

# Risk Committee Report



**Rosemary Leith**  
Chair of the Risk Committee

## AREAS OF FOCUS

### Principal and emerging risks

- Identification and management of principal risks
- Risk appetite and tolerances
- Identification and monitoring of emerging risks

### Governance

- Committee governance
- Oversight of risk and compliance policies
- Best practice and governance code developments

### Risk management framework

- Effectiveness of risk management systems
- The operational resilience of the Group and assessment of the Group's control environment
- Risk function resourcing

### Regulatory risks

- Impact and implementation of regulatory change
- ICARA
- Compliance function resourcing

### Committee members

- Rosemary Leith (Chair since 1 April 2023)
- Kathryn Purves (Chair and member until 1 April 2023)
- Rusty Nelligan
- Virginia Holmes
- Amy Schioldager
- Matthew Lester

**The role of the Committee is to support the Board in identifying and managing risk, complying with regulations, and promoting good conduct.**

Dear shareholders

I am pleased to present the Risk Committee Report for the year ended 31 March 2023.

The Committee's role and primary focus is to support the Group's Board in providing oversight and challenge of risk management processes and the internal control framework to ensure that we meet the expectations of our shareholders, regulators, and clients.

I would like to express my gratitude to Kathryn Purves for her service as Chair of the Risk Committee. Under her stewardship, the Group has implemented significant enhancements to the Risk Management Framework (RMF) and system of internal controls, ensuring that these matured in line with the growth of the business. Over her nine-year tenure, Kathryn also oversaw and helped the Group effectively navigate the evolving regulatory landscape.

In recent months, the Committee has worked closely with management to support the Group to identify and mitigate emerging risks arising from the macroeconomic environment, given the currently elevated interest rate and inflation environment. The Group has proven expertise in navigating complex and uncertain market conditions and our business model provides a high degree of stability. As a result, ICG and its portfolio companies are well positioned to navigate and take advantage of opportunities that arise in the current macroeconomic environment. Notwithstanding the short-term uncertainty, we do not see a materially increased risk to our operations, strategy, or investor demand in the longer term.

The extension of the conflict in Ukraine into its second year continues to impact the geopolitical environment. Our thoughts remain with people of Ukraine and with our colleagues and investors affected by the crisis. We are alert to the considerable uncertainty surrounding the ongoing conflict, and the scope for unpredictable geopolitical outcomes. We continue to monitor developments and potential ramifications for ICG. To date the implications for ICG have been minimal as the business does not have any material financial or operational exposure at the Group level or within the funds we manage, directly or indirectly, to Russia or Ukraine.

As a Committee we have closely monitored global regulatory developments to understand and anticipate potential implications for the Group and the wider alternative asset management sector. During the period ICG implemented the UK FCA's new prudential regime (the Investment Firms Prudential Regulatory Regime) and continues to evolve our approach to ESG in line with the developing sustainability regulations. The Committee continues to monitor

future regulatory developments, including UK initiatives to reposition UK financial regulation.

Through continued transformation, the Group continues to enhance internal processes and controls to position the business for future growth. We are working closely with senior management to oversee the ongoing improvement and refinement of our internal controls in order that they remain relevant, robust, adaptable, and scalable.

This has been a period of transition and there have been a number of key people changes over the past 12 months. Risk and Compliance have been aligned under the leadership of Greg O'Connor to support the growth of the second line of defence and Group's evolution into a larger business. William Rucker has been appointed as the Chair of the Company Board. I have been appointed as Chair of the Risk Committee, replacing Kathryn Purves.

Looking ahead to the next financial year, it is anticipated that the Committee will continue to monitor the impacts and associated risks arising from the regulatory landscape, global climate change and sustainability, with a particular focus on consideration of emerging risks. The Group will continue to refine its cyber risk framework to ensure that ICG maintains robust procedures and controls that effectively mitigate cyber-related risks. There will also continue to be a focus on strengthening the wider risk and control environment.

ESG remains an important focus for the Committee as a source of risk; it also presents opportunities to strengthen resilience and market competitiveness of our investee companies. The Group recognises that divergent views on ESG among our Fund investors could affect our ability to raise funds from such stakeholders. ESG will be formally integrated into the RMF over the course of next year to position the Group to meet evolving regulatory requirements, and to successfully manage ESG-related expectations across the varied interests of our existing and prospective investors.

Finally, the Group is attentive to the challenges arising from the global turbulence and the impacts on our local communities. ICG recently completed a "Million Meals" initiative through which it supported six charities in the cities in which ICG has major operations worldwide to provide free meals to individuals and families in need due to the cost-of-living crisis. The Committee will continue to ensure that we are adopting a proactive response to the challenges, risks, and opportunities for the Group and our wider stakeholders.

I would be pleased to discuss the Committee's work with any shareholder.

### **Rosemary Leith**

Chair of the Risk Committee

24 May 2023

## **Governance of risk**

The Committee is mandated by the Board to encourage, and seek to safeguard, high standards of risk management and effective internal controls across the Group.

### **Roles and responsibilities**

The Committee meets regularly and is responsible for providing oversight and challenge on:

- The Group's risk appetite, material risk exposures and the impact of these on the levels and allocation of capital
- Changes to the risk appetite framework and quantitative risk limits, ensuring its ongoing integrity and suitability to support the Board's strategic objectives
- The design, structure and implementation of the Group's risk management framework and its suitability to identify and manage current risks and react to forward-looking issues and the changing nature of risks
- Risk reports on the effectiveness of the Group's risk management framework and system of internal controls, including notification of material potential or actual breaches of risk limits and internal control processes and the remedial action taken or proposed
- Risks in relation to major investments, major product developments and other corporate transactions
- Regulatory compliance across the Group, which includes reviewing and approving the Group's compliance policies and monitoring compliance with those policies
- The remit of the risk management and compliance functions, ensuring they have adequate resources and appropriate access to information to enable them to perform their functions effectively

The Committee also reviews and recommends:

- The Internal Capital and Risk Assessment (ICARA) at least annually, to the Board
- The extent of Directors' and Officers' insurance coverage, to the Board
- The prosecution, defence or settlement of litigation or alternative dispute resolution for material potential liabilities, to the Board
- The effectiveness of the Group's risk management and internal controls systems, to the Board
- Alignment of the Remuneration Policy with risk appetite, and adjustments to any employee's remuneration for events that have been detrimental to the Group or events that have exceeded the Board's risk appetite, to the Remuneration Committee
- All material statements to be included in the Annual Report, half year report, prospectuses and circulars concerning risk management, to the Audit Committee

### Composition

The current members are Rosemary Leith (Chair of the Committee), Virginia Holmes, Rusty Nelligan, Amy Schioldager, and Matthew Lester. Biographical details can be found on pages 78 to 80. The Committee members have a wide range of business and financial experience, including risk management, fund management and investment, regulation and compliance, M&A, tax, and international business practices. These skills enable the Committee to fulfil its terms of reference in a robust and independent manner.

Rosemary replaced Kathryn Purves on her retirement as Chair of the Committee at year end. Rosemary joined the Company as a NED in February 2021 and has been an active member of the Committee since.

The Executive Directors of the Board are not members of the Committee but attend meetings at the invitation of the Chair of the Committee. The Head of Risk, Group Head of Compliance and Risk, Head of Internal Audit, and the Company Secretary attend all the meetings.

### Terms of reference

The Committee's terms of reference are approved and reviewed by the Board on a regular basis, most recently in May 2023.

The terms of reference are available on the Group's website, [www.icgam.com](http://www.icgam.com), or by contacting the Company Secretary.

### Effectiveness

The operations of the Committee were reviewed as part of the internal Board evaluation led by the Chairman in March 2022; the Committee was found to be operating effectively. For more details of this exercise, please see page 83.

### Monitoring the effectiveness of controls

The Risk Committee is provided with several risk reports, which it uses to continually review the Group's risk management framework and works closely with the Audit Committee to review the system of internal controls. The reports enable the Committees to develop a cumulative assessment and understanding of the effectiveness with which internal controls are being managed and risks are being mitigated by management across the Group.

As part of their review the Committees consider whether the processes in place, including the risk and control self-assessment process, are sufficient to identify all material controls, defined as those critical to the management of the principal risks of the business. Additional reporting on the effectiveness of material controls is provided to the Audit Committee on an annual basis to support the review of the effectiveness of controls in managing the principal risks. No system of controls can be infallible. The Risk Committee and the Audit Committee review breaches as appropriate and consider these in reporting to the Board.

The Board, on recommendation from the Risk and Audit Committees, and considering the work of Internal Audit overseen by the Audit Committee, confirms that the Group's risk management and internal control systems are operating effectively, and material controls operated effectively throughout the year.

### Summary of meetings in the year

The Committee held four meetings during the year. In the ordinary course of business, the Committee receives a report from the Head of Risk providing an assessment of each principal risk versus appetite, key risk events, key emerging risks, actions taken or being taken to manage the risks, and ongoing activity to enhance and develop the Group's RMF; and from the Group Head of Compliance and Risk on global compliance and implementation of relevant regulatory developments.

Over the course of the year the Committee considered and discussed the following significant matters:

- The Committee continued to closely monitor a number of significant regulatory change and oversight programmes to ensure successful execution, notably the evolution of regulatory responsibilities under the Investment Firm Prudential Regime (IFPR), which came into effect on 1 January 2022. The Committee held a dedicated ICARA session to understand more fully the requirements of the regime in order that we could effectively challenge the assumptions used in preparation of the 2022 ICARA process
- The Committee carried out a detailed review of the Group's 2022 ICARA and was satisfied that the operational risk and financial stress scenarios were appropriately calibrated and also stressed the particular vulnerabilities of the Group. They were further satisfied that the Group would meet internal and regulatory requirements for capital and liquidity in such scenarios. The ICARA will support the Committee in understanding changes to the risk profile of the Group and the capital position over the course of the year ahead
- The Committee welcomed an update from the Group's Global Head of Compliance and Risk regarding the control process the Group uses to identify, manage, and evidence conflicts of interest in relation to secondary transaction activity in continuation funds or other sales between ICG-managed funds. The Committee was satisfied that the conflicts that may arise are managed appropriately
- The Group's Cyber Security Lead presented the annual Information Technology and Cyber update to the Committee, which covered the cyber security standards, security protection tools, ongoing detection, and monitoring of threats, and testing of cyber response and recovery procedures
- The Committee reviewed an assessment of the operational and regulatory implications related to the potential expansion of the Group's wealth channel. The Committee recognises that finding new markets, distribution channels and investors for ICG funds is key for profitable growth and looks forward to receiving more detailed assessments of the Group's readiness to carefully capitalise this potential opportunity
- The Committee received an update on the Group's outsourced service providers and considered further resourcing plans to support the future growth of the business

- The Committee acknowledged the continued efforts to enhance the Group's annual Material Controls Assessment, and Fraud Risk Assessment and discussed with the Head of Risk the positive work undertaken to increase the scope and assurance coverage of these important risk processes. The Committee considers that these activities will ensure the ongoing improvement of the Group's control environment

### **Other matters considered**

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review, including the adequacy of resourcing in the Compliance and Risk functions, updates on key policies and a review of the annual Whistleblowing report and the Money Laundering Officer's report. The Committee meets privately with both the Head of Risk and the Global Head of Compliance and Risk on an annual basis.

### **Internal Audit, Risk and Compliance monitoring**

Internal Audit, Risk and Compliance work closely together to ensure appropriate coverage of the Group's activities.

The Committee supported the Audit Committee in its oversight of the internal audit programme (see page 89), which is risk-based. It is designed to permit changes to the programme in the light of changed circumstances. In conjunction with the Audit Committee, the Committee reviews and approves the programme of compliance monitoring to be undertaken during the following fiscal year and at each of its subsequent meetings reviews the status and output of compliance monitoring undertaken relative to the planned programme.

Where there is a perceived overlap of responsibilities between the Audit and Risk Committees, the respective Committee Chairs will have the discretion to agree the most appropriate Committee to fulfil any obligation. During the year the Committee ensured that appropriate monitoring was undertaken in accordance with the approved programme for the year. No significant matters of concern were identified.