How we manage risk

Identifying and evaluating the strategic, financial and operational impact of our key risks

The execution of the Company's investment strategy is subject to a variety of risks and uncertainties, and the Board and Manager have identified several principal risks to the Company's business. As part of this process, the Board has put in place an ongoing process to identify, assess and monitor the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company considers its principal risks (as well as several underlying risks comprising each principal risk) in four categories:

Investment risks: the risk to performance resulting from ineffective or inappropriate investment selection, execution or monitoring.

External risks: the risk of failing to deliver the Company's investment objective and strategic goals due to external factors beyond the Company's control.

Operational risks: the risk of loss resulting from inadequate or failed internal processes, people or systems and external event, including regulatory risk.

Financial risks: the risks of adverse impact on the Company due to having insufficient resources to meet its obligations or counterparty failure and the impact any material movement in foreign exchange rates may have on underlying valuations.

A comprehensive risk assessment process is undertaken regularly to re-evaluate the impact and probability of each risk materialising and the strategic, financial and operational impact of the risk. Where the residual risk is determined to be outside of appetite, appropriate action is taken. Further information on risk factors is set out within the financial statements.

PRINCIPAL RISKS

The Company's principal risks are individual risks, or a combination of risks, that could threaten the Company's business model, future performance, solvency or liquidity.

During the year the Company included climate change as a principal risk (see page 41).

Details of the Company's principal risks, potential impact, controls and mitigating factors are set out on pages 40 to 43.

OTHER RISKS

Other risks, including reputational risk, are potential outcomes of the principal risks materialising. These risks are actively managed and mitigated as part of the wider risk management framework of the Company and the Manager.

EMERGING RISKS

Emerging risks are considered by the Board as they come into view and are regularly assessed to identify any potential impact on the Company and to determine whether any actions are required. Emerging risks often include those related to regulatory/legislative change and macro-economic and political change.

The Company depends upon the experience, skill and reputation of the employees of the Manager. The Manager's ability to retain the service of these individuals, who are not obligated to remain employed by the Manager, and recruit successfully, is a significant factor in the success of the Company.

The Company's risk exposure as a result of the impacts from the Russia-Ukraine conflict and the sanctions imposed on Russia after the reporting date have been reviewed and the Company has minimal direct exposure. The political and economic situation is being monitored.

COVID-19

The continuation of the COVID-19 pandemic has given rise to challenges for businesses across the globe and during the year the Board maintained its focus on the impact of the crisis on the performance of the Company. The crisis management and business continuity protocols of the Manager remained effectively invoked and have provided a robust framework to support continuity.

Risk appetite and tolerance

The Board acknowledges and recognises that in the normal course of business, the Company is exposed to risk and that it is willing to accept a certain level of risk in managing the business to achieve its targeted returns. The Board's risk appetite framework provides a basis for the ongoing monitoring of risks and enables dialogue with respect to the Company's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

The Board considers several factors to determine its acceptance for each principal risk and categorises acceptance for each risk as low, moderate and high. Where a risk is approaching or is outside the tolerance set, the Board will consider the appropriateness of actions being taken to manage the risk. In particular, the Board has a lower tolerance for financing risk with the aim to ensure that even under a stress scenario, the Company is likely to meet its funding requirements and financial obligations. Similarly, the Board has a low risk tolerance concerning operational risks including legal, tax, and regulatory compliance and business process and continuity risk.

→ 40 Principal risks and uncertainties

Risk management framework

The Board is responsible for risk management and determining the Company's overall risk appetite. The Audit Committee assesses and monitors the risk management framework and specifically reviews the controls and assurance programmes in place.

BOARD OF DIRECTORS
Responsible for risk management leadership

Guides and provides counsel

AUDIT COMMITTEE
Reviews and monitors the risk management process

Provides regular reporting

THE MANAGER
Responsible for risk reporting and running the controls assurance programmes overseen by the Manager's Risk Committee

→ 48 Corporate governance report

Principal risks and uncertainties

How we manage and mitigate our key risks

RISK	IMPACT	MITIGATION	CHANGE IN THE YEAR
INVESTMENT RISKS			
INVESTMENT PERFORMANCE The Manager selects the fund investments and direct co-investments for the Company's Portfolio. The underlying managers of those funds in turn select individual investee companies. The origination, investment selection and management capabilities of both the Manager and the third-party managers are key to the performance of the Company.	Poor origination, investment selection and monitoring by the Manager and/or third-party managers which may have a negative impact on Portfolio performance.	The Manager has a strong track record of investing in private equity through multiple economic cycles. The Manager has a highly selective investment approach and disciplined process, which is overseen by ICG Enterprise Trust's Investment Committee within the Manager, which comprises a balance of skills and perspectives. Further, the Company's Portfolio is diversified, reducing the likelihood of a single investment decision impacting Portfolio performance.	Stable The Board is responsible for ensuring that the investment policy is met. The day-to-day management of the Company's assets is delegated to the Manager under investment guidelines determined by the Board. The Board regularly reviews these guidelines to ensure they remain appropriate and monitors compliance with the guidelines through regular reports from the Manager, including performance reporting. The Board also reviews the investment strategy at least annually. Following this assessment and other considerations, the Board concluded that performance risk has remained stable during the year.
VALUATION In valuing its investments in private equity funds and unquoted companies and publishing its NAV, the Company relies to a significant extent on the accuracy of financial and other information provided by the underlying managers to the Manager. There is the potential for inconsistency in the valuation methods adopted by the managers of these funds and companies and for valuations to be misstated.	Incorrect valuations being provided would lead to an incorrect overall NAV.	The Manager carries out a formal valuation process involving a quarterly review of third-party valuations. This includes a comparison of unaudited valuations to latest audited reports, as well as a review of any potential adjustments that are required to ensure the valuation of the underlying investments are in accordance with the fair market value principles required under International Financial Reporting Standards ('IFRS').	Stable The Board regularly reviews and discusses the valuation process in detail with the Manager, including the sources of valuation information and methodologies used. Following this assessment and other considerations, the Board concluded that there was no material change in valuation risk during the year.

RISK	IMPACT	MITIGATION	CHANGE IN THE YEAR
EXTERNAL RISKS			
POLITICAL AND MACRO-ECONOMIC UNCERTAINTY Political and macro-economic uncertainty and other global events, such as pandemics, that are outside of the Company's control could adversely impact the environment in which the Company and its investment portfolio companies operate.	Changes in the political or macro-economic environment could significantly affect the performance of existing investments (and valuations) and prospects for realisations. In addition, it could impact the number of credible investment opportunities the Company can originate.	The Manager uses a range of complementary approaches to inform strategic planning and risk mitigation, including active investment management, profitability and balance sheet scenario planning and stress testing to ensure resilience across a range of outcomes. The process is supported by a dedicated in-house economist and professional advisers where appropriate, to ensure it is prepared for any potential impacts (to the extent possible).	Increasing The Board monitors and reviews the potential impact on the Company from political and economic developments on an ongoing basis, including input and discussions with the Manager. Incorporating these views and other considerations, the Board concluded that there was an increase in political and macro-economic uncertainty risk as a result of the conflict in Ukraine.
CLIMATE CHANGE The underlying managers of the fund investments and direct co-investments in the Company's Portfolio fail to ensure that their portfolio companies respond to the emerging threats from climate change.	Climate-related transition risks, driven in particular by abrupt shifts in the political and technological landscape, impact the value of the Company's Portfolio.	The Manager has a well-defined, firm-wide Responsible Investing Policy and ESG framework in place. A tailored ESG framework applies across all stages of the Company's investment process. This includes ongoing monitoring of the underlying manager's ESG reporting.	Increasing Wider society's focus on this risk has increased, however we believe that climate change has yet to be fully priced in by financial markets. Delays in responding to climate risk could lead to potentially large and unanticipated shifts in valuations for impacted industries and sectors. During the year the Board received reports on the implementation of the Manager's Responsible Investing Policy.
PRIVATE EQUITY SECTOR The private equity sector could fall out of favour with investors leading to a reduction in demand for the Company's shares.	A change in sentiment to the sector has the potential to damage the Company's reputation and impact the performance of the Company's share price and widen the discount the shares trade at relative to NAV per share, causing shareholder dissatisfaction.	Private equity continues to outperform public markets over the long term and has proved to be an attractive asset class through various cycles. The Manager is active in marketing the Company's shares to a wide variety of investors to ensure the market is informed about the Company's performance and investment proposition. The Board monitors the discount to NAV and considers appropriate solutions to address any ongoing or substantial discount to NAV, including share buybacks.	Stable The Board receives regular updates from the Company's broker and is kept informed of all material discussions with investors and analysts. Incorporating these updates and other considerations, the Board concluded that there was no material change in private equity sector sentiment risk during the year.
FOREIGN EXCHANGE The Company has continued to expand its geographic diversity by making investments in different countries. Accordingly, several investments are denominated in US dollars, euros and currencies other than sterling.	At present, the Company does not hedge its foreign exchange exposure. Therefore, movements in exchange rates between these currencies may have a material effect on the underlying valuations of the investments and performance of the Company.	The Board regularly reviews the Company's exposure to currency risk and reconsiders possible hedging strategies on at least an annual basis. Furthermore, the Company's multicurrency bank facility permits the borrowings to be drawn in euros and US dollars, if required.	Stable The Board reviewed the Company's exposure to currency risk and possible hedging strategies and concluded that there was no material change in foreign exchange risk during the year and that it remains appropriate for the Company not to hedge its foreign exchange exposure.

Principal risks and uncertainties continued

RISK	IMPACT	MITIGATION	CHANGE IN THE YEAR
OPERATIONAL RISKS			
REGULATORY, LEGAL AND TAX COMPLIANCE Failure by the Manager to comply with relevant regulation and legislation could have an adverse impact on the Company. Additionally, adherence to changes in the legal, regulatory and tax framework applicable to the Manager could become onerous, lessening competitive or market opportunities.	The failure of the Manager and the Company to comply with the rules of professional conduct and relevant laws and regulations could expose the Company to regulatory sanction and penalties as well as significant damage to its reputation.	The Board is responsible for ensuring the Company's compliance with all applicable regulatory, legal and tax requirements. Monitoring of this compliance has been delegated to the Manager, of which the in-house Legal, Compliance and Risk functions provide regular updates to the Board covering relevant changes to regulation and legislation. The Board and the Manager continually monitor regulatory, legislative and tax developments to ensure early engagement in any areas of potential change.	Stable The Company remains responsive to a wide range of developing regulatory areas; and will continue to enhance its processes and controls in order to remain compliant with current and expected legislation. The Board concluded that there was no material change in respect of regulatory, legal and tax risk.
PEOPLE Loss of key professionals at the Manager could impair the Company's ability to deliver its investment strategy and meet its external obligations if replacements are not found in a timely manner.	If the Manager's team is not able to deliver its objectives, investment opportunities could be missed or misevaluated, while existing investment performance may suffer.	The Manager regularly updates the Board on team developments and succession planning. The Manager places significant focus on: • Developing key individuals to ensure that there is a pipeline of potential succession candidates internally. External appointments are considered if that best satisfies the business needs. • A team-based approach to investment decision-making i.e. no one investment professional has sole responsibility for an investment or fund manager relationship. • Sharing insights and knowledge widely across the investment team, including discussing all potential new investments and the overall performance of the Portfolio. • Designing and implementing a compensation policy that helps to minimise turnover of key people.	Stable The Board reviewed the Company's exposure to people risk and concluded that the Manager continues to operate sustainable succession, competitive remuneration and retention plans. The Board believes that the risk in respect of people remains stable.
INFORMATION SECURITY The Company is dependent on effective information technology systems at both the Manager and Administrator. These systems support key business functions and are an important means of securing data and sensitive information.	The failure of the Manager and Administrator to deliver an appropriate information security platform for critical technology systems could result in unauthorised access by malicious third parties, breaching the confidentiality, integrity and availability of Company data, negatively impacting the Company's reputation.	Application of the Manager's and Administrator's information security policies is supported by a governance structure and a risk framework that allow for the identification, control and mitigation of technology risks. The effectiveness of the framework is periodically assessed. Additionally, the Manager's and Administrator's technology environments are continually maintained and subject to regular testing, such as penetration testing, vulnerability scans and patch management.	Stable In order to gain a more comprehensive understanding of the Manager's internal controls and risk management systems the Board carries out a formal annual assessment (supported by the Manager's internal audit function). In response to the continued heightened risk of cyber security as a result of the COVID-19 pandemic, the Manager implemented several initiatives to further protect against the prevention and leakage of sensitive data. Following this review and other considerations, the Board concluded that there was no material change in information security risk during the year.

RISK	IMPACT	MITIGATION	CHANGE IN THE YEAR
OPERATIONAL RISKS CONTINUED			
THE MANAGER AND THIRD-PARTY PROVIDERS (INCLUDING BUSINESS PROCESSES AND CONTINUITY) The Company is dependent on third parties for the provision of services and systems, especially those of the Manager, the Administrator and the Depositary.	Failure by a third-party provider to deliver services in accordance with its contractual obligations could disrupt or compromise the functioning of the Company. A material loss of service could result in, among other things, an inability to perform business critical functions, financial loss, legal liability, regulatory censure and reputational damage.	The performance of the Manager, the Administrator, the Depositary and other third-party providers is subject to regular review and reported to the Board. The Manager, the Administrator and the Depositary produce internal control reports to provide assurance regarding the effective operation of internal controls. These reports are provided to the Audit Committee for review. The Committee would seek further representations from service providers if not satisfied with the effectiveness of their control environment. The Audit Committee formally assesses the internal controls of the Manager, the Administrator and Depositary on an annual basis to ensure adequate controls are in place. The assessment in respect of the current year is discussed in the Report of the Audit Committee within the Annual Report. The Management Agreement and agreements with other third-party service providers are subject to notice periods that are designed to provide the Board with adequate time to put in place alternative arrangements.	Stable In order to gain a more comprehensive understanding of the Manager's internal controls and risk management systems the Board carries out a formal annual assessment (supported by the Manager's internal audit function). The Board also received regular reporting from the Manager and other third parties, setting out the measures that they have put in place to address the COVID-19 pandemic crisis, in addition to their existing business continuity framework. Having considered these arrangements and reviewed service levels since the crisis has evolved, the Board is confident that a good level of service has been and will be maintained. Following this review and other considerations, the Board concluded that there was no material change in the Manager and other third-party advisers' risk during the year.
FINANCIAL RISKS			
FINANCING The Company has outstanding commitments that may be drawn down at any time in excess of total liquidity to private equity funds. The ability to fund this difference is dependent on receiving cash proceeds from investments (the timing of which are unpredictable) and the availability of financing facilities.	If the Company encountered difficulties in meeting its outstanding commitments, there would be significant reputational damage as well as risk of damages being claimed from managers and other counterparties.	The Manager monitors the Company's liquidity, overcommitment ratio and covenants on a frequent basis, and undertakes cash flow monitoring, and provides regular updates on these activities to the Board.	Stable Following a reduction of the financing risk exposure the previous year to reflect the signing of the Company's new credit facility that matures in February 2026, the Board concluded that there was no material change in financing risk.

The Company's Strategic Report is set out on pages 1 to 43 and was approved by the Board on 11 May 2022.

Jane Tufnell
Chair
11 May 2022