG rating. ICG identified a number of errors, i.e. "risk events", by TPAs in the reporting period and categorised each incident according to their materiality to determine the level of response.

One such incident was the failure by a TPA to meet a fund reporting deadline on time. After internal review by the ICG Operations team, a theme of errors by the TPA was identified. The TPA was required to submit a risk event form, including a number of actions and targets to be met by the TPA by specific deadlines, which was agreed in consultation with ICG, including ICG’s Risk and Compliance teams. Such action items were logged in ICG’s Risk and Errors Log and the TPA’s progress was tracked until ICG was satisfied that the new controls implemented had mitigated the risk of a recurrence. An overview of the issue and its resolution was also included for review by the Risk Committee at their next meeting.

Engagement

Principle 9 – Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Following investment, material risks and opportunities are monitored and reviewed, as a standard part of the portfolio monitoring process. The extent of influence and access to management are the two key determining factors in how we engage with portfolio companies on material risks and opportunities. Typically, our engagement is either via the Board of a portfolio company or directly with the CEO, CFO or (if appropriate) sustainability leads within companies, or with the private equity sponsor or borrower. Investment professionals from ICG drive this engagement and are supported as appropriate by other ICG teams (for example the Sustainability & ESG team when specific ESG expertise is required).

In strategies where ICG is a minority stakeholder or where the nature of the strategy limits our ability to influence management with regards to ESG, we seek to monitor ESG risks and engage with management insofar as is feasible, in line with our governance rights.

Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, we engage with management to ensure they deliver high standard of sustainable business practices. Where appropriate we also exercise our influence at the board level of a portfolio company and engage with them on strategy, risk, performance and governance matters. In such situations, we add ESG to the agenda of board meetings.

We seek to maintain strong relationships with management at portfolio companies, and with controlling private equity sponsors, as relevant. These relationships permit us to maintain an ongoing dialogue around the factors impacting the business and allow us to maximise our influence, whether through Board rights, contractual rights or our relationships with other investors in the company.

We may also encourage portfolio companies to set company-specific ESG targets and KPIs which can then be monitored over the life of the investment. Our engagement objectives are dependent on the specific strategy, though typically tend to be on ESG topics of specific materiality and relevance for each investment. In the reporting period we have set and monitored over 450 KPIs with more than 30 portfolio companies across our North America, Europe and Asia Pacific portfolios. Where we have concerns about the management of specific ESG matters, we raise these issues with company management where possible (for example, as part of our regular investment meetings with companies, or as part of board discussions in situations where we have a board or observer seat).

Our relationships permit us to maintain an ongoing dialogue around the ESG factors impacting the business and allow us to exert influence, wherever possible. For these companies, we circulate our Annual ESG Survey, to better understand how they are managing ESG issues. The survey has been enhanced and extended each year since its launch in 2015. In 2023, the survey was completed by over 80 portfolio companies and included questions in areas such as ESG oversight, climate change and D&I, among others.

For certain funds with an enhanced ESG framework, we have adopted a more thematic, top-down engagement and monitoring approach.

We set out below examples of our engagement during the reporting period:

Case study: Setting science-based emissions reduction targets

Asset classes: Structured and Private Equity, Real Assets; Regions: Global.

In November 2021, ICG committed to net zero across its operations and relevant investments by 2040. This commitment was supported by two ambitious science-based targets (**"SBT"**) approved and validated by the Science Based Target Initiative ("**SBTI**"). One of these targets was to ensure that 100% of relevant investments[4] have an approved SBT by 2030.

Since then we have implemented a dedicated SBT engagement programme with relevant investments to:

- Socialise what the science-based targets are, how they can be developed, and the benefits to companies, namely further building business resilience and encouraging greater innovation.
- Support portfolio companies in establishing their carbon footprint baseline, following the GHG Protocol. Often this involved educating management teams about the fundamentals of carbon footprinting and recommending third-party climate advisors and/or solutions to support them in completing their baseline assessment; and building the capability to monitor progress in the future.
- Input into the development of science-based targets and emissions reduction action plans to ensure these are ambitious, yet feasible to achieve and aligned with the business plan for our investment.
- Have such targets approved by the SBTi.
- Support the implementation of decarbonisation initiatives through sharing networks, ideas and best practices across our portfolios.

During the reporting period, ICG engaged with and actively supported over 40 relevant investments. The engagement and support focused on establishing carbon footprint baseline, developing carbon reduction plan, and setting science-based emissions reduction target for validation by the SBTI.

In the reporting period, over 60% of engaged companies have established or are in advanced stages of establishing a decarbonisation plan and science-based target.

[4] 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.

Achieving higher sustainability standards with the Green Loan Framework

Asset class: Real Assets; Region: Europe.

An ICG Real Estate Fund (“**ICGRE**”) provided a debt financing commitment for the acquisition of a 235 bed, 4 star hotel located in Nice, France. ICGRE identified that this transaction provided an opportunity to apply ICG’s bespoke Real Estate Green Loan Framework (“**RE GLF**”).

The RE GLF provides a systematic approach including a set of green loan principles that ICGRE utilise to offer green loans to the real estate sector to support environmentally sustainable economic activities for developments, major refurbishments and standing operational investments. The RE GLF is aligned with best practice and developed in partnership with expert real estate sustainability consultants. It enables ICG to financially incentivise borrowers to improve the sustainability of mid-market commercial real estate.

Over the course of the last 12 months, ICGRE has engaged regularly with the borrower alongside ICG’s third party environmental consultants on possible ambitions under the RE GLF criteria. It was determined that the hotel already met certain criteria relating to its EPC Rating and energy consumption and performed favourably versus relevant benchmarks and sustainable travel features. ICGRE offered to incentivise the borrower to align with the Carbon Risk Real Estate Monitor (CRREM) pathway, targeting 100% renewable electricity procurement and upgrading a gas boiler with a renewable alternative. The loan was structured with covenants in place to promote the achievement of this.

Annual ESG survey

Asset class: Private Debt; Regions: Europe and North America

As at 30 September 2023, 38 borrowers in our Direct Lending strategy took part in our annual ESG survey (2022: 37).

ESG Survey highlights include:

ESG Oversight
- 89% of portfolio companies have implemented or are in the process of implementing a sustainability policy (2022: 87%)
- 20% of portfolio companies have senior management remuneration linked to ESG KPIs (2022: 14%)

Diversity, Inclusion & Engagement
- 79% of portfolio companies are implementing initiatives or targets to improve diversity & inclusion (2022: 77%)
- 95% of portfolio companies run regular employee engagement survey (2022: 89%)

Climate Change
- 62% of portfolio companies have begun assessing exposure to climate risks & opportunities (2022: 57%)
- 83% of portfolio companies have initiatives to reduce GHG emissions (2021: 81%)

Engagement

Principle 10 – Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaboration with peers

ICG recognises that, in pursuing the best interests of our clients, we have a responsibility to collaborate and work closely with our peers and other stakeholder groups, particularly on thematic engagements. We are committed to working with others to promote stewardship within our investment activities as we believe that a collective voice may provide greater leverage and influence.

ICG is an active member of the BVCA and Invest Europe, the UK and EU industry body for the private equity and venture capital industry respectively, and participates in a number of committees and working groups alongside other managers including the regulatory committee and the alternative lending working group. In these forums, we participate in discussion of matters affecting the entire industry and contribute to industry responses to the FCA, HMRC, HMT and other governmental or regulatory bodies in the UK and Europe. ICG also actively contributes to working groups of other industry bodies such as Invest Europe, for example as part of the SFDR working group, is a member of the Alternative Investment Management Association (AIMA), the Alternative Credit Council (ACC) and the Association of the Luxembourg Fund Industry (ALFI).

We are also a member of a number of informal networks and groups with other industry participants to discuss matters of common concern. Subject to confidentiality and antitrust requirements, we encourage our personnel to discuss in general terms the challenges and opportunities facing them with their peers at other firms, which can improve insight into available options and may lead to collaborative approach with regulators or governments.

Case study: ICG co-led the development of guidance to encourage measurement of greenhouse gas emissions in private markets

Asset classes: Private Debt, Credit; Regions: Global

As co-chair of the iCI's Private Credit Working Group, ICG actively contributed to the development of a brief guide to help facilitate more effective disclosure of GHG emissions between companies and their fiscal sponsors, direct lenders and other debt-holders. The ultimate objective of the guide is to promote the measurement of GHG emissions, thus improving the transparency of decision-useful climate-related disclosures that too few companies currently produce. ICG intends to use this guide to boost its engagement with issuers on climate disclosures.

Today, readily available guidance on GHG emissions measurement is complex, impacting its accessibility for senior company executives to implement. This guide aims to address this by providing companies with concise and practical guidance on the foundational steps to measuring and reporting on GHG emissions.

The guide synthesises insights, resources and tools from globally recognised organisations and standards to inform and facilitate key decisions and promote measurement and information sharing. This includes frameworks to measure, report and set reduction targets for GHG emissions, such as the GHG Protocol, the Task Force on Climate-related Financial Disclosures (TCFD) and the Science Based Targets initiative (SBTi).

The guide has received strong multi-stakeholder support from the European Leveraged Finance Association (ELFA), Loan Syndications and Trading Association (LSTA), CDP, Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and others.

Collaboration with other investors

ICG regularly co-invests, generally alongside a small number of other investors. Our ability to collaborate with other investors, and the role we play in such collaboration, varies materially by asset class.

In Structured and Private Equity, we often invest alongside equity investors and management teams themselves. Collaboration is through a variety of contractual and governance means, along with informal communications. This is discussed in more detail at Principle 9.

In our private debt strategies, we may invest alongside other lenders in a small club, where we would work with such other lenders to agree on an optimal debt solution for an issuer. This may lead to the group of lenders as a whole obtaining governance rights or covenant protection which is greater than that which would be available to any individual lender.

Case study: Collaboration in a restructuring scenario

Asset classes: Credit; Regions: Global

In Credit, the most substantive situation in which we engage with other investors is in situations where the portfolio company undergoes a restructuring. In such situations, ICG funds have often formed part of a coordinating or ad hoc committee of lenders, where we have collaborated with such other lenders to reach an agreed position with respect to the best way to restructure an underlying portfolio company's debt. Ultimately, all such actions are designed to increase the influence of our position and ensure a better outcome for clients.

In early 2023 ICG participated in an out-of-court restructuring with a group of lenders and a consumer health care product company. The relevant company was facing a near-term maturity of its term loan while experiencing deteriorating cash flow and increasing leverage due to inflationary product cost pressures. Ultimately after a few months of negotiating a deal was struck between the company and the lenders. The company's equity sponsors funded additional equity, proceeds of which repaid a portion of the term loan and funded working capital, and agreed to improve the covenants of the credit agreement in return for a 2-year extension of the term loan maturity.

Engagement

Principle 11 – Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

ICG invests predominantly in private companies, so this Principle is not entirely applicable to the nature of our investment strategies as we do not generally interact with or have need to influence public issuers. For those companies in which we have greater influence over the capital structure across our Structured and Private Equity strategies, we use our governance rights to share concerns and/or provide strategic guidance. Given then our close involvement where we are a majority equity holder we can usually direct management teams to adopt approaches (e.g. on sustainability) without the need for escalation.

Consistently our strong focus is on ensuring that the legal documentation in relation to our investments provides adequate downside protections to enable us to assess and escalate issues. Such protections may include further information rights, access to management and governance rights (such as step-in rights).

Escalation works differently for each of our strategies:

- For Structured and Private Equity, for direct investments, we utilise our governance rights, which typically involve a board seat, to bring matters to the attention of the full board of an investee company. For indirect investments, matters or concerns are raised with the manager, as required; and could be brought up to the Limited Partners Advisory Council of the fund, should we have the right to.

- For Private Debt, we maintain a productive dialogue with management and the sponsor.

- For Credit, we are typically part of a syndicate of lenders, so we utilise the established governance rights and/or rights enshrined in lender agreements to engage and/or seek more detailed information.

- For Real Assets, for direct investments where we are the asset owner we can work with our operating partners and tenants to raise issues, provide guidance and in certain cases directly implement solutions. In our debt investments we are typically the only lender in the structure and seek to engage with our borrowers to share concerns, raise questions or seek additional information.

Case study: Escalating our ESG concerns

Asset Classes: Structured and Private Equity; Regions: Europe.

In 2023, ICGT reviewed the opportunity to make a primary fund commitment to an experienced third-party private equity manager. The manager has an excellent track record and a proven, resilient investment strategy.

However, our pre-investment diligence uncovered a negative ESG-related incident in one of its portfolio companies that had not been sufficiently addressed in the fundraising materials.

To address our concerns, we arranged a discussion with the manager to walk through their ESG approach and took comfort from the recent investment in dedicated ESG resources, formation of an ESG committee and improved ESG reporting. With regards to the specific ESG-related incident in the portfolio, we also discussed the manager's response to the incident as well as the key findings of the ESG diligence conducted prior to investment. We concluded that the manager responded adequately, demonstrating its commitment to responsible investment, and noted that the incident had occurred prior to the manager's ownership period. The manager also reiterated its commitment to driving best-in-class ESG standards at the portfolio company.

Case study: Escalating our ESG concerns

Asset Classes: Credit; Regions: Europe.

In 2020, a leading Italian software and services business was acquired by a financial sponsor with high yield bonds issued to finance the purchase. During the sale process, the company disclosed allegations of bribery and as a result, ICG chose not to participate at the time.

In early 2023, ICG revisited the credit and engaged with the financial sponsor to perform further due diligence around governance and controls. The financial sponsor disclosed that all employees involved in the allegations of bribery had been suspended. In addition, the company had since improved internal invoicing controls to prevent bribery issues in the future and the CEO now signs off on all bids with process changes endorsed by external auditors.

ICG performed a full credit analysis for review by the Investment Committee. Following the positive ESG engagement with the sponsor, the credit was approved by the Investment Committee. The investment thesis was i) the company was positioned to benefit from accelerating digitalisation of the Italian economy, ii) Italy is a beneficiary of the EU Recovery Fund, which targets digitalisation and iii) improved and robust governance critical to prevent bribery issues in the future.

See Principle 9 for further case study examples of how we work with portfolio companies and counterparties as part of our stewardship activities.

Exercising Rights and Responsibilities

Principle 12 – Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

As an alternative asset manager, ICG holds varying levels of rights and responsibilities across our portfolio, depending on the asset class and investment strategy in question. ICG not only actively negotiates such rights and responsibilities upon entry into an investment, but regularly utilises them to seek to deliver both attractive and sustainable returns to our clients and to ensure that our investments continue to comply with ICG's policies and values. ICG fully engages with its investments to the extent permissible in light of the relevant strategy and market norms.

Where ICG holds significant interests in, or can exert significant influence over, underlying portfolio companies, which is particularly the case in ICG's Structured and Private Equity asset class, material decisions at such portfolio companies typically require ICG's prior approval whether through board approval or resolution or in a meeting at the shareholder level. ICG will vote on all decisions related to its holdings, whether positively or negatively and, as an active manager, will be highly unlikely to abstain from a decision. Additionally, ICG will typically have directors on the boards of those portfolio companies in which it holds a significant shareholding percentage and will actively engage at every board meeting and outside of such meetings, in line with our rights and responsibilities as an investor.

Case study: Exercising our ESG responsibilities

Asset Classes: Structured and Private Equity; Regions: Europe

ICG's European Corporate and European Infrastructure Equity strategies have increased their focus on ESG matters, both on investment and in the course of ongoing governance. At the point of investment, the oversight of ESG and sustainability matters is reviewed and adjusted, as required, to ensure an adequate level of accountability and resourcing.

During the course of an investment, ICG ensures that ESG is a recurring item on Board agendas, with specific ESG KPIs monitored on an ongoing basis and reviewed annually.

Where ICG has more limited influence over portfolio companies, for example in our Credit asset class, our focus will be on ensuring we obtain the best commercial deal terms available. This may be, for example, through attending market soundings as an early potential investor, therefore allowing us a greater ability to influence deal terms and legal documentation. We will typically seek to use an external service provider to understand market terms of underlying documentation and will work with bank arrangers to seek amendments to such underlying documentation, for example in relation to restricted payments capacity, debt incurrence capacity, margin ratchets and ticking fees.

Case study: Influencing terms and strategy

Asset Classes: Private Debt and Structured and Private Equity; Regions: Europe

Throughout the life of an investment, we will actively engage with portfolio companies to the extent permissible in accordance with the relevant legal documentation to influence deal terms or company strategy in line with our ESG values.

Select examples include:

- **Direct Lending**: over the reporting period, the team has introduced ESG-linked ratchets in the terms of certain loans to incentivise meaningful improvements in the sustainability practices of borrowers.
- **Strategic Equity (GP-led secondaries)**: over the reporting period, the Strategy Equity team engaged with the GP to establish a strong sustainability programme for an underlying consumer services business, recognising the inherent environmental impacts of the industry. The proposal received across-the-board support from the Company's board of directors and senior management team. Since then the company has developed a strategic programme covering material ESG matters for the business.

See Principle 9 for further case study examples of how we have exercised our rights and responsibilities.

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