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Investcorp Bank B.S.C.

Corporate Governance Guidelines

Introduction

Investcorp Bank B.S.C. ("Investcorp") has long been a strong proponent of good corporate governance, which Investcorp believes involves keeping business practices above reproach and thus retaining the trust and confidence of all of Investcorp's stakeholders who enable Investcorp to operate, thrive and prosper.

In recent years, corporate governance has become an important focus of attention for both regulators internationally and investors globally.

The Bahrain Ministry of Industry and Commerce has issued a Corporate Governance Code (the "Governance Code"), which became applicable to all companies that are listed on the Bahrain Bourse on January 1, 2011, and the Central Bank of Bahrain ("CBB") has issued a revised High Level Controls Module in the CBB's Rulebook 1 ("Module HC") which became effective on January 1, 2011 and has been revised by the CBB from time to time since that date.

Module HC sets forth requirements that must be met by Investcorp and other CBB conventional bank licensees with respect to (i) corporate governance principles in the Governance Code, (ii) international best practice corporate governance standards set by bodies such as the Basel Committee for Banking Supervision and (iii) related high level controls and policies.

These Corporate Governance Guidelines ("Guidelines") are being adopted by the Board of Directors of Investcorp (the "Board") in accordance with Module HC. Module HC requires the adoption of written corporate governance guidelines that cover the matters stated in Module HC and the CBB's Module PD (Public Disclosure) as well as any other corporate governance matters deemed appropriate by the Board of Directors.

Module HC and the relevant corporate governance disclosure sections of Module PD are incorporated by reference into, and forms part of, these Guidelines except to the extent specifically noted in these Guidelines.

The Guidelines supersede the Investcorp Director's Handbook.

The Guidelines follow the format of Module HC by setting out Module HC principles (the "Principles") and then elaborating upon the Principles.

Principle 1: Investcorp must be headed by an effective, collegial and informed Board

Directors' Roles and Responsibilities

The Board's role is distinct from that of both the shareholders of Investcorp, whose interests the Board represents, and the management of Investcorp, which the Board oversees.

The Board owes fiduciary duties of care and loyalty to Investcorp and the shareholders of Investcorp.

In recognition of its duties and responsibilities, the Board has adopted the Charter of the Board of Directors of Investcorp (the "Board Charter") that is attached as Annex A to these Guidelines.

Having regard to the importance of each Director understanding his duties and responsibilities, the Chairman of the Board, assisted by the Corporate Secretary, should review the Board's role and its duties and responsibilities with each newly elected Director.

In addition, Investcorp must have a written appointment agreement with each Director that refers to the Director's powers, duties and responsibilities and accountabilities, as well as other matters relating to his appointment, including time commitment, any committee assignment and remuneration.

Risk Recognition and Assessment

The Board's responsibilities in respect of Investcorp's systems and controls framework is set forth in the Board Charter.

The Board should ensure that it collectively has sufficient expertise to understand and measure the risks to which Investcorp is exposed in its business activities.

The Board must regularly assess the systems and controls framework of Investcorp. In its assessments, the Board must determine whether:

- a) Investcorp's operations, individually and collectively are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of Investcorp's activities;
- b) Investcorp's operations are supported by an appropriate control environment. The compliance, risk management and financial reporting functions must be adequately resourced, independent of business lines and must be run by individuals not involved with the day-to-day running of the various business areas. The Board must additionally ensure that management develops, implements and oversees the effectiveness of comprehensive know your customer standards, as well as on-going monitoring of accounts and transactions, in keeping with the requirements of relevant law, regulations and best practice (with particular regard to anti-money laundering measures). The control

environment must maintain necessary client confidentiality, ensure that the privacy of Investcorp is not violated, and ensure that clients' rights and assets are properly safeguarded; and

- c) If the Board has identified any significant issues related to Investcorp's governance framework, appropriate and timely action is taken to address any identified adverse deviations from the requirements of Module HC.

Decision Making Process

The Board must be deliberative and collegial to gain the benefit of each Director's judgment and expertise, and the Chairman of the Board must take an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made.

The Board must meet no less than four times during each financial year and each Director must attend at least 75% of the Board meetings within a financial year.

At least half of the Board meetings in any twelve-month period must be held in Bahrain.

The number of meetings represented by the 75% attendance requirement is based upon the total number of meetings held during the financial year, and each Director must attend at least three Board meetings if the total number of meetings held during a financial year is four. It is not permissible for a Director to attend a meeting, or to vote at such meeting, by proxy.

See HC-1.3.4 for further information regarding the number of meetings required to be attended by each Director based upon the total number of Board meetings held in a financial year if more than four meeting are held in a financial year. See also HC-1.3.5, HC-1.3.6 and HC-1.3.8 for requirements relating to recording and reporting Director non-attendance of meetings.

The Chairman of the Board is responsible for the leadership of the Board and for the efficient functioning of the Board. The Chairman of the Board must ensure that all Directors receive an agenda, minutes of prior meetings and adequate background information in writing before each Board meeting and, when necessary, between Board meetings. All Directors must receive the same Board information.

While agendas for forthcoming Board and Committee meetings are initiated by Investcorp's management, a Director is entitled to place on the agenda for a Board or Committee meeting matters that the Director reasonably considers to be important and to require consideration by the Board or the relevant Committee.

Subject to the receipt of timely information, a primary requirement of a Director's duty of care is that the Director study the materials provided to Directors in advance of the Board meeting and the meeting of any Committee on which the Director serves and prepare to contribute constructively in the deliberations of the Board and any such Committee.

If sufficient information is not made available in a timely manner, a Director may request that action by the Board or a Committee be delayed until the desired information is made available to Directors for review.

Each non-executive Director should inform the Executive Committee for Administrative Policy, acting in its capacity as the Nominating Committee, before such Director accepts any board appointment to another company.

HC-1.3.12 provides that a director of a CBB licensed bank may not be a director of more than one retail bank or one wholesale bank, which means an effective limit of two directorships of Bahrain banks. If any Director holds more than one such directorship, it is the responsibility of the Head of Compliance to inform the CBB of such multiple directorships to ensure that the CBB is aware of such multiple directorships.

HC-1.3.13 provides that no person should hold more than three directorships of public companies in Bahrain, subject to the proviso that such directorships should not give rise to any conflict of interest. HC-1.3.13 also provides that the Board should not propose the election or re-election of any director who holds more than three such directorships. If any then current Director or candidate for election as a Director holds more than three such directorships, it is the responsibility of the Head of Compliance to confirm that the CBB is aware of such multiple directorships before that Director or candidate is proposed to the shareholders for re-election or election to the Board, as the case may be.

Independence of Judgment

The duty of loyalty requires a Director to exercise the Director's powers in the interests of Investcorp and Investcorp's shareholders and not in the Director's own interests or in the interests of other persons (including family members) or organizations. Each Director must consider himself or herself as a representative of all Investcorp shareholders.

See HC-1.4.2 and HC-1.4.3 relating to the obligations of executive and non-executive directors.

HC-1.4.4 provides that at a minimum, at least one director of every Bahrain bank must be independent. HC-1.4.5 provides that at least half of each conventional bank licensee's board should be comprised of non-executive directors and at least three of those persons should be independent directors. HC-1.4.7 provides that the Chairman of the Board and/or the Deputy Chairman of the Board must not be the same person as the Chief Executive Officer. HC-1.4.8 provides that the Chairman of the Board must not be an executive Director.

The structure of Investcorp's Board is fully in compliance with these requirements as, since its inception, Investcorp's Board has included only one executive Director, the Executive Chairman and Chief Executive Officer, and for several years the Board has determined on an annual basis that all of the non-executive Directors are independent applying the criteria specified by the CBB.

In addition, the Chairman of the Board and the Chief Executive Officer of Investcorp are, and always have been, different persons and the Chairman of the Board is, and has always been, an independent Director.

The Board will review on an annual basis the independence of each Director based upon the criteria specified by the CBB, the interests disclosed by them in their conflict of interests questionnaires and their conduct.

Prior to the end of each Board meeting, the independent Directors will meet alone to discuss any matters of concern.

Directors' Access to Independent Advice

As stated in the Board Charter, and consistent with the provisions of HC-1.6.1 and HC-1.6.2, each Director shall have access to the Corporate Secretary of Investcorp, who has responsibility for reporting to the Board on Board procedures. Each Director also will have access to independent legal or other professional advice at Investcorp's expense. Such access to legal or other professional advice will be arranged by the Corporate Secretary upon the request of any Director.

If a Director has serious concerns which cannot be resolved regarding the running of Investcorp or a proposed action, that Director should consider seeking independent advice and should ensure that those concerns are recorded in the Board minutes and that any dissent from a Board action is noted or delivered in writing.

When a non-executive Director resigns from the Board, he should provide a written statement to the Chairman of the Board if he has serious concerns of the nature referred to in the paragraph above.

Directors' Communications with Management

In line with HC-1.7.1, it is the policy of the Board to encourage reporting at Board meetings by relevant members of management.

In line with HC-1.7.2, non-executive Directors may have free access to management through either the Executive Chairman and Chief Executive Officer or the Chairman of the Audit Committee.

Committees of the Board

Acting in accordance with Investcorp's Articles of Association, the Board has appointed the following Executive Committees: (i) the Audit Committee, (ii) the Executive Committee for Administrative Policy, (iii) the Executive Committee for Investment Policy and (iv) the Corporate Governance Committee. The Terms of Reference of these Committees are attached as Annex B, Annex C, Annex D and Annex E, respectively, to these Guidelines.

These Executive Committees operate with authority delegated by the Board in accordance with their respective Terms of Reference. However, the Board may not delegate its ultimate decision-making responsibility.

Evaluation of the Board and Each Committee

HC-1.9.1 requires that the Board conduct an evaluation of its performance and the performance of each committee and each director at least annually.

The Board will conduct such an evaluation on an annual basis in compliance with HC-1.9.1, having regard to the evaluation process specified by HC-1.9.2. The results of such evaluations will be reported to the shareholders at each Ordinary General Meeting of Shareholders (“OGM”).

These evaluations will be organized by the Corporate Governance Committee, with the assistance of an external expert, if and to the extent deemed appropriate by the Corporate Governance Committee.

Principle 2: Investcorp's approved persons must have full loyalty to Investcorp

Personal Accountability

The mission of Investcorp is to be the preferred global alternative asset manager for its clients based on attractive performance and distinguished customer service while generating superior returns to shareholders.

The fulfilment of that mission requires Investcorp to conduct its business activities and transactions with complete honesty and total integrity in accordance with the highest moral, ethical and legal standards.

Each of Investcorp's approved persons and each other Investcorp employee owes a duty of loyalty to Investcorp and its shareholders. For purposes of these Guidelines, the term "approved person" means each Director, the Executive Chairman and Chief Executive Officer and each head of a function in Investcorp who has been approved by the CBB. Directors are personally accountable to Investcorp and the shareholders if they violate this duty of loyalty, and Directors can be personally sued for such violations.

Having regard to Investcorp's mission and this duty of loyalty, the Board has approved the Investcorp Group Code of Conduct (the "Code of Conduct") that sets forth standards of conduct that apply to Directors and all of Investcorp's employees. It demands that all approved persons and employees conduct their business activities with absolute propriety and it affirms Investcorp's commitment to the highest moral, legal and ethical standards of conduct.

Acting in accordance with the duty of loyalty, each Director and other approved person, and all other Investcorp employees, must avoid transactions or situations in which their personal interests actually conflict with, or have the appearance of conflicting with, those of Investcorp, its shareholders and its clients.

In furtherance of this duty, the Board has adopted Conflicts of Interest Policies and Procedures that apply to Directors and each Investcorp Group employee at the level of Managing Director and the Code of Conduct enumerates several activities that employees are prohibited from engaging in.

In addition, conflicts of interest questionnaires are completed by Directors at least annually in a further effort to identify Director conflicts of interest.

Consistent with the Bahrain Commercial Companies Law, it is the policy of the Board to submit any affiliation by a Director with an entity engaged in a business that is competitive with Investcorp's business to the shareholders for approval each year at the annual Ordinary General Meeting (the "AGM"). In addition, any abstention from voting motivated by a conflict of interest, and the authorization of any contract or transaction involving a conflict of interest, shall also be disclosed to the shareholders each year at the AGM.

Principle 3: The Board must have rigorous controls for financial audit and reporting, internal control and compliance with law.

As noted above, the Board has established an Audit Committee, and its Terms of Reference are attached as Annex B to these Guidelines. The Terms of Reference are consistent with the requirements of HC-3.2.1 and Appendix A of Module HC.

All members of the Audit Committee must be independent non-executive Directors.

As part of the process of discharging its responsibilities in relation to overseeing Investcorp's systems and controls, risk management and compliance frameworks, the Audit Committee should receive reports from the Head of Investcorp's Internal Audit Department, Investcorp's Risk Manager and Investcorp's Head of Compliance at every meeting of the Audit Committee unless otherwise approved by the Audit Committee.

In line with the requirements of HC-3.3.3, the Board has adopted Accounting, Auditing and Legal Compliance Complaint Reporting Procedures to encourage the disclosure of complaints and concerns regarding Investcorp's financial statements and accounting, auditing, internal control and reporting practices and to ensure that potential issues are promptly and properly investigated and addressed. The Accounting, Auditing and Legal Compliance Complaint Reporting Procedures are available to all employees on the Investcorp intranet.

To encourage management accountability for Investcorp's financial statements, the Executive Chairman and Chief Executive Officer and the Chief Financial Officer must state in writing to the Audit Committee and to the Board as a whole that Investcorp's annual and interim financial statements present a true and fair view, in all material respects, of Investcorp's financial condition and results of operations in accordance with International Financial Reporting Standards.

Principle 4: Investcorp must have rigorous and transparent procedures for appointment, training and evaluation of the Board

Nominating Committee

The Board has delegated to the Executive Committee for Administrative Policy ("ECAP") authority to act as a nominating committee, with responsibility to, among other things, identify persons qualified to become Directors, as well as senior executive officers of Investcorp. The details regarding ECAP's responsibilities in acting as a nominating committee are set forth in the ECAP Terms of Reference attached as Annex D to these Guidelines.

See HC-4.4.1, which specifies the information regarding each candidate for election or reelection as a Director that should be provided to the shareholders with each proposal that such candidate be elected or reelected as a Director.

HC-4.4.2 specifies the information that should be provided to the shareholders by the Chairman of the Board when it is proposed that a Director be reelected to the Board.

Induction and Training of Directors

Each new Director must be provided with a formal and tailored induction. The induction must include, among other matters, meetings with senior management, visits to Investcorp's office in Bahrain and presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programs, and information about Investcorp's internal and external auditors and legal counsel.

The Chairman of the Board or Investcorp General Counsel or Head of Compliance, or any other individual delegated by the Chairman of the Board, should review the Board's role and duties with that person, particularly covering legal and regulatory requirements and Module HC.

All other Directors must be invited to attend induction meetings for new Directors and all Directors must continually educate themselves as to Investcorp's business and corporate governance.

The Board has determined that the Corporate Governance Committee is responsible for developing induction programs for new Directors. This is a variance from HC-4.5.3, which provides that the Nominating Committee should oversee directors' corporate governance educational activities.

Principle 5: Investcorp must remunerate approved persons fairly and responsibly

Remuneration Committee

The Board has delegated to the ECAP authority to act as a remuneration committee, with responsibility, among other matters, to (i) make recommendations regarding remuneration policies and amounts for approved persons to the Board and (ii) recommend Director remuneration based upon attendance and performance.

As noted above, the Board has also delegated to ECAP authority to act as a nominating committee. HC-5.2.2 specifically provides that the remuneration committee may be merged with the nominating committee.

Remuneration Standards

Remuneration for approved persons must be sufficient enough to attract, retain and motivate persons of the quality required to operate Investcorp's business without being excessive.

Remuneration for non-executive Directors must not include performance-based elements such as grants of shares, share options or other deferred share-related incentive schemes.

It is the policy of Investcorp to structure the remuneration of senior management in a manner designed to ensure that the interests of senior managers and other professional employees are aligned with the interests of Investcorp's shareholders. It also is the policy of Investcorp to structure performance based incentive programs with vesting requirements.

Investcorp's remuneration policies should be approved by the shareholders of Investcorp.

Principle 6: The Board must establish a clear and efficient management structure.

Establishment of Management Structure

The Board must appoint at a minimum the following members of senior management with formal letters of appointment:

- The Executive Chairman and Chief Executive Officer
- The Chief Financial Officer
- The Head of Internal Audit
- The Corporate Secretary

as well as other persons who occupy controlled functions.

Investcorp has adopted By-laws which prescribe the authorities, duties and internal reporting responsibilities of each of the members of senior management listed above.

This has been done with the advice of the Corporate Governance Committee rather than the Nominating Committee as required by Module HC on the basis that this is in line with the Corporate Governance Committee mandate to oversee Investcorp's implementation of the Governance Code.

Compliance

Investcorp will review its compliance with the principles in the Basel Committee publication "Compliance and the Compliance Function in Banks" on a regular basis through review of the compliance function by the Internal Audit Department. The results of those internal audit reviews will be reported to the Audit Committee and the Board.

Principle 7: Investcorp must communicate with shareholders, encourage their participation and respect their rights.

It is the policy of Investcorp to conduct shareholders' meetings in accordance with the requirements of HC-7.2.1, which requires, among other things that:

- Notices of meetings must be honest, accurate and not misleading;
- Notices of meetings must ensure that all material information and documentation is provided to shareholders on each agenda item, including but not limited to any recommendations or dissents of directors;
- The Board must propose a separate resolution at any meeting on each substantially separate issue so that unrelated issues are not bundled together;
- The minutes of the meeting must be made available to the shareholders upon their request as soon as possible but not later than 30 days after the meeting; and
- Disclosure of all material facts must be made to the shareholders by the Chairman of the Board prior to any vote by the shareholders.
- At any meeting during which directors are to be elected or removed, the Board must ensure that each person is voted on separately, so that the shareholders can evaluate each person individually.

All directors shall attend and be available to answer questions from shareholders at any shareholder meeting. The chairs of the Executive Committees shall also be available to answer appropriate questions regarding matters within their respective committee's responsibility, it being understood that confidential and proprietary business information may be kept confidential.

Investcorp's external auditors shall attend the AGM and be available to answer shareholders' questions concerning the conduct and conclusions of the audit.

Principle 8: Corporate Governance Disclosure: Investcorp must disclose its corporate governance.

Disclosure under the Company Law and CBB Requirements

These Guidelines must be published on the Investcorp website.

At each AGM, the Board must report to the shareholders on Investcorp's compliance with these Guidelines and Module HC, and explain the extent, if any, to which the Board has varied from the Guidelines or believes that variance or non-compliance was justified.

The Board must also report at each AGM on the corporate governance matters listed in the CBB's Module PD.

Board's Responsibility for Disclosure

The Board is responsible for overseeing the process of disclosure and communication with Investcorp's internal and external stakeholders. The Board is responsible to ensure that the disclosures made by Investcorp are fair, transparent, comprehensive and timely and reflect the character of Investcorp and the nature, complexity and risks inherent in Investcorp's business activities.

In line with this responsibility, the Board has adopted a Public Disclosure Policy and Procedures Statement.