



Q&A WITH EIMEAR PALMER RESPONSIBLE INVESTING OFFICER AT ICG

A FOCUS ON CLIMATE CHANGE



WHAT ROLE CAN PRIVATE EQUITY PLAY IN THE CHALLENGES WE FACE ON CLIMATE CHANGE?

Climate change is the biggest long-term challenge facing us and we believe our industry has a vital role to play in achieving the objectives of the Paris Agreement to limit global warming to well below two degrees Celsius. Climate change has been a key focus for us over the past 12 months and we actively engage with our portfolio companies, where we have influence, to address climate change. We also believe that fostering collaboration across our industry is vital and ICG is very involved in the launch of a UK climate change network, Initiative Climate International ('ICI'), in the UK.



HOW DO YOU ADAPT YOUR PORTFOLIO TO CLIMATE CHANGE?

We formally consider climate change risks and opportunities when assessing each investment opportunity and have turned down deals specifically for climate-related reasons. We have also launched two new strategies that are designed to achieve a positive environmental outcome and contribute to the objective of the Paris Agreement.



HOW DO YOU ENGAGE WITH PORTFOLIO COMPANIES ON CLIMATE-RELATED ISSUES?

It depends on our level of influence and access to management but in most instances, we conduct an initial assessment of climate risk and opportunities. Where this is a material issue, we will then work with management to establish key performance indicators and set targets to, for example, improve energy efficiency and reduce emission intensity. We then track these KPIs over the duration of our investment. Over 60% of portfolio companies in our European Subordinated Debt and Equity funds have set climate change or energy-related objectives and targets.



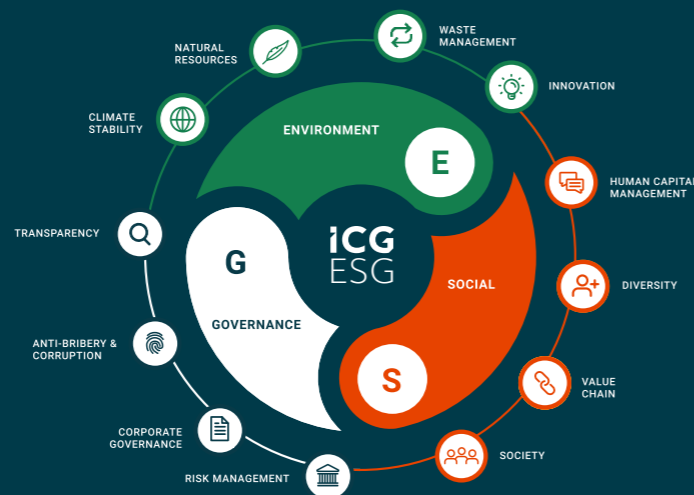
WHAT WERE ICG'S KEY ACHIEVEMENTS OVER THE PAST 12 MONTHS?

We received an A- score for our 2019 CDP climate change assessment up from a B score one year previously. This puts us in the top 6% of companies globally in terms of measuring and disclosing greenhouse gas emissions and climate change risk, well above the average C score in our industry.



WHAT ARE ICG'S ASPIRATIONS?

We are always working hard to better understand the climate-related risks associated with our portfolio companies and identify the opportunities available to us to address them. We have started conducting a carbon footprint analysis of certain funds, including our flagship European Subordinated Debt and Equity Fund and our Infrastructure Equity Fund. We are also reviewing our own operations as a company and have set a target to reduce our own emissions by 80% by 2030.



22%

OF THE PORTFOLIO IS MADE UP OF ICG INVESTMENTS

91%

of ICG companies surveyed have a designated individual responsible for ESG matters¹

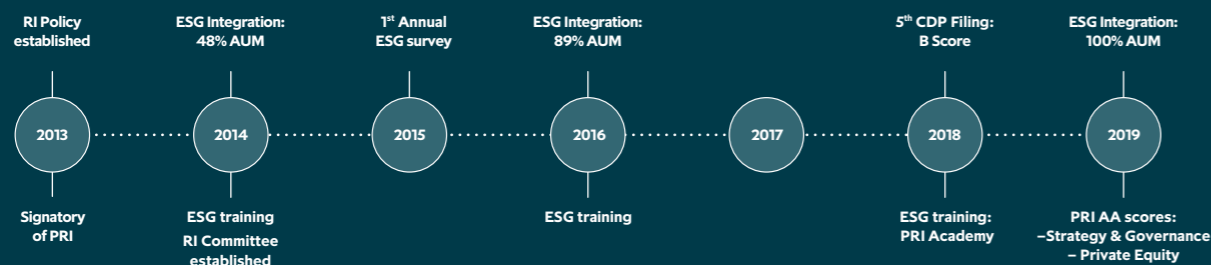
78%

have set ESG targets¹

61%

have set climate change or energy-related objectives and targets¹

A HISTORY OF RESPONSIBLE INVESTING ('RI')



¹ ICG 2019 Annual Survey results Europe Funds V, VI and VII portfolio companies.



Founded in 1973 and based in Spain, Garnica is the undisputed leader in the niche European poplar plywood market. The company manufactures sustainable plywood products for construction, caravan, marine and decorative markets.



ICG INVESTMENT CASE STUDY

DRIVING CHANGES TO ACHIEVE ENERGY EFFICIENCY AND SUSTAINABLE USE OF RESOURCES

With ICG's support, a dedicated ESG Officer was appointed in 2019, charged with coordinating and implementing the company's sustainability initiatives across its various sites.

Following ICG's ESG review and site visit, ICG worked with Garnica's management team to establish and formalise ESG targets and KPIs around the sustainability of raw materials, energy consumption, carbon footprint and health and safety.

ICG has been involved with Garnica for a number of years, and in that time, ESG engagement across the business has strengthened significantly.

There is broad scope for climate change mitigation when it comes to poplar plantations, the company's main business. Poplar is one of the fastest-growing tree crops and about 50% of the timber's dry weight is carbon. Poplar plantations capture 11 tonnes of CO₂ per year per hectare.

Based in La Rioja, Spain, Garnica provides stable employment for over 1,100 workers in the least populated areas of Spain and France and many more indirect jobs in its

associated industries such as forest management and transportation.

Ensuring the sustainability of the product is vital and Garnica monitors and audits its wood suppliers to ensure they meet the company's stringent sustainability standards.

In accordance with its environmental aims, Garnica promotes and encourages reforestation. To date, plantations comprising over 50,000 trees have been financed in this way. Garnica also has its own nursery, researching poplar resistance to climate change, to guarantee sustainable plantations.

Garnica also focuses on being resource efficient (zero waste) and minimising its carbon footprint. Smaller logs and logging residues are chipped on-site and used for the production of particleboard or else fed into biomass plants to generate energy. The company is also looking into producing its own renewable photovoltaic energy.

