Investing Sustainably

Our responsible investing approach

Overview

ICG's Responsible Investing Policy dictates our overall approach to responsible investing across all of our investments. This Policy is supplemented by a dedicated policy outlining our approach to climate change.

ICG is a diversified, global alternative investment manager, investing flexibly across the capital structure in both companies (directly and indirectly) and real assets. Recognising the differences in the way we approach investing in a company versus investing in real assets and the distinct sustainability profiles for these two broad investment categories, we present this section split accordingly.

Our access to information and ability to effect change and influence the sustainability practices and performance of the underlying companies or real assets varies by investment strategy and between investments. However, for each investment strategy, we strive to adopt best practice in our approach to considering material sustainability factors at every stage of the investment process – from assessment (i.e. screening, due diligence and closing), to engagement and eventual exit.

Building strong partnerships with companies, sponsors, borrowers, General Partners (GPs), and other stakeholders within our investment universe is key for ICG to be able to drive sustainable outcomes in our portfolio. Outside our portfolio, we believe collaboration with peers and the wider industry is critical, with ICG leadership and participation across multiple industry initiatives. (See pg. 28 for more information on collaboration).

This section provides an overview of our sustainability approach and outcomes with ICG's investment portfolios. It aggregates our ongoing disclosure and fund-level reporting to investors, providing key highlights for stakeholders across these portfolios.

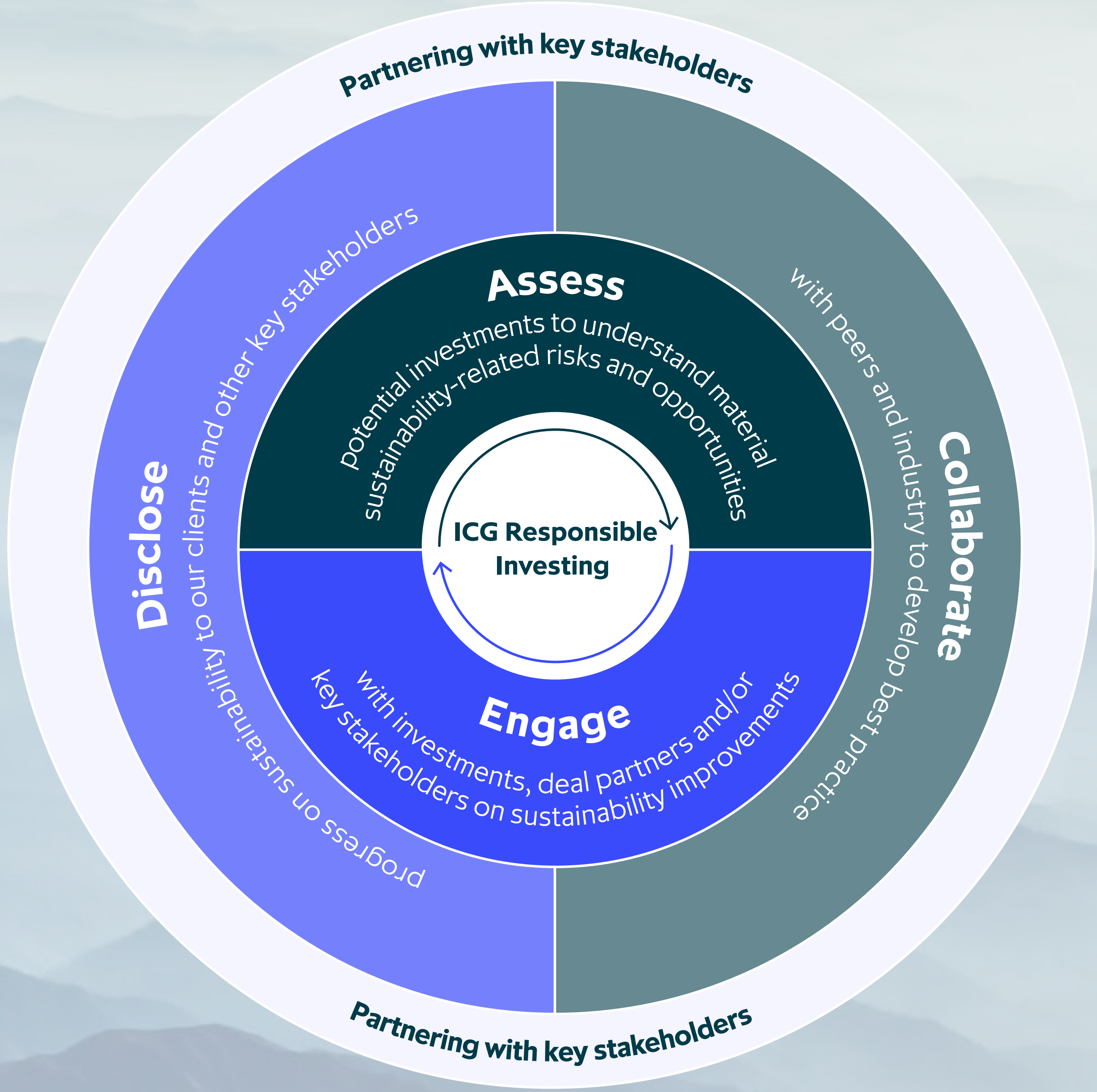
Read more
pg. 27 for more information on reporting.

Key documents

View more
about our Responsible Investing Policy on our website.

View more
about our Climate Change Policy on our website.

View more
about our UK Stewardship Code Statement of Disclosure on our website.



Assess

Pre-investment

Develop comprehensive understanding of sustainability risks and opportunities and account for them in deal terms (exact approach may differ within strategy).

Investment type	Investment in companies						Investment in real assets		
	$87.5bn of AUM (89.0%)[1]						$10.9bn of AUM (11.0%)		
Key ICG strategy	EUROPEAN & ASIA PACIFIC CORPORATE	STRATEGIC EQUITY	PRIVATE EQUITY FUND INVESTMENTS	SENIOR DEBT PARTNERS	NORTH AMERICA CAPITAL PARTNERS	LIQUID CREDIT CLOS	REAL ESTATE DEBT	REAL ESTATE EQUITY	INFRASTRUCTURE EQUITY
Level of access/influence	◕	◑	◔	◑	◑	◔	◑	◕	◕
Exclusion List screening	✓	✓	✓	✓	✓	✓	✓	✓	✓
Comprehensive sustainability assessment, incorporating climate-related risks	☑	☑	☑*	☑	☑	☑	✓	✓	✓
• Third-party specialist ESG due diligence conducted/requested where possible	✓			☑**	✓**		✓	✓	✓
Sustainability assessment findings in IC papers	☑	☑	☑	☑	☑	☑	✓	✓	✓
ESG terms in deal documentation, where possible	✓	✓	✓	✓			✓	✓	✓

*Direct co-investments follow ICG's standard approach.

**Typically requested from PE Sponsor

☑ Signifies a case study or an enhancement discussed in the report; or both

1. Source: ICG, as at 31 March 2024.

Engage

Post-investment

Ability to effect change in sustainability practices and performance of investments (exact approach may differ within strategy).

Investment type	Investment in companies						Investment in real assets		
	$87.5bn of AUM (89.0%)[1]						$10.9bn of AUM (11.0%)		
Key ICG strategy	EUROPEAN & ASIA PACIFIC CORPORATE	STRATEGIC EQUITY	PRIVATE EQUITY FUND INVESTMENTS	SENIOR DEBT PARTNERS	NORTH AMERICA CAPITAL PARTNERS	LIQUID CREDIT CLOS	REAL ESTATE DEBT	REAL ESTATE EQUITY	INFRASTRUCTURE EQUITY
Level of access/influence	◕	◑	◔	◑	◑	◔	◑	◕	◕
Annual monitoring of sustainability matters (including through annual surveys, where relevant)	✓	✓	✓	✓	✓	✓	✓	✓	✓
• Annual collection of sustainability metrics, including GHG emissions	✓	✓		✓			✓	✓	✓
Deal teams engage regularly with assets and/or investment partners on sustainability	✓	✓		✓		✓	✓	✓	✓
• Raise sustainability matters to portfolio company management, boards, investment counterparties or Limited Partner Advisory Committee (LPAC), as appropriate	✓	✓		✓		✓	✓	✓	✓
• Implement sustainability action plans and initiatives	✓						✓	✓	✓
• Establish sustainability KPIs and targets	✓						✓	✓	✓
Offer economic incentives for sustainability improvements				✓			✓	✓	
Include sustainability information in exit documentation	✓							✓	✓

*Direct co-investments follow ICG's standard approach. **Typically requested from PE Sponsor ✓ Signifies a case study or an enhancement discussed in the report; or both

1. Source: ICG, as at 31 March 2024.

Reporting and disclosures

Transparency on sustainability matters and performance in our investments

We believe that transparency around our performance and management of material sustainability-related risks and opportunities, such as those posed by climate change, is important for investment performance and supporting our clients' needs.

Our comprehensive approach to reporting includes regularly updating our clients and other stakeholders about our integration of sustainability considerations into our investment decisions and processes as well as the outcomes we have achieved.

We continue to collaborate with peers and industry groups to improve the quality of both regulatory and voluntary reporting for our stakeholders as outlined on pg. 28 (Collaboration and partnership).

In addition to this Sustainability and People report, we also disclose sustainability data and information in a range of other ways, including our suite of Group-level annual reports (as outlined on pg. 1), and a range of product and fund-level reporting.

ICG seeks to provide timely and detailed reporting on relevant sustainability and ESG matters through a range of disclosures for our clients and our stakeholders

TCFD reporting:

As well as our group level Task-Force on Climate-related Financial Disclosures (TCFD) reporting contained within our Annual Report and Accounts, we will also be providing product-level TCFD reporting for certain in-scope funds in line with the UK Financial Conduct Authority (FCA) requirements.

View more
in our TCFD disclosures.

SFDR:

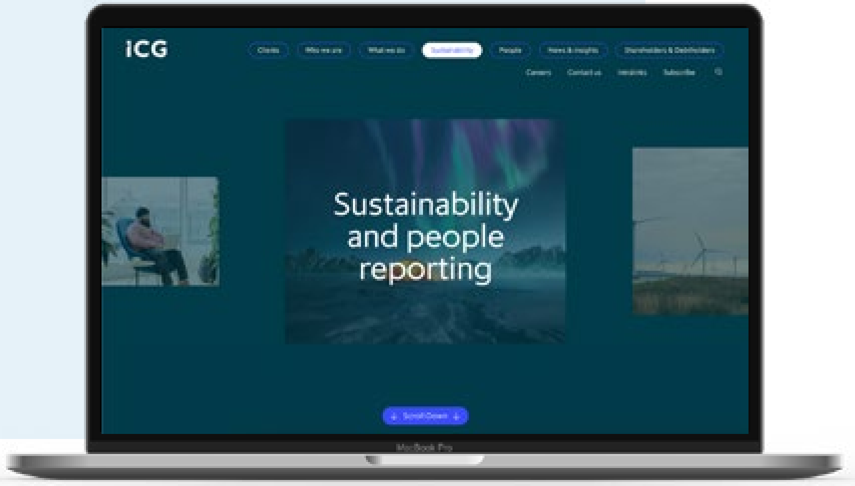
Since March 2021, for each fund in scope of EU Sustainable Finance Disclosure Regulation (SFDR), we have prepared and provided our investors with:

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

View more
please see the SFDR disclosures section of our website: Sustainability and people reports.

Voluntary sustainability reporting

In response to our clients' needs, we have developed a harmonised and modular approach to fund-level sustainability reporting across the Group which goes beyond regulatory requirements. This reporting covers the majority of our active funds and includes a range of environmental and social metrics, and is generally released on an annual basis, though for some funds we do it more regularly.



Collaboration and partnership

We recognise the important role collaboration plays in advancing progress on sustainability. Collaboration is particularly important for ICG because for many of our investment strategies we must work with investment partners to drive improvements. We are committed to working with others to advance best practice and drive consistency in shared challenges, as well as learning from industry experts and thought-leaders for our own sustainability approaches.

Highlights in 2023/24 include:

Building a common language for private market investors:

We were invited to join the industry focus group that acted as a consultative body to the organisations developing the Private Markets Decarbonisation Roadmap (PMDR) to help private market investors communicate progress on decarbonisation within portfolios.

Read more on pg. 19 In the climate change and decarbonisation section of this report.

Equipping private credit investors:

As Co-Chairs of the Initiative Climat International (iCI) private credit working group, we were instrumental in the development of the September 2023 report: Carbon Footprint Measurement: A Concise Guide for Companies and their Lenders backed by a range of industry groups and initiatives.

The aim of the report is to help facilitate more effective disclosure of GHG emissions between companies and their fiscal sponsors, direct lenders and other debt-holders providing stakeholders with the climate-related information necessary for strategic decisions and regulatory obligations.

Leading progress toward net zero in private markets:

ICG's Global Head of Sustainability & ESG was appointed Chair of the iCI Net Zero working group, member of the iCI Steering Committee and is also a member of the Private Debt Advisory Committee to the UNPRI.

Our membership of the Task-force on Nature-related Financial Disclosures (TNFD) Forum and the Principles for Responsible Investment (PRI) Nature Reference Group:

ICG supports the TNFD, and actively participates in the PRI Nature Reference Group, which aims to build investor capacity for addressing nature and biodiversity loss.

Industry initiatives

AIMA

bvca Member Firm

GIIN MEMBER

iC initiative climat international — Private markets action on climate change

INVEST EUROPE

INREV | MEMBER OF INREV

PMDR Private Markets Decarbonisation Roadmap

Signatory of: PRI Principles for Responsible Investment

SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

TCFD

The Net Zero Asset Managers initiative

TNFD Forum Member

Investing in companies

We believe that by identifying and assessing material sustainability factors as part of our investment approach, and by engaging with investment partners to ensure these factors are properly managed over the lifetime of our investments, ICG can support the growth of more successful, sustainable and equitable businesses over the long-term and generate enhanced value for our clients and other stakeholders, in line with our fiduciary duty.

Assess

Strengthening the sustainability assessment of new investment opportunities

Overview

For most of our investment strategies, the best opportunity to fully understand and assess the sustainability characteristics of a potential investment and to exert influence is at the time of initial investment. ICG deal teams, with expert subject-matter guidance from the ICG Sustainability & ESG team, use the information, tools and processes available to them and deemed suitable for each investment to assess:

Risk

Identify and assess any risks presented by shortcomings in managing material sustainability factors and/or business activities inherently prone to having significant adverse impacts on society and/or the environment.

Opportunity

Understand the potential for value preservation and/or creation from material sustainability factors, particularly in situations where ICG has sufficient influence.

Alignment

The extent of alignment with investment partners, as relevant to each investment, on sustainability direction and approach to maintain the ability to drive progress.

Key developments

ICG has, for many years, employed a rigorous pre-investment sustainability assessment process for investments in companies, designed to highlight areas of risk and opportunity for a particular investment covering a broad range of sustainability topics. This assessment is supplemented with ESG due diligence performed by external advisers, mandatory for investments where ICG will have sufficient influence in the capital structure.

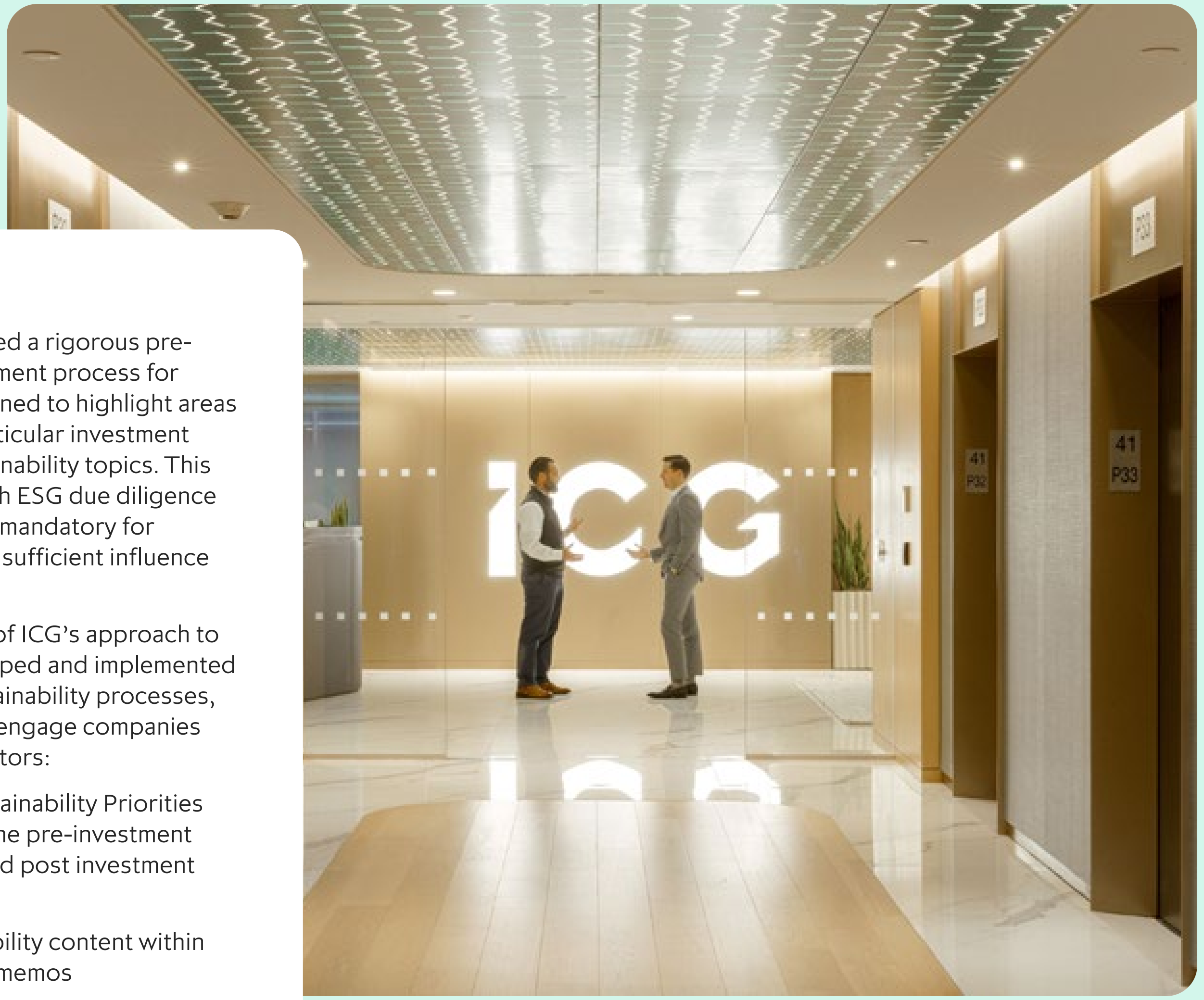
As part of a continual evolution of ICG's approach to sustainability, in FY24 we developed and implemented some enhancements to our sustainability processes, focusing on how we assess and engage companies across material sustainability factors:

(1) Development of an ICG Sustainability Priorities Tool (SPOTlight) to guide the pre-investment sustainability assessment and post investment engagement

(2) Standardisation of sustainability content within Investment Committee (IC) memos

(3) Update of our Climate Risk Assessment methodology

In addition, we established our approach towards nature and biodiversity, evaluating the landscape of tools available to assess the impacts and dependencies of ICG's portfolio on nature, and performing an initial hotspot analysis to focus our response.



Assess

An enhanced focus on materiality

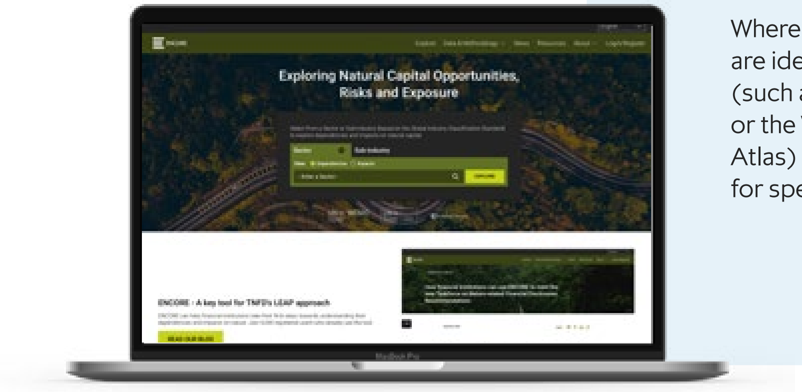
A robust and systematic materiality assessment is crucial for determining which sustainability-related factors are most significant and decision-useful for the companies in which we invest. Material factors are often linked to the industry in which the company operates, although companies within the same sector can have different material factors depending on their business model and where in each sector value chain they operate.

Focusing on material sustainability factors can help us support our investments with maximising value preservation and creation, and is also increasingly relevant from a disclosure perspective. Formal materiality assessment will be required by the International Sustainability Standards Board (ISSB) and European Corporate Sustainability Reporting Directive (EU CSRD) and is likely to affect many businesses in which we invest.

To focus the efforts of the deal teams on factors that matter most for companies being assessed, we updated ICG's pre-investment sustainability assessment approach to incorporate materiality through a new **ICG Sustainability Priorities Tool (SPOTlight)**.

SPOTlight, developed in-house with support from an external consultant, provides a systematic process for identifying and prioritising the sustainability factors pertinent to business activities and their impacts that are most crucial for the success of a given business and that of its stakeholders, now and in the future.

SPOTlight informs and connects the investment decision-making process and post-investment engagement. Outputs of the tool are integrated into a new Sustainability Investment Committee memo template which provides increased comparability and transparency of sustainability analysis for Investment Committee consideration.



Materiality in disclosure frameworks

The development of sustainability disclosure frameworks from bodies such as ISSB, Global Reporting Initiative (GRI) and the EU CSRD has led to a proliferation of definitions of materiality, with multiple perspectives. There are two main materiality perspectives: (1) financial materiality, and (2) impact materiality. Consideration of both is referred to as double materiality.

Whilst SPOTlight is not explicitly designed for double materiality, the inclusion of multiple databases of information provides both a financial and impact lens, with topics flagged if there is a potential exposure based on their operations or supply chain.

Incorporating nature into SPOTlight

SPOTlight incorporates the ENCORE database. Through this integration, potential nature-related impacts and dependencies associated with companies within the selected industry are raised to the deal teams for consideration.

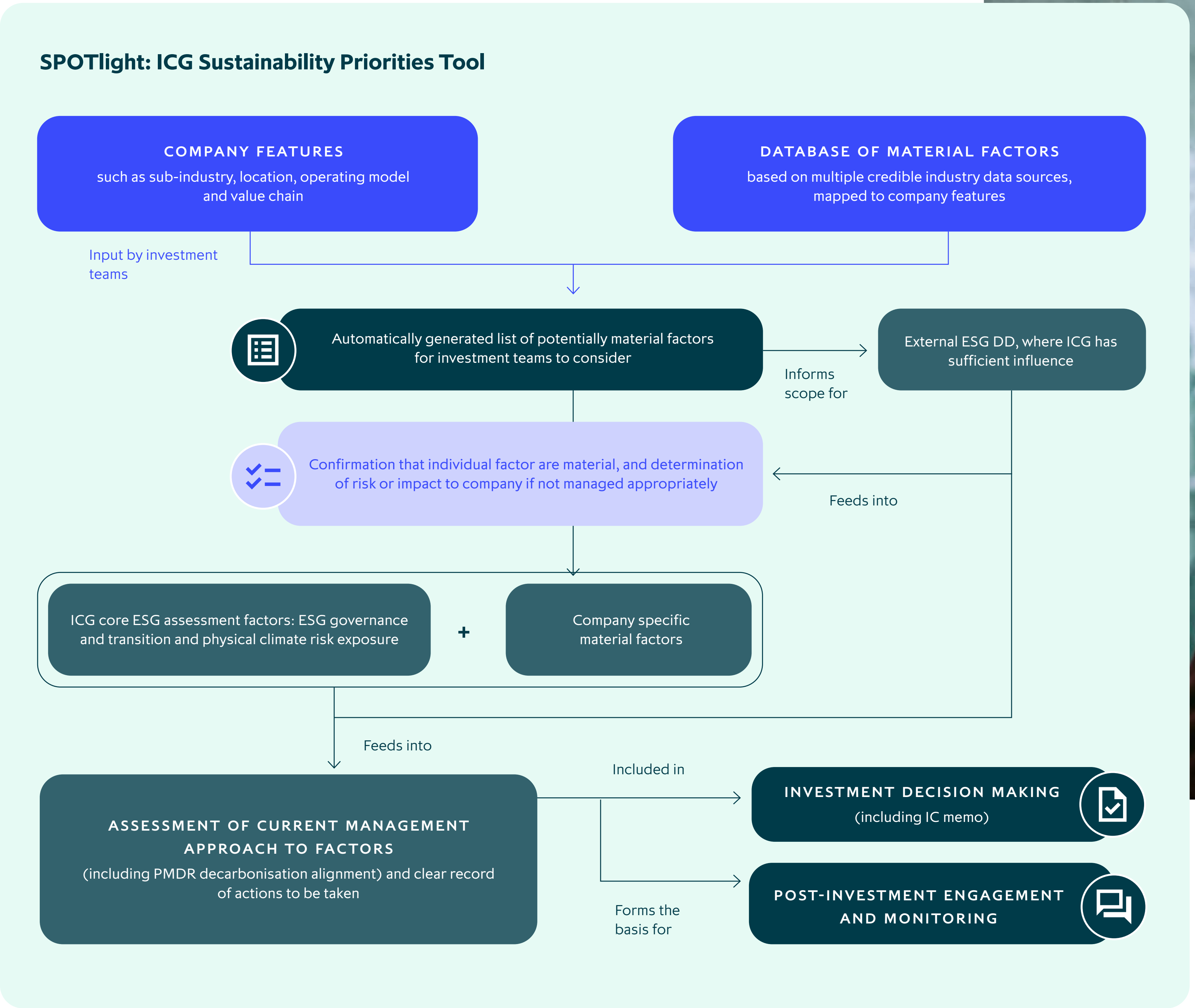
Where certain critical location-based impacts or dependencies are identified, ICG can utilise external geospatial resources (such as the Integrated Biodiversity Assessment Tool (IBAT) or the World Resources Institute (WRI) Aqueduct Water Risk Atlas) to assess the associated level of risk or opportunity for specific operations.

Assess

ICG Sustainability Priorities Tool (SPOTlight) – how does it work?

SPOTlight uses company-specific information including: industry, type and location of operating facilities, and value chain characteristics to automatically produce a list of potentially material sustainability factors and sub-factors with descriptions of how the factors may relate to the company. Multiple credible sources have been used to inform the SPOTlight database. This includes information from the SASB Materiality Matrix™, ENCORE and other industry and NGO databases.

For all strategies, deal teams are asked to form a view on how mature the company's approach to the factor is, based on available information, and determine any follow-up actions, such as prioritising the factor for post-investment engagement. Material factors inform the scope of external ESG due diligence for strategies with sufficient influence.



Standardising the information our Investment Committees review

Across corporate strategies, where ICG has sufficient influence, the papers reviewed by the Investment Committees (IC) memos have in-depth sustainability information for prospective investments. This reflects both internal and external due diligence, where relevant, raising risks and opportunities identified during this process.

To enable better, more consistent sustainability information for investment decision-making, ensure coverage of material factors, and underpin post-investment engagement, we developed a suite of sustainability investment memo templates for different strategies. The templates aim to provide a clear summary of company exposure to and management of material factors, ensuring deal teams highlight (1) red flags (and the consequence of these for the deal), (2) action plan or engagement items, and (3) areas of outperformance or product sustainability solutions.

Updating our Climate Risk Assessment methodology

ICG undertook a review of our Climate Risk Exposure Assessment methodology for investments in companies to ensure it remains robust and in line with market practice. As a result, a number of enhancements have been incorporated into our pre-investment sustainability assessment:

- Expanded assessment of exposure to both physical and transition risks to incorporate characteristics related to the company's specific operating model and value chain.
- Streamlined and updated external data sources to ensure we utilise the most relevant and up-to-date data that is designed for use by investors. One such notable enhancement is the incorporation of the Inevitable Policy Response (IPR) Forecast Policy Scenario (2023) into the transition risk assessment component, which also provides an indication of the implied carbon price for a wide range of jurisdictions on a consistent basis. For the physical climate risk assessment, we have integrated a consideration of how prepared a country might be to withstand physical climate hazards, utilising the University of Notre Dame's ND-Gain Country Index Vulnerability Scores.
- Divided the assessment into two types of risk: exposure and post-mitigation, allowing us to take into account specific measures put in place by companies to mitigate their exposure. For example, for transition risk, this incorporates the level of alignment of the company to net zero transition – utilising the Private Markets Decarbonisation Roadmap's (PMDR) alignment scale.

1. The Inevitable Policy Response (IPR) is a climate transition forecasting consortium commissioned by the PRI which aims to prepare institutional investors for the portfolio risks and opportunities associated with an acceleration of policy responses to climate change. https://www.unpri.org/sustainability-issues/climate-change/inevitable-policy-response.

Assess

CASE STUDY

United Living

United Living is a UK-based provider of infrastructure engineering services, property maintenance services, and new social housing construction services.

ICG INVESTMENT STRATEGY

Senior Debt Partners (Direct Lending)

COUNTRY

United Kingdom

INDUSTRY

Infrastructure Services

INVESTMENT YEAR

2023

Financing the next impact phase of United Living

In 2023, the ICG Senior Debt Partners (SDP) team was approached with the opportunity to provide a term loan facility to finance the acquisition of United Living by Apollo Global Management's Impact Fund (the Sponsor); as well as an additional acquisition facility to support the future M&A activity of the company.

Following ICG's established pre-investment sustainability assessment approach, the SDP team conducted a comprehensive review of United Living utilising a range of additional resources. This included discussions with Apollo Global Management and the management of United Living, the independent impact due diligence report commissioned by Apollo Management and additional materials provided by the company.

The SDP Investment Committee approved this deal appreciating the company's:

- **diverse, growing and stable underlying markets**
- **long-standing relationships with customers and high revenue visibility**
- **mature approach to managing sustainability factors**
- **demonstrable positive socio-economic and environment impacts across all business lines**

A key area of positive impact generated by the company[1] is the provision of new and renovation of existing affordable housing primarily for government social housing agencies, which represents a significant part of the business today. Stable and quality affordable housing is often associated with socioeconomic benefits for marginalised communities including improved financial stability, health outcomes, and educational and professional attainment.

The SDP team has maintained close dialogue with the sponsor and the management team and will monitor the development of the business and thus the amplification of its positive impacts on society and the environment.

United living.

Source: ICG, March 2024.

1. Source: independent impact due diligence report commissioned by Apollo Global Management, 2023.

Engage

Engaging to improve sustainability performance

We partner with our investment counterparties to build more resilient, sustainable and equitable businesses and enhance value for our investors.

Across ICG strategies that invest in companies, we strive to adopt a best practice approach to sustainability engagement. We know that understanding the unique features of each company is key to successful engagement. Building on our pre-investment sustainability assessment, we take time to understand:

- the business model of relevant portfolio companies
- their exposure to sustainability risks and opportunities
- their key stakeholders and
- their actual and potential positive and negative impacts on society and the environment.

Our annual Sustainability Survey is a key part of developing our understanding (see box) and underpins a tailored engagement approach with management teams and/or PE sponsors.

The exact priorities and methods of engagement vary by investment strategy (as outlined on pg. 25-26) depending, among other factors, on our level of influence.

Learning from our experience, we have incorporated three strategic themes into our engagement programmes with companies and we monitor progress on these in a systematic way:

- **Sustainability governance and strategy**, to ensure companies have strong foundations to drive sustainable business growth.
- **Climate change and decarbonisation**, to strengthen business resilience and unlock new opportunities.
- **Employee engagement and Diversity, Equity and Inclusion (DEI)**, to improve business decision-making and enhance capability to attract and retain top talent.

Further to these, we engage management teams and/or PE sponsors on topics that are specifically material to each company. The SPOTlight tool will further enhance our capabilities to identify engagement priorities on material sustainability factors.

The following sections provide an overview of our approach and highlight progress and examples across different strategies: European & Asia Pacific Corporate, Strategic Equity, Senior Debt Partners and Liquid Credit & CLOs.

Enhancing our annual sustainability survey for companies

ICG started conducting an annual Sustainability Survey in 2015, and it now covers over 100 portfolio companies across our European and Asia Pacific Corporate, European Direct Lending and Strategic Equity portfolios.

The custom-built annual survey uses over 100 qualitative and quantitative indicators to assess portfolio company practices with regard to sustainability governance and oversight, compliance with ESG-related laws and regulations, and approaches to climate change, DEI and employee engagement.

Performance metrics captured are drawn from leading industry frameworks such as the Principal Adverse Impact metrics under the EU Sustainable Finance Disclosure Regulation (SFDR), the ESG Data Convergence Initiative (EDCI), the Task Force on Climate-related Financial Disclosures (TCFD), the GRI standards, and the SASB standards.

In 2023, the survey was updated to include information to assess each company's stage of decarbonisation based on the Private Markets Decarbonisation Roadmap (PMDR) alignment scale.

Engage

European & Asia Pacific Corporate:

We believe there is an opportunity in engaging with portfolio companies in our European and Asia Pacific Corporate strategies to drive sustainability performance.

For any new investment where we have sufficient influence, we conduct a structured sustainability onboarding process to align with management teams on sustainability governance, key areas of focus for the business, and KPIs to progress monitoring. Typically, sustainability is a regular agenda item at board meetings, and we review sustainability progress and performance with all portfolio companies at least annually, including through our annual sustainability survey of portfolio companies across European and Asia Pacific Corporate.

Climate change and decarbonisation

88% ↑

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

(2023: 83%, 2022: 77%)

67% ↑

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

(2023: 59%; 2022: 64%)

83% ↑

measure and have initiatives to reduce GHG emissions

(2023: 68%, 2022: 75%)

83% ↑

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

(2023: 80%, 2022: 80%)

Diversity, Equity and Inclusion

50% NEW

of portfolio companies held consistently over the last three years have improved gender diversity at board level[1]

75% ↑

of portfolio companies are implementing initiatives or targets to improve DEI

(2023: 72%, 2022: 88%)

79% ↑

of portfolio companies have a DEI policy in place

(2023: 70%, 2022: 75%)

66% ↓

of portfolio companies run regular employee engagement surveys

(2023: 68%, 2022: 75%)

1. Calculated based on responses to 2024 annual sustainability survey compared with 2022 responses.

Sustainability Governance and Strategy

96% →

have or are implementing a sustainability policy

(2023: 96%, 2022: 84%)

67% ↑

have set improvement targets for environmental and/or social performance

(2023: 59%, 2022: 64%)

96% →

have assigned responsibility for managing material sustainability risks and opportunities

(2023: 96%, 2022: 100%)

21% →

have the remuneration (of at least one member) of senior management linked to sustainability goals

(2023: 21%, 2022: 12%)

Source: ICG's annual sustainability survey of portfolio companies across European and Asia Pacific Corporate. Qualitative data is reported in surveys as at point of collection (April 2024), quantitative data is requested for the period to 31 December 2023, however companies may provide their latest available information aligned to their own financial and non-financial reporting.

Engage

CASE STUDY

Lucid Group

Lucid is a specialist outsourced pharma services provider based in the UK and US working with some of the world's largest pharmaceutical companies. Its services predominantly focus on medical communications and healthcare marketing with an organisational purpose to Transform Lives.

ICG INVESTMENT STRATEGY

European Corporate

COUNTRY

United Kingdom

INDUSTRY

Commercial Services & Supplies

INVESTMENT YEAR

2021

SBTi-validated target

Developing a consciously inclusive culture

ICG invested in Lucid in 2021, supporting the company through several acquisitions, including the transformational acquisition of DiD – a US based healthcare marketing agency of a comparable size to Lucid. While the companies shared a similar mission/purpose the businesses and cultures were different, and both geography and Covid-19 restrictions made it difficult to 'connect' the cultures. In addition, a year later Lucid acquired Synetic, a smaller business with its own distinctive culture.

Rooted in the purpose of "Transforming lives. Always", the challenge became how Lucid could bring its purpose to life, both internally to its own people and externally to their clients. Lucid created a colleague-developed set of four cultural values that embody its belief that diversity of experience and thought, when brought together in an open, inclusive and collaborative environment can provide transformative solutions to its client's asset/brand challenges and the healthcare professionals and patients it serves. In pursuit of creating a consciously inclusive culture as part of its DEI strategy, it launched a group-wide inclusion policy and invited speakers to share insights what it means to take an intersectional approach to inclusion and equity.

The resulting outcomes of Lucid's program include:

- More openly diverse organisation and improved representation at various levels of the organisation.
- Better engagement within the organisation – increase in employee engagement from 65% to 76% between October 2022 and December 2023.
- Halved levels of employee attrition.

ICG has supported Lucid in the development of its sustainability programme, led by the team at Lucid. ICG continues to act as a sounding board for Lucid and provides guidance and support for Lucid's ongoing sustainability priorities.

ICG has had the opportunity to learn from Lucid on its approach towards DEI and employee engagement. We believe that learning from our portfolio companies and sharing these best practices across the ICG platform is an integral part of our collaborative, partnership-led approach to sustainability.

Source: Lucid Group, as at 31 March 2024.

Engage

CASE STUDY

Alvinesa

Alvinesa transforms agricultural by-products generated during the wine-making process into valuable natural ingredients with a variety of applications across a range of end-markets.

ICG INVESTMENT STRATEGY

European Corporate

COUNTRY

Spain

INDUSTRY

Food Products

INVESTMENT YEAR

2021

SBTi-validated target

Circularity as a source of value creation

Since its foundation, Alvinesa's business model has been a clear example of putting circular economy principles to work. When the founder of Alvinesa began looking for an investment partner to accelerate the company's next growth phase ICG saw an opportunity to support a management team of a company with solid potential and a business model where sustainability and value creation are inextricably linked. ICG investment and Sustainability & ESG teams have provided strategic support to Alvinesa on two main areas material for the business:

Source: Alvinesa, as at 31 March 2024.

1 Eliminating agricultural waste, transforming by-products into high value added products and regenerating soil quality

Highlights:

- **100% of the raw materials** (wine grape pomace, wine lees) processed by Alvinesa are transformed into natural ingredients for the food, beverage, animal nutrition, nutraceuticals and pharma industries. The company valorises +250k tonnes of wine-making by-products per annum, eliminating agricultural waste which, if disposed of, would be a key source of GHG emissions.
- The by-products generated during the production process, notably **water and effluents** with residual organic properties, are **returned to soil as fertiliser used by local farmers.**
- Ongoing project to utilise the effluents further to **generate biogas**.
- **+98%** of product packaging is recyclable or reusable.

2 Decarbonisation and increased utilisation of renewable energy

Highlights:

- In 2022, Alvinesa become **an early adopter of science-based targets in private markets**, aiming to reduce Scope 1 and 2 emissions 50% by FY30 from FY21.
- **Significant progress achieved** within the first two years (as at FY23):
  - **48%** reduction in Scope 1 and 2 emissions vs FY21.
  - **70%** reduction in emissions intensity (tCO_2e/€m revenue) vs FY21.
- This was accomplished through a **combination of actions that have already resulted in significant energy cost savings** (~€1 million saved in energy bills since FY21):
  - The development and installation of **3MW solar PV plant on site which provides ~30% of the electricity** demands of the company. The remaining ~70% is procured from the grid, utilising Renewable Energy Guarantees of Origin.
  - **100% of the steam** used in the production process is generated using biomass made from grape pomace.

Engage

CASE STUDY

Supporting Education Group

Supporting Education Group ("SEG") is a leading provider of diversified education services with a mission to enhance and enrich young people's education.

ICG INVESTMENT STRATEGY
European Corporate

COUNTRY
United Kingdom

INDUSTRY
Education Services

INVESTMENT YEAR
2021

Submitted target to SBTi

Evidencing impact on the education sector

OPPORTUNITY → ACTION → OUTCOME

OPPORTUNITY

With primary focus on the UK schools market, SEG provides critical services to its customers by:

- equipping educators with the skills, support and opportunities they need to teach effectively
- helping schools deliver the best possible experience for their students
- giving parents the right tools to help their children learn.

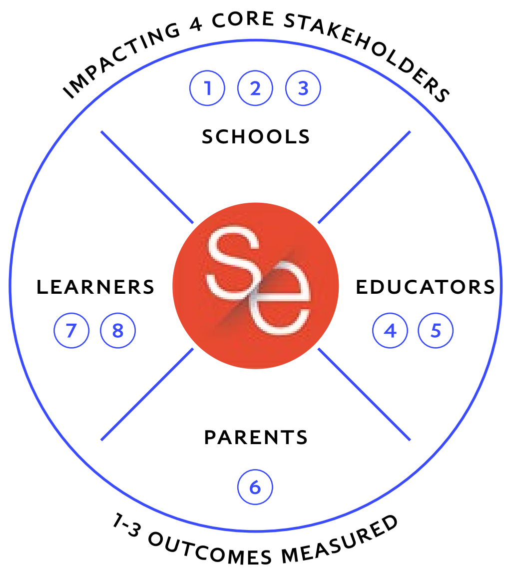
With a network of c.12,000 schools, c.18,000 education professionals and c. 1,600 employees, SEG has the scale and reach to positively impact individuals throughout their lives, from early childhood through to long careers as education professionals. SEG's Lifetime of Value video illustrates the touchpoints it has with individuals: [A Lifetime of Value from Supporting Education Group (vimeo.com)](vimeo.com).

In the autumn of 2022, SEG ran a survey of school leaders which showed that 97% think it is important that education service providers evidence their impact but only 51% have confidence in selecting the right suppliers to deliver impact.

As an investor, ICG recognises SEG's unique position to deliver positive impact through its diversified education services and that evidencing the impact in a robust and credible way underpins the long-term success of the business.

ACTION

We were pleased to see a multi-functional SEG team fully embrace this opportunity. With the support of a specialist consultant, SEG utilised the Theory of Change concept to establish its impact evaluation framework that focuses on eight outcomes for schools, educators, parents and learners:



SCHOOLS
(includes all education settings eg nurseries)

1. Recruit high-quality educators and fill staffing gaps
2. Ensure schools are compliant with regulation and best practice
3. Increase the efficiency and effectiveness of school processes, systems and management.

EDUCATORS
(includes all staff working in education settings i.e. both teaching and non-teaching staff)

4. Develop and retain educators in the sector
5. Increase the integration of temporary educators in schools.

PARENTS

6. Increase parental knowledge and ownership of their child's learning.

LEARNERS

7. Improve learner mental health and wellbeing
8. Increase learner attainment.

OUTCOME

One year on, SEG:

- is better able to communicate the societal value of its work, having published an extensive group impact report that ties together all of its service offers against the eight target outcomes
- has received positive Industry feedback, particularly in respect of the linkage of activity, case studies and evaluation against outcomes
- was shortlisted for the British Educational Suppliers Association annual awards in the "Make the Change" category on the basis of its impact report
- has been invited to speak at education industry conferences on their approach, and has joined the ImpactEd advisory board to promote good practice more widely
- has significantly increased the use of target outcomes internally to support sales and delivery conversations, and the team has invested in a benchmarked customer diagnostic tool to evaluate the need and improving position against target outcomes.

Source: SEG, as at 31 March 2024.

Engage

Strategic Equity

Engagement on sustainability matters is an important component of ICG Strategic Equity's approach to partnering with GPs. We believe that engagement with our GP partners on sustainability matters helps them identify sustainability risks and capitalise on sustainability opportunities across their portfolio, which may create more lasting value for both investors and the underlying assets.

ICG's Strategic Equity team, with support from ICG's Sustainability & ESG team, targets engagement with GP partners to support them in further enhancing their approach to sustainability integration by sharing our experience and networks, as well as resources for portfolio monitoring and reporting. Ongoing sustainability engagement and monitoring are achieved through a combination of:

- Board seats.
- Information rights.
- Active engagement with GP partners on material sustainability factors.
- ICGs annual GP survey and follow up dialogues to discuss progress.

Continuing alignment with GP partners on:

Sustainability governance and strategy

100% →
of GP partners have an ESG/ Responsible Investing Policy and consider material ESG factors throughout the investment cycle (2023:100%, 2022:100%)

92% ↑
of GP partners have dedicated ESG resource and provide training to investment staff on sustainability matters (2023: 89%; 2022: 60%)

100% →
of GP partners use board influence to engage on sustainability matters (2023:100%; 2022: 100%)

Climate change and decarbonisation

75% ↑
of GP partners have a formalised approach to managing climate-related risks and opportunities (2023:44%; 2022: 40%)

67% ↑
of GP partners monitor the carbon footprint of portfolio companies (2023:33%; 2022: 30%)

75% NEW
of GP partners engage portfolio companies on establishing targets and initiatives to reduce GHG emissions

Diversity, Equity and Inclusion

100% →
of GP partners state that they actively support DEI in their firms (2023: 100%)

21% ↑
female investment professionals on average among GP partners (2023:19%; 2022: 14%)

75% NEW
of GP partners engage portfolio companies on enhancing DEI

Source: ICG annual GP survey. In 2024, all 12 GP partners in Strategic Equity IV and V responded, in 2023 all 9 GP partners in Strategic Equity IV responded, in 2022, 10 GP partners in Strategic Equity III and IV responded.

CASE STUDY

Gateway Services

Gateway was founded by Scott Hunter in 1996. While dealing with the loss of a family pet earlier that year, Scott found the pet aftercare industry lacked regulation, licensing requirements, and operating standards. More than 25 years later, with numerous veterinary partners across Canada and the United States, Gateway is the established leader in North America that sets the standard for dignified and respectful pet aftercare services.

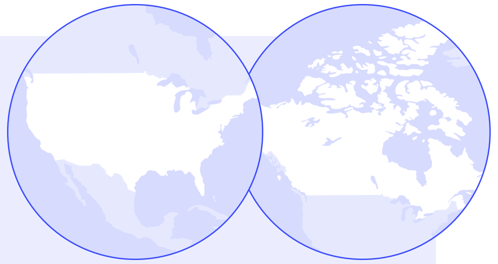
ICG INVESTMENT STRATEGY
Strategic Equity

COUNTRY
United States and Canada

INDUSTRY
Vet Services

INVESTMENT YEAR
2022

Charting the sustainability path for the pet aftercare industry



ICG Strategic Equity partnered with Imperial Capital ("Imperial") as the lead investor in a single-asset continuation vehicle to acquire a majority interest in Gateway. Among the many strengths of the business, ICG Strategic Equity and Imperial saw an opportunity to advance the sustainability positioning of the company.

As an important first step, Gateway's management, with strategic support and input from Imperial and ICG Strategic Equity, defined its sustainability priorities and issued its inaugural ESG report in 2023. The report outlines how the company is implementing its pledge to run Gateway with "Compassionate Care – Sustainable Practices" and highlights Gateway's progress to date as well as its roadmap for further improvement. The report defines strategies, initiatives, and goals as they pertain to the three foundational elements of sustainability.

Environmental: Gateway seeks to implement environmental initiatives that can be adopted in a sustainable and commercially pragmatic way. The company focuses on innovative practices for GHG emissions reduction, energy efficiency, and a valued customer experience. In particular, the company is focused on opportunities to reduce GHG emissions related to its fleet of more than 750 vehicles, including a pilot project that is testing electric vehicles for pickup and return services.

Social: Gateway has created a three-pillared social responsibility framework for its key stakeholders.

- Supporting Gateway team members by investing in necessary resources and training to deliver high-quality aftercare services.
- Providing compassionate and respectful aftercare services to pet parents that meet their needs during a difficult time.
- Being a responsible corporate citizen by supporting local organisations and initiatives that promote the welfare of pets and the broader community.

Governance: Gateway is committed to a governance standard consistent with driving industry best practices. This commitment involves implementing robust policies, structures, and processes grounded in Gateway's principles of honesty, integrity, and trust. Upholding these principles is essential to Gateway's relationships with pet parents, veterinarians, team members, and investors. These principles guide all aspects of Gateway's business, from strategic planning to financial decision-making.

By integrating sustainability matters into all aspects of the company's operations the Gateway management, with strategic support from Imperial and ICG Strategic Equity, seeks to drive long-term value by building a sustainable, resilient and purpose-led business.

Source: ICG and Gateway Services as at 31 March 2024.

Engage

Senior Debt Partners

Engagement in our Direct Lending portfolios is vital to understand and account for the material sustainability risks and opportunities pertinent to our investments. The success of our engagement with borrowers depends on the strength of our relationship with their private equity shareholders and the continuous alignment of our overarching sustainability objectives.

We engage with borrowers and monitor their performance through a two-pronged approach:

1. Deal teams maintain ongoing dialogue with management and/or PE sponsors which covers key developments on material sustainability factors.
2. Our annual sustainability survey enables us to assess more holistically how sustainability matters are managed by borrowers in our portfolios and the progress they have achieved over time.

Read more
see pg. 33 for a case study on our pre-investment processes in the Senior Debt Partners strategy.

We continued to see progress by borrowers in our Direct Lending portfolios, as demonstrated by responses to our annual Sustainability Survey conducted in the end of 2023. We have highlighted below select metrics across three themes that we believe to they have universal importance for the lasting success of our borrowers:

Sustainability governance and strategy

95% ↑ are implementing a Sustainability Policy (2022: 74%, 2021: 65%)

24% NEW have senior management remuneration linked to ESG goals

70% ↑ are setting ESG KPIs and targets (2022:52%, 2021:38%)

Climate change and decarbonisation

53% ↑ have assigned Board or Management responsibility for climate change (2022: 34%, 2021: 31%)

67% ↑ have began assessing the business risk and opportunities associated with climate change (2022: 52%, 2021:35%)

82% NEW have initiatives to reduce GHG emissions

Diversity, equity and inclusion

28% NEW of senior management identifies as female (on average)

78% ↑ have initiatives or targets to improve diversity (2022:53%, 2021:50%)

85% ↓ have employee engagement survey or initiatives in place (2022: 89%; 2021: 81%)

Source: ICG annual sustainability survey. 40 borrowers responded in 2023, 37 in 2022, 31 in 2021.

Liquid Credit & CLOs

In order to play a more active role in encouraging better sustainability practices, ICG has maintained its focus on engaging directly with issuers in our Liquid Credit funds and CLOs, in addition to collaborating with other stakeholders.

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

In the 12 months to 31 December 2023, ICG credit analysts engaged with more than 300 issuers across Europe, North America and Australia to seek more information and/or improvements on material sustainability factors.

As comprehensive sustainability disclosures are still nascent among sub-investment grade private issuers, our key focus of engagement in many cases was on improving transparency, including disclosure of ESG performance and GHG emissions.

It is encouraging to see that 54%[1] of issuers in four of our market value credit portfolios focused on Europe and North America (as at 31 December 2023) measure and report GHG emissions – a significant increase from only 30% of issuers as at 31 December 2021.

Source: ICG, 31 March 2024.

1. Excludes exposures to third party CLOs.

Environment

163

engagements on environmental topics, such as climate change, natural resource use and circularity

Social

84

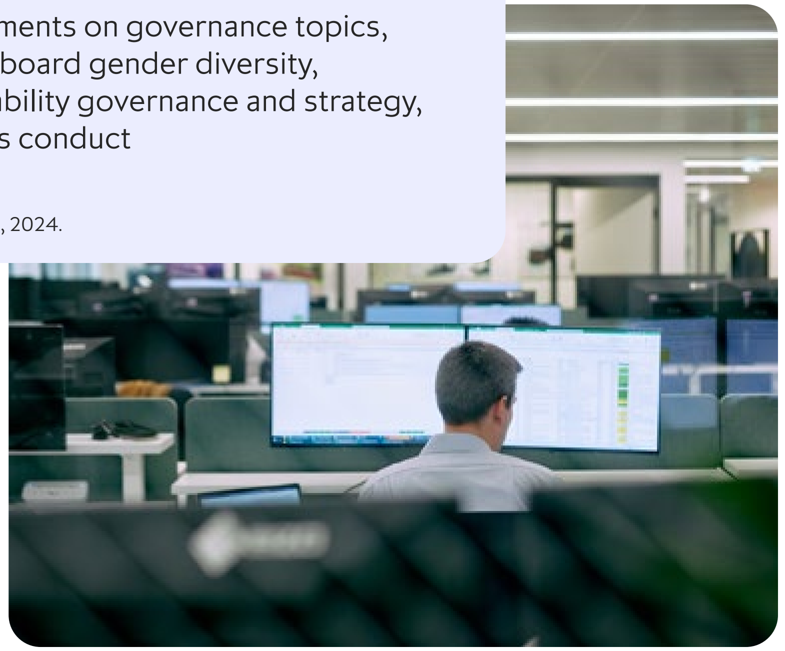
engagements on social topics, such as customer welfare, health and safety, workforce diversity, equity and inclusion

Governance

172

engagements on governance topics, such as board gender diversity, sustainability governance and strategy, business conduct

Source: ICG, 2024.



Engage

Life Sciences

ICG Life Sciences provides investors with exposure to biotechnology assets in Europe and the United States, targeting areas of unmet medical need that have the ability to transform patients' lives.

This new ICG investment strategy has a social impact objective at its core, focusing on innovative life sciences companies developing novel therapies that genuinely transform patient care – resulting in major advances in treating the underlying drivers of a disease or its symptoms. The potential for impact is significant for patients, their caregivers and the healthcare systems that treat them.

To measure the attainment of this objective, the ICG Life Sciences and Sustainability & ESG teams worked jointly with an independent life sciences expert to develop a bespoke Life Sciences Social Impact Framework & Scorecard (the Framework). The Framework is an integral part of the investment process.

Through its investment approach, ICG Life Sciences can make a meaningful and sustainable impact for patients while delivering strong returns for investors.

CASE STUDY

Amolyt Therapeutics SA

Clinical-stage biotechnology company developing novel therapies the treatment of endocrine (hormonal) disorders.

ICG INVESTMENT STRATEGY

Life Sciences

COUNTRY

France and the United States

INDUSTRY

Life Sciences

INVESTMENT YEAR

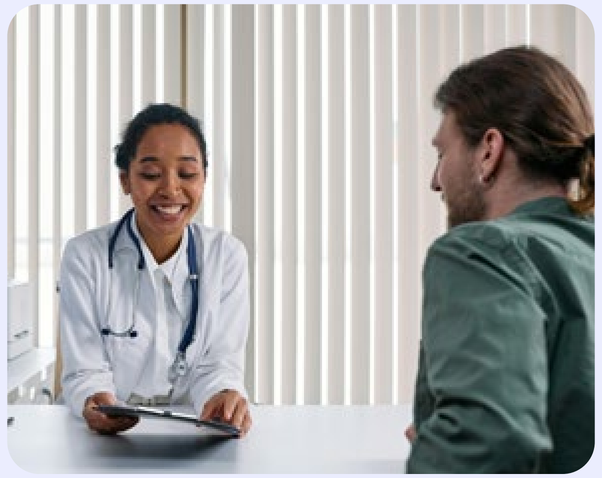
2023

Amolyt Therapeutics: ICG Life Sciences' Social Impact in practice

ICG co-led Amolyt's $138 million Series C financing in 2023 backing the founders' mission to develop novel medicines to treat serious diseases caused by hormonal disorders where there are no or limited treatment options. The company has a pipeline of assets targeting three hormonal disorders: hypoparathyroidism; acromegaly and hyperparathyroidism. These are conditions of the endocrine system where the body produces too much or too little amounts of different hormones resulting in life-altering symptoms and complications, and increased mortality.

Amolyt's potential for social impact was assessed pre-investment and exceeded the minimum criteria outlined in the ICG Life Science Sustainability Framework. This bespoke framework was designed to ensure attainment of the Life Sciences strategy's objective of investing in companies developing novel therapies addressing areas of unmet medical need. After a detailed review of the patient populations and treatment pathways it was clear that Amolyt possessed a differentiated pipeline of highly innovative assets with promising data around safety and effectiveness. Additionally, these novel medicines had the potential to treat a significant proportion of patients who don't respond to current standard of care and addressed some of the underling drivers of disease and not just its symptoms.

Post-investment Amolyt continued to build upon and improve on its social impact through positive clinical trial data and extensive patient engagement/outreach programmes. Amolyt's positive Phase II clinical trial in hypoparathyroidism and positive Phase I data in acromegaly ultimately attracted the interest of several Pharma companies keen to expand their endocrinology franchises to better serve the needs of these patients. Against strong competition, in March 2024 AstraZeneca (AZ) made a successful bid to acquire the company in a deal totalling $1.05 billion. AstraZeneca was chosen as it is uniquely positioned to drive the late-stage development, regulatory approval and global commercialisation of Amolyt's pipeline. The AZ infrastructure and outreach will maximise patient access to these novel therapies for patients and we believe this is a positive outcome for patients.



Source: ICG, as at May 2024. Amolyt Pharma has signed a definitive agreement to be acquired by AstraZeneca, subject to regulatory clearance. Final amounts will depend on balance sheet adjustments at closing, estimated for Q3-2024.

Investing in real assets

ICG's real asset strategies interact perhaps most tangibly with climate, natural resources and society. This interaction means that whilst real asset strategies are often most directly exposed to sustainability risks, they are also well positioned to capitalise on opportunities offered by the sustainable transition. We recognise promising investment opportunities in growing sustainable real assets, and in supporting the transition of real estate and infrastructure assets to more sustainable models.

Investments in real assets, such as commercial real estate, housing developments, renewable energy and other infrastructure delivering core services, can play an important role in supporting global economic growth and enhancing social cohesion. The Organisation for Economic Co-operation and Development (OECD) estimates[1] that $6.9 trillion per year is needed between 2016 and 2050 for investment in sustainable and resilient infrastructure to achieve the UN Sustainable Development Goals (SDGs) by 2030 and net zero emissions by 2050.

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

As at 31 March 2024, these sustainably-themed products constitute over half (61%) of AUM in real assets, compared to 48% as at 31 March 2023, and 40% as at 31 March 2022.

Asset class	Real Estate		Infrastructure
Strategy	European Real Estate Debt	Strategic Real Estate	Infrastructure Equity
Strategy overview	Pan-European real estate debt strategy investing in self-originated, predominantly first mortgage investments secured by commercial and residential property	Targets mission-critical commercial real estate assets across the UK and Europe	Seeks to acquire a diversified portfolio of Core+ mid-market infrastructure assets in Europe, with a focus on downside protection
Sustainability approach	Incentivising sustainable transition and social value generation for existing and new commercial and residential real estate via ICG RE's financing structures	Allocated capital to improve the sustainability profile of assets, with a focus on energy efficiency improvements and installation of on-site renewable energy (solar PV)	Investment in assets well-positioned within energy transition, digital and mobility sectors to capitalise on sustainability-focused operational value creation opportunities
Mechanism	Issuance of green, social and/or sustainability-linked financing to borrowers	Sustainable Capital Allocation (SCA) available for deployment on specific sustainability improvement initiatives	Active asset management with a bespoke sustainability framework aligned with GIIN IRIS+
Targeted UN SDGs			

1. Source: OECD accessed on 4 June 2024, https://www.oecd-ilibrary.org/sites/3eca5021-en/index.html?itemId=/content/component/3eca5021-en.

Approach to responsible investing in Infrastructure Equity

Transitioning to a more sustainable and equitable economy requires financial products that support the delivery of the UN Sustainable Development Goals (SDGs), the Paris Climate Change Agreement and the EU's ambition to be climate-neutral by 2050.

ICG Infrastructure Equity partners with successful management teams across European mid-market businesses and platforms within the energy transition, digital and mobility sectors.

From the outset, ICG Infrastructure Equity recognised the significant potential of infrastructure assets to generate positive social, environmental and economic outcomes today and for future generations.

ICG Infrastructure Equity has adopted an investment approach that incorporates operational value creation with a sustainability focus.

Through its asset management efforts, ICG operates a tailored Infrastructure Sustainability Framework, drawing on the Global Impact Investing Network's IRIS+ taxonomy, to identify, assess, monitor and, where possible, quantify the direct contribution of portfolio companies' core activities to relevant UN Sustainable Development Goals (SDGs). In addition, in its engagement with portfolio companies the ICG Infrastructure Equity team prioritises four themes: climate change, natural resource use, human capital management, and Diversity, Equity and Inclusion, alongside other material company-specific sustainability risks and opportunities.

CASE STUDY

Ocea Smart Building

Ocea Smart Building ("Ocea") is a provider of smart water and heat metering infrastructure in France, operating under long-term inflation-linked contracts in an industry benefiting from long term visibility and regulation-driven growth.

ICG INVESTMENT STRATEGY

Infrastructure Equity

COUNTRY

France

INDUSTRY

Energy efficiency

INVESTMENT YEAR

2019

SBTi-validated target

Reducing carbon emissions and water use through heat and water sub-meters

Ocea benefits from favourable growth trends in the French submetering market owing to Government support, regulation and strong consumer demand to measure and reduce consumption. Indeed, energy efficiency and control of energy and water consumption are at the top of the agenda for building owners and managers in a context of power price volatility. The measurement of individual energy and water consumption can significantly incentivise households to make more cost efficient and environmentally conscious decisions. Submeter installation is shown to reduce energy consumption and water usage by 15%[1] on average. Thus, penetration rates are expected to improve both across the water and heat segment, presenting further growth opportunities for Ocea.

Since acquiring a majority stake in Ocea in 2019, ICG Infrastructure Equity saw an opportunity to further support Ocea in its goal to play a key role in the rollout of smart water and heat submetering devices leading to tangible savings for customers and positive impact for the environment. ICG Infrastructure Equity undertook a series of initiatives to support the company's growth, driven by a management team of seasoned executives.

Most notably, ICG's support has allowed the company to continuously strengthen its position as a leading energy efficiency player by growing its installed base of sub-meters by 1 million, hiring over 100 new employees (increasing the workforce by over 25%) whilst also expanding into additional business lines synergetic with its core business. Indeed, during our ownership Ocea acquired Qowisio, a specialist in IoT solutions (like temperature sensors, Air Quality) and connectivity to support further energy monitoring.

Today, the company operates more than 4 million heat and water submeters and provides a comprehensive range of submetering services to over 7,000 public and private customers, including installation and rental, reading and data collection, and maintenance and replacement.

- Ocea provides water submetering to 3 million households (of which 1 million in social housing). On average this can enable 15% of water savings, equivalent to 33 million cubic meters per year. This is equivalent to the consumption of a city of 600,000 inhabitants.
- With more than 1 million energy sub-meters installed, customers of Ocea can save up to 20% on their heating bills. These savings also result in a reduction of 4 tons of CO_2 / year for each household.

We were also pleased that Ocea embraced ICG's commitment to decarbonisation, and obtained validation by SBTi of its targets to reduce its scope 1 and 2 GHG emissions by 42% and scope 3 by 25% by 2030[2], with the switch towards full electric for its vehicle fleet as a first measure being implemented.

Source: All data and information provided by Ocea Smart Building, March 2024.

1. Source: ADEME, L'individualisation des frais de chauffage, February 2023.
2. From a 2021 base year.

Below are select positive impacts of the portfolio in 2023[1]:

5,226 GWh↑

of renewable energy generated in 2023 (2022: 3,896 GWh), contributing to the decarbonisation of the growing electricity demand on 5 continents

288 ↑

Net jobs created in 2023 (2022: 266)

Providing decent jobs to over

2,450 ↑

People (2022: 2,210

34%

Of whom are female (2022: 35%)
Source: ICG annual sustainability survey of Infrastructure Equity portfolio companies run in 2024 and 2023

2,799 MW ↑

of renewable energy generating capacity (2022: 1,750 MW), of which 270MW added in 2023 (2022: 73 MW)

Solar PV | Wind | Hydro
Hybrid | Biomass | Biogas

+9,500

of new electric vehicle charging stations (EVCS) installed in 2022 and 2023 combined

5,773 km ↑

of owned fibre network deployed and operated (2022: 4,929 km) — 30% in rural areas (2022: 26%), supporting the connectivity of 148,804 households and businesses (2022: 133,112)

33.1m litres ↑

of water saved (2022: 31.9 million litres) across 1.9 million households through smart metering (2022: 1.8 million)

1. Source: ICG annual sustainability survey conducted in 2024 and 2023. Figures based on an aggregation of data provided by portfolio companies in ICG Infrastructure Equity portfolios.

Approach to responsible investing across the ICG Real Estate platform

There is a significant opportunity for private real estate markets to help institutional investors deliver on their ESG ambitions and obligations while continuing to generate attractive risk-adjusted returns. Rising regulatory focus and tightening legal standards, combined with the increasing trend of occupiers and buyers seeking assets providing best-in-class credentials, mean sustainability considerations are now a key aspect of delivering investment performance.

This is embedded in the approach to sustainability across ICG Real Estate (ICG RE), with robust assessment frameworks to identify and mitigate risk, 'futureproof' the ICG RE portfolio, and maximise value generation. ICG's unique role in the real estate ecosystem means that delivery of sustainability outcomes often requires close partnership with our tenants, operating partners and borrowers.

ICG RE has identified five sustainability priorities across the platform: (1) climate change, (2) biodiversity, (3) circularity and use of resources, (4) health and wellbeing, and (5) social value. Whilst these priorities guide our actions across the platform, the tools utilised to implement them differ by strategy and individual nature of each investment.

As with corporate strategies, ICG's level of influence over the sustainability performance or credentials of an asset varies by product. A high-level overview of the tools employed is detailed in the table opposite:

All ICG Real Estate investments (both debt and equity) are subject to a pre-investment sustainability assessment. This process was updated in January 2023 to include additional components such as asset-specific climate risk assessment, including an external assessment of exposure to physical climate risk (PCR) hazards climate scenarios. Asset sustainability risk and performance is informed by ESG due diligence, where relevant.

As the buildings sector contributes almost 40% of global energy consumption, the sector is exposed to high climate transition risk with ever-increasing regulatory requirements around on-site renewable energy generation, building energy efficiency and low-carbon heating. Understanding buildings' energy performance and factoring this into our outlook for the asset is therefore critical in ensuring we manage transition risk appropriately.

The pre-investment sustainability assessment also considers the sustainability maturity and good governance credentials of key counterparties such as tenants, sponsors, and borrowers, as relevant, and leverages RepRisk to screen for any significant reputational risk associated with potential partners.

For European Real Estate Debt strategies, ICG led the market with the development of a Green Loan Framework (GLF) in 2021 to incentivise sustainable transition in Real Estate via ICG RE's financing structures. More details are available on pg. 47, alongside information on how we have evolved this framework for future use.

We recognise the growing importance of social value in real estate, and have had the opportunity to finance projects such as Tottenham Hale (see pg. 47), a landmark Build-to-Rent scheme in North London.

ICG's Real Estate Equity strategies have grown significantly since the inaugural fund in 2019. Within this, Strategic Real Estate has a specific pool of capital available to utilise for sustainability improvements across the portfolio. The first phase of deployment of this capital has now commenced with funds initially being used to conduct a net zero review of the portfolio. Refer to pg. 46 for more details.

All active ICG Real Estate funds are now producing sustainability reporting for investors. However, data remains a challenge, particularly where ICG does not have operational control of the asset.

Increasing our asset-level ESG data coverage

In order to provide strategic insights, understand distribution of risk and opportunity across the portfolio, and to provide better reporting for our stakeholders, in FY24 ICG onboarded a software platform to support with collection and analysis of asset-level sustainability data. The platform helps to collect and analyse material metrics for Real Estate, integrating valuable tools such as the CRREM[2] pathways, used to assess climate risk and align with the goals of the Paris Agreement.

	ICG-Longbow UK Real Estate Debt[1]	European Real Estate Debt	Real Estate Opportunistic Equity	Strategic Real Estate
Pre-investment ESG assessment (applicable for all real estate investments post January 2023)	**1. ICG Exclusion List** **2. Sustainability assessment** ✓ Asset-level sustainability risk and opportunity assessment ✓ Counterparty sustainability risk and management assessment, leveraging RepRisk ✓ Transition and physical climate risk assessment, leveraging an external consultant for asset-level, scenario-based physical risk assessment **3. Environmental due diligence** **4. Findings included in the Investment Committee memo** **5. ESG clauses in contractual documentation, where possible**			
Bespoke sustainability framework	N/A	Green Loan Framework (2021), updated to Sustainable Loan Framework (2024), providing the ability to issue Green, Social, and/or Sustainability-linked loans	Sustainability framework outlines minimum sustainability standards required where ICG has a majority or significant minority investment in assets	Sustainable Fund Framework outlining Sustainable Capital Allocation (SCA), a pool of funds of up to 2% of committed capital available for sustainability improvements to fund assets
Transparent information and fair advice for customers	Proxy environmental metrics, commentary in fund reporting	Bespoke sustainability reporting to investors	Bespoke sustainability reporting to investors	Bespoke sustainability reporting to investors and/or GRESB reporting, as relevant

1. Full scope of current Real Estate ESG framework not applicable to investments made prior to 1 January 2023, which predominantly includes ICG-Longbow UK Real Estate Debt Funds.
2. Carbon Risk Real Estate Monitor – CRREM Project.

Driving sustainable value across Real Estate strategies

ICG Real Estate invests in both debt and equity across commercial and residential real estate, including both standing operational and development projects. For new developments, ICG seeks to finance assets demonstrating best-in-class sustainability criteria, such as with its investment in Mercia Park (Strategic Real Estate). In addition, ICG recognises the significant need to transition existing assets, utilising our bespoke sustainability frameworks to drive sustainability outcomes for financed assets.

Strategic Real Estate – Portfolio Decarbonisation Review

ICG has engaged an external consultant to conduct a Decarbonisation Review of the Strategic Real Estate (SRE) portfolio. The Review will commence in FY25 with a pilot selection of 16 properties in the portfolio, with a view to rolling this out across the full portfolio.

The Review consists of a desktop phase, utilising asset information and benchmarks such as the CRREM tool, progressing to a detailed feasibility study for interventions such as decarbonisation of heat, retrofitting other building features, and/or installation of on-site solar PV. The Review will allow ICG to prioritise SRE's Sustainable Capital Allocation, a dedicated pool of funds of up to 2% of committed capital, available to enhance the sustainability profile of assets held within the SRE funds.

CASE STUDY

Mercia Park

Development financing of a new build logistics space in the Midlands.

ICG INVESTMENT STRATEGY
Strategic Real Estate

COUNTRY
United Kingdom

INDUSTRY
Commercial Property Development

INVESTMENT YEAR
2021

Delivering critical net zero ready commercial property

OPPORTUNITY → ACTION → OUTCOME

OPPORTUNITY

ICG is committed to financing the sustainable development of commercial property.

Mercia Park is a landmark manufacturing and logistics development on the Leicester-Derbyshire border, built to high sustainability criteria.

ACTION

In partnership with a market-leading property developer, we have delivered one of the UK's largest net zero carbon construction projects – and recycled almost 100% of on-site waste. Our green spaces, community projects and job schemes support wellbeing initiatives for our occupier and the local community.

Source: Mercia Park, as at 31 March 2024.

OUTCOME

Our vast 270,000 sqm site features five best-in-class "BREAAM Excellent" logistics units, all of which are net zero carbon ready should a tenant wish to install PV and connect to green energy.

Key sustainability metrics for the project include:

- Generating all concrete onsite reduced Heavy Goods Vehicle (HGV) deliveries by around 37%.
- 34 tonnes of carbon saved by using Green Diesel, made from 100% renewable energy.
- Four kilometres of pathways interlink this vast site with access to local amenities and communities.
- Creation of public open space including 12 hectares of woodland.
- Over 40,000 trees planted on site.

Sustainable Financing in Real Estate Debt

As at 31 March 2024, 60.7% of Real Estate Debt VI loans (by committed capital) were invested in green loans issued under the GLF. This surpasses the 50% target set by the fund and has resulted in a margin reduction for the fund's own sustainability-linked loan[1].

An evolution of our approach to sustainable lending

ICG RE led the market with the development of the Green Loan Framework (GLF) for Real Estate Debt in 2021 for use in ICG's Real Estate Debt VI Fund.

The GLF provides a structured approach to offer green loans to the real estate sector to support environmentally sustainable economic activity for developments, major refurbishments and standing operational investments. The GLF assesses assets against green loan criteria including for: energy efficiency and carbon reduction, green buildings certification, renewable energy, water and waste, health and wellbeing, responsible procurement, and sustainable travel, with assets qualifying for green loan financing if they score beyond pre-defined thresholds across the criteria. See Focus Teleport case study on pg. 18 for more information on the Green Loan Framework.

Leveraging the success of the GLF, going forward ICG Real Estate Debt will employ a Sustainable Loan Framework (SLF), with key differences versus the GLF being:

1. Inclusion of biodiversity criteria, recognising the urgent need to reverse biodiversity loss and the relevance in particular for real estate development.
2. Inclusion of social criteria, particularly relevant for financing multi-family residential properties.
3. Providing flexibility to use the most appropriate mechanism (Green/ Social Loan financing or Sustainability-Linked Loan financing) to maximise sustainability outcomes.

Social value in our Residential Lending portfolio

Social value is a topic of growing interest for real estate investors. Whilst ICG is just beginning to develop our approach towards social value, we recognise that there is significant opportunity for our real estate portfolio to generate social value. To further support this in the future, social factors have been explicitly integrated within our updated Sustainable Loan Framework, with a focus on affordable housing, as well as quantifiable social value generation in alignment with frameworks such as the UK's National TOMS.

CASE STUDY

Tottenham

Loan financing for the construction of 484 homes in Tottenham Hale (London).

ICG INVESTMENT STRATEGY

Real Estate Debt

COUNTRY

United Kingdom

INDUSTRY

Residential Development

INVESTMENT YEAR

2023

Supporting placemaking in London's Tottenham Hale

OPPORTUNITY

ICG Real Estate provided a £243m commitment to support the Phase 2 development of a 484-unit build-to-rent residential scheme in North London.

ACTION

This project forms part of a wider regeneration project in this part of North London and underlines ICG's commitment to funding high quality accommodation within visionary mixed-use developments.

View towards wetlands, Ferry Island, Heart of Hale; ©Related Argent.

OUTCOME

The overall development project (Phases 1 and 2) has the following social value targets:

- The scheme will employ 20% of its workforce from the local Borough of Haringey, establish 26 apprenticeships for Haringey residents and provide 20 work experience placements.
- The scheme targets 100% of direct and supply chain workforce paid London Living Wage.
- Highest standards of inclusive design in buildings and public realm, Phase 1 will provide 239 affordable homes.

20%

of the workforce will be employed from the local Borough of Haringey

100%

of workforce paid London Living Wage

Source: information provided by borrower, as at 31 March 2024.

1. Source: ICG and Evora analysis, 31 March 2024.