

***Adopted June 25, 2020***

**Investcorp Financial Services B.S.C.(c)**

**Corporate Governance Guidelines**

## Introduction

Investcorp Financial Services B.S.C.(c) (“IFS”) is a strong proponent of good corporate governance, which IFS believes involves keeping business practices above reproach and thus retaining the trust and confidence of all of IFS’s stakeholders who enable IFS to operate, thrive and prosper.

Corporate governance is an important focus of attention for both regulators and investors globally.

The Bahrain Ministry of Industry, Commerce and Tourism issued a Corporate Governance Code (the “Governance Code”), which became applicable to all joint stock companies incorporated in Bahrain on January 1, 2011 (as revised from time to time, including the revisions issued on March 19, 2018), and the Central Bank of Bahrain (“CBB”) issued an updated High Level Controls Module in the CBB’s Rulebook Volume 4 (“Module HC”) which became effective on January 1, 2011 and has been revised by the CBB from time to time since that date. [HC-A.1.1.3]

Module HC sets forth requirements that must be met by IFS and other investment firm licensees that are licensed under Volume 4 of the CBB Rulebook to undertake regulated investment business services in Bahrain with respect to (i) corporate governance principles in the Governance Code and (ii) related high level controls and policies. [HC-A.1.1]

These Corporate Governance Guidelines (“Guidelines”) have been adopted by the Board of Directors of IFS (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 any other corporate governance matters deemed appropriate by the Board.

Module HC is incorporated by reference in, and forms part of, these Guidelines except to the extent specifically noted in these Guidelines.

These Guidelines follow the format of the Governance Code by setting out the Corporate Governance principles (the “Principles”) and then elaborating upon the Principles.

**Principle 1: IFS must be headed by an effective, collegial and informed Board**  
[HC-1.1.1]

**Directors' Roles and Responsibilities**

The Board's role is distinct from that of both the shareholders of IFS, whose interests the Board represents, and the management of IFS, which the Board oversees. [HC-1.2.1]

The Board owes fiduciary duties of care and loyalty to IFS and the shareholders of IFS. [HC-1.2.1]

In recognition of its duties and responsibilities, the Board has adopted the Charter of the Board of Directors of IFS (the "Board Charter") that is attached as Annex A to these Guidelines. [HC-1.2.7]

Having regard to the importance of each Director understanding his or her duties and responsibilities, the Chairman of the Board, assisted by the Corporate Secretary, or other individual delegated by the Chairman of the Board, should review the Board's role and its duties and responsibilities with each newly elected Director. [HC-1.2.5]

In addition, IFS 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 or her appointment, including time commitment, any committee assignment and remuneration, and his or her access to independent professional advice when that is needed. [HC-1.2.6]

**Risk Recognition and Assessment**

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

The Directors are responsible both individually and collectively for performing their responsibilities and must have sufficient expertise as a Board to understand the important issues relating to operation and control of IFS. Although the Board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place. [HC-1.2.4]

The Board must ensure that IFS's operations, individually and collectively:

- a) are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of IFS's activities. These should pro-actively identify as well as monitor risk. The systems should produce information on a timely basis, and in a form and quality appropriate to the needs of the different recipients;
- b) are supported by an appropriate control environment. The risk management and financial reporting functions must be independent of business lines and must be run by individuals not involved with the day-to-day running of the various lines of business; and

- c) make effective use of the work of internal and external auditors. [HC-1.2.10]

### **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. [HC-1.4.1 and 1.4.2]

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. This means that each Director must attend at least three Board meetings if the total number of meetings held during a financial year is four. [HC-1.4.3 and HC-1.4.7]

At least half the Board meetings in any twelve-month period must be held in the Kingdom of Bahrain. [HC-1.4.6]

It is not permissible for a Director to attend a meeting, or to vote at such meeting, by proxy.

See HC-1.4.4 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 meetings are held in a financial year. See also HC-1.4.4A and 1.4.4B 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. [HC-1.4.7] The Chairman of the Board shall hold meetings with non-executive and independent Directors, without the attendance of the executives, to take their views on matters related to IFS's activity. [Principle 1;c;a;7]

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 of such matters 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 prepares 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.

HC-1.3.7 provides that a director may have a maximum of two directorships of financial institutions inside Bahrain, but that two directorships of investment firm licensees are not permitted. If any Director holds another such directorship, it is the

responsibility of the Compliance Officer to ensure that the CBB is aware of such multiple directorships.

Principle 1 of the Governance Code provides that no director may have directorships of more than five (5) Public Joint Stock Companies in the Kingdom of Bahrain and HC-1.3.4 provides in guidance that no person should hold more than three directorships of public companies in Bahrain, subject, in each case, to the proviso that such directorships should not give rise to any conflict of interest.

HC-1.3.4 also provides that the Board should not propose the election or re-election of any Director who holds more than three such directorships (and, in any event, the Board may not propose the election or re-election of any Director who holds more than five 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 Compliance Officer 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.

To fulfil its responsibilities outlined in HC-1.2, the Board of IFS must periodically assess its composition and size and, where appropriate, reconstitute itself and its committees by selecting new Directors to replace long-standing members or those members whose contribution to IFS or its Committees is not adequate.

### **Independence of Judgment**

The duty of loyalty requires a Director to exercise the Director's powers in the interests of IFS and IFS'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 IFS shareholders.

See HC-1.5.4 and HC-1.5.5 relating to the obligations of executive and non-executive directors.

HC-1.5.6 provides in guidance that at least half of the Company's Board should be comprised of non-executive directors and at least three of those persons should be independent directors.

The Chairman of the Board and the Chief Executive Officer of IFS are different persons and the Chairman of the Board is an independent Director and is not the Chief Executive Officer. [HC-1.5.7; HC-1.5.7A; Principle 1; First; a; 3]

The Board will review on an annual basis the independence of each Director based upon the criteria specified by the CBB and the interests disclosed by them in their annual conflict of interests' questionnaires. [HC-1.5.8]

Prior to the end of each Board meeting, the independent Directors will meet without any IFS employees present to discuss any matters of concern, except as may otherwise be determined by the independent Directors themselves. [HC-1.5.9]

### **Directors' Access to Independent Advice**

As stated in the Board Charter, and consistent with the provisions of HC-1.7.1 and HC-1.7.2, each Director shall have access to the Corporate Secretary of IFS, 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 IFS's expense whenever he/she judges this necessary to discharge his/her responsibilities as a director and this must be in accordance with IFS's internal policies and procedures. Such access to legal or other professional advice will be arranged by the Corporate Secretary upon the request of any Director.

Both the appointment and removal of the Corporate Secretary must be a matter for the Board, and not any member of management. The Corporate Secretary shall carry out the obligations set out in Principle 1 of the Governance Code.

If a Director has serious concerns which cannot be resolved regarding the management of IFS or a proposed action, that Director should consider seeking independent advice and should ensure that those concerns are recorded in the Board meeting minutes and that any dissent from a Board action is noted or delivered in writing. [HC-1.7.3]

When a non-executive Director resigns from the Board, he should provide a written statement to the Chairman of the Board, for circulation to the Board, if he or she has serious concerns of the nature referred to in the paragraph above. [HC-1.7.4]

### **Directors' Communications with Management**

In line with HC-1.8.1, it is the policy of the Board to encourage reporting at Board meetings by relevant members of management, who by reason of responsibilities or succession, the Chief Executive Officer believes should have exposure to the Directors.

In line with the guidance set forth in HC-1.8.2, non-executive Directors may have free access to management through either the Chief Executive Officer or the Chairman of the Audit, Risk and Corporate Governance Committee (the "ARCG Committee").

### **Committees of the Board**

Acting in accordance with IFS's Articles of Association, the Board has constituted the ARCG Committee. The Terms of Reference of this Committee are attached as Annex B to these Guidelines.

The ARCG Committee shall operate with the authority delegated by the Board in accordance with its Terms of Reference. However, the Board may not delegate its ultimate decision-making responsibility. [HC-1.9.4]

The ARCG Committee should keep comprehensive minutes of its discussions and meet regularly to fulfil its mandate.

## **Evaluation of the Board and Each Committee**

HC-1.10.1 requires that the Board conduct an evaluation of its performance and the performance of each Committee and each Director at least annually, having regard to the evaluation process specified by HC-1.9.2. The results of such evaluations will be reported to the shareholders at the Ordinary General Meeting of Shareholders (“OGM”) held each year. [HC-1.10.4]

These evaluations will be organized by the Company Secretary.

## **Annual Board Review and Certification**

The Board must assess and document each year whether the internal corporate governance processes that it has implemented have successfully achieved their objectives, and consequently whether the Board has fulfilled its responsibilities for directing and monitoring the overall conduct of IFS’s affairs. [HC1.11.1]

The results of such review must be summarised in a written certification, to be signed by all Board members, and sent to the CBB within 3 months of the financial year-end of IFS. [HC-1.11.2]

The Board certification comprises a prescribed standard statement as set out in HC-1.11.4, that must be signed by all Board members, and attached to it should be summaries of: (i) the steps the Board has taken in carrying out the review; (ii) the results of that review; and (iii) an action plan (with timescales) for addressing any identified material deficiencies. [HC-1.11.3]

The Board’s review should cover the following specific matters to demonstrate that the Board has:

- (a) reassessed IFS’s objectives and plans, and has reviewed the IFS corporate strategy document;
- (b) reassessed the IFS’s overall risk profile, and its mapping of risks and the control environment put in place to meet those risks. The Board must comment on whether the control environment remains effective and appropriate;
- (c) assessed IFS’s internal controls, to confirm that these are based on established policies approved by the Board and provide reasonable assurance of the integrity and reliability of its financial records;
- (d) assessed whether adherence to established internal limits and controls was continuously monitored;
- (e) assessed that all new (or material changes to) significant policies and products introduced by IFS since the last Board certification were appropriately reviewed and approved at the time;
- (f) assessed that management and staff have complied with the Code of Conduct; and

- (g) in the period under review, received and reviewed the external auditor's management letter within six months of the (previous) financial year end, together with comments on the letter and proposed actions, from IFS's ARCG Committee and senior management. [HC-1.11.5]



## **Principle 2: IFS's approved persons must have full loyalty to IFS [HC-2.1.1]**

### **Personal Accountability**

The mission of IFS 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 IFS to conduct its business activities and transactions with complete honesty and total integrity in accordance with the highest moral, ethical and legal standards. The Board and its members must act with honesty, integrity, due skill and care, and in the best interests of IFS, its shareholders and clients. [HC-2.2.1]

Each of IFS's approved persons and each other IFS employee owes a duty of loyalty to IFS and its shareholders. For purposes of these Guidelines, the term "approved person" means each Director, the Chief Executive Officer, each head of a function in IFS who has been approved by the CBB and each other person who has been approved by the CBB to perform a controlled function.

Directors are personally accountable to IFS and the shareholders if they violate this duty of loyalty, and Directors can be personally sued for such violations. [HC-2.2.3]

Having regard to IFS's mission and this duty of loyalty, the Board has approved the IFS Code of Conduct (the "Code of Conduct") that sets forth standards of conduct that apply to Directors and all of IFS's employees. It demands that all Directors, officers and employees conduct their business activities with absolute propriety and it affirms IFS's commitment to the highest moral, legal and ethical standards of conduct. The Code of Conduct further includes IFS's anti-nepotism policy prohibiting any person being hired by IFS or any of its consolidated subsidiaries solely on the basis that such person is related to any of IFS's approved persons and any such person who is hired must be qualified for the relevant position.

Acting in accordance with the duty of loyalty, each Director, officer, and all other IFS employees, must avoid transactions or situations in which their personal interests actually conflict with, or have the appearance of conflicting with, those of IFS, its shareholders and its clients. Directors or other Covered Persons (as defined below) who have a material conflict of interest in any transaction which is the subject of any discussions or decision-making must abstain from participating in such discussions or decision.

In furtherance of this duty, the Board has adopted Conflicts of Interest Policies and Procedures that apply to Directors, each IFS employee at the level of Managing Director and less senior employees who are CBB approved persons (collectively, "Covered Persons") 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 and other Covered Persons at least annually in a further effort to identify existing or potential Covered Person 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 IFS's business to the shareholders for approval each year at the

OGM. 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 OGM. [HC-2.4.1]

The Chief Executive Officer of IFS must disclose to the Board on an annual basis those individuals who are occupying controlled functions and who are relatives of any approved persons within IFS. [HC-2.4.2A]

**Principle 3: The Board must have rigorous controls for financial audit and reporting, internal control and compliance with law. [HC-3.1.1]**

As noted above, the Board has established an ARCG 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. [HC-3.3.1]

A majority of the members of the ARCG Committee must be independent non-executive Directors and the chairman of the ARCG Committee shall be an independent director. [HC-3.2.1 and Principle 3; First]

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

In line with the guidance set forth in HC-3.3.3, the Company follows the Whistleblowing Procedures of Investcorp Holdings B.S.C., its indirect parent company, to encourage the disclosure of genuine concerns regarding potential wrongdoing by IFS or its employees, including financial fraud or other actions that raise questions regarding the integrity of IFS's financial statements or its accounting, auditing, internal control and reporting practices, and to ensure that potential issues are promptly and properly investigated and addressed. The Whistleblowing Procedures are available to all employees on the intranet. In addition, Investcorp Holdings B.S.C. has engaged the services of a third party to operate a Whistleblower Hotline Services to receive whistleblower reports from IFS and its other group companies. [HC-3.3.3]

To encourage management accountability for IFS's financial statements and as required by HC-3.4.1, the Chief Executive Officer and the Finance Manager must state in writing to the ARCG Committee and to the Board as a whole that IFS's annual and interim financial statements present a true and fair view, in all material respects, of IFS's financial condition and results of operations in accordance with International Financial Reporting Standards. [HC-3.4.1]

**Principle 4: IFS must have rigorous procedures for appointment, training and evaluation of the Board [HC-4.1.1]**

See HC-4.2.1, 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-4.2.2 states in guidance the information that should be confirmed to the shareholders by the Chairman of the Board when it is proposed that a Director be elected or re-elected to the Board. Any term beyond six years (e.g., two three-year terms) for a Director shall be subject to particularly rigorous review and shall take into account the need for progressive refreshing of the Board. [Principle 4; Second; b]

**Induction and Training of Directors**

Each new Director must be provided with a formal and tailored induction, based upon the new Director's knowledge of IFS. Unless the Director already possesses detailed knowledge relating to IFS, the induction must include, among other matters, meetings with senior management, visits to IFS's office in Bahrain and presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programs, and information about IFS's internal and external auditors and legal counsel. [HC-4.3.1]

The Chairman of the Board, assisted by the Corporate Secretary, 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. [HC-1.2.5]

All other Directors must be invited to attend induction meetings for new Directors and all Directors must continually educate themselves as to IFS's business and corporate governance. [HC-4.3.2]

**Principle 5: IFS must remunerate approved persons fairly and responsibly**  
[HC-5.1.1; Principle 5]

Remuneration for approved persons must be sufficient enough to attract, retain and motivate persons of the quality required to operate IFS's business without being excessive and it must comply with the principles and requirements of Chapter HC-5 of Module HC. [HC-5.2.1]

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. [HC-5.4.3]

The total amount of remuneration payable to the Board of Directors must be capped in line with Article 188 of the Bahrain Commercial Companies Law.

It is the policy of IFS to structure the remuneration of CBB approved persons as well as other professional employees in a manner designed to ensure that their interests are aligned with the interests of IFS's shareholders.

IFS has adopted the remuneration policies of Investcorp Holdings B.S.C. which apply to the employees of Investcorp Holdings B.S.C. and all of its consolidated subsidiaries.

IFS's Remuneration Policies are effectuated pursuant to a Board-approved Remuneration Procedures Manual.

**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:

- The Chief Executive Officer
- The Finance Manager
- The Compliance Officer
- The Risk Manager
- The Corporate Secretary

as well as such other CBB approved persons as the Board considers appropriate.

IFS has adopted By-laws which prescribe the authorities, duties and internal reporting responsibilities of each of the members of senior management listed above as well as other members of senior management appointed by the Board. [HC-6.3.3]

IFS has adopted a succession plan which, among other members of senior management, reflects a strategy for selecting a successor to the Chief Executive Officer. This succession plan is reviewed annually by the ARCG Committee. [HC-6.3.7]

**Compliance**

IFS maintains effective systems and controls for compliance with applicable requirements in Bahrain's legislation and those set by the CBB, and those established under any other statute or regulator to which it is subject on a regular basis. The results of those compliance reviews will be reported to the ARCG Committee and the Board. [HC-6.5.1]

IFS maintains a separate compliance function that is staffed with competent individuals, has unrestricted access to IFS's relevant records, and has ultimate recourse to the Board. [HC-6.5.2]

The compliance function is headed by the Compliance Officer.

**Internal Audit**

The internal audit function has been outsourced to Investcorp Holdings B.S.C. This outsourcing will not impair the level of internal audit scrutiny applied to IFS.

The ARCG Committee holds quarterly meetings to review findings and conclusions relating to internal audit.

## **Risk Management**

IFS must establish a sound risk management framework commensurate with its size, complexity and risk profile which incorporates a risk management function which is independent of the individual business.

The Risk Manager reports functionally to the ARCG Committee, which acts as the Board's risk committee and administratively to the Chief Executive Officer. The Risk Manager reports his views and any issues to the ARCG Committee at quarterly meetings.

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

It is the policy of IFS 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;
- Meetings must be held during normal business hours and at a place convenient for the greatest number of shareholders to attend;
- Notice of meetings must encourage shareholders to attend shareholder meetings and, if not possible, to participate by proxy and must refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy form must list the agenda items and must specify the vote (such as "yes", "no" or "abstain");
- Notices of meetings must ensure that all material information and documentation is provided to shareholders on each agenda item;
- 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;
- Disclosure of all material facts must be made to the shareholders; and
- 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.

As per the requirements of HC-7.2.1, IFS must invite a representative of the CBB to attend any shareholders' meetings (i.e., OGM or extraordinary general assembly) taking place. The invitation must be provided to the CBB at least 5 business days prior to the meeting taking place.

All directors should attend and be available to answer questions from shareholders at any shareholder meeting. The Chairman of the ARCG Committee should also be available to answer appropriate questions regarding matters within the Committee's responsibility, it being understood that confidential and proprietary business information may be kept confidential. [HC-7.2.2]

IFS's external auditors should attend the OGM and be available to answer shareholders' questions concerning the conduct and conclusions of the audit. [HC-7.2.3]

The Chairman and other Directors (as appropriate) shall maintain ongoing personal contact with key shareholders to solicit their views and understand their concerns. The Chairman shall ensure that the views of shareholders are communicated to the Board as a whole. The Chairman shall discuss governance and strategy with key shareholders. [HC-7.3.1; Principle 7: Third]



The Board shall encourage shareholders to help in evaluating IFS's corporate governance. [HC-7.3.1; Principle 7: Third]

**Principle 8: IFS must disclose its corporate governance.**

These Guidelines will be published on the website of Investcorp Holdings B.S.C.

At each OGM, the Board must report to the shareholders on IFS'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 ensure that IFS's communications are fair, transparent, comprehensive and timely. [HC-8.2.1]

The Board must also report at each OGM on the corporate governance matters listed in Appendix 5 to the Governance Code. [HC-8.2.2]

IFS's Corporate Governance Officer shall undertake the tasks of verifying IFS's compliance with the corporate governance rules, laws, regulations and decisions issued to implement them. The Corporate Governance Officer shall coordinate with the ARCG Committee in relation to all corporate governance matters, follow up and coordinate with the concerned department on the corporate governance matters. [Principle 8: e]

**Principle 9: IFS's Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.**

**Selection of External Auditor**

The OGM shall appoint one or more auditors for IFS and determine their fees upon the proposal of the Board, while taking into consideration the requirements set out in Principle 10 of the Governance Code.

**Obligations of External Auditor**

IFS's external auditor shall observe the disclosure obligations and audit principles set out in Principle 10 of the Governance Code.

**Principle 10: IFS shall seek through social responsibility to exercise its role as a good citizen.**

The Board has adopted a social responsibility policy to deal with the requirements of social responsibility.

IFS shall provide, in its annual report, a report on corporate social responsibility activities. The report shall explain these activities and the amounts spent thereon and measure their impact and sustainability.

IFS's executive management shall develop an annual strategy or plan to implement the corporate social responsibility philosophy, policies and principles towards the community. [Principle 11]

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**Charter of  
The Board of Directors  
of  
Investcorp Financial Services B.S.C.(c)**

**Introduction**

This Charter sets out the role and responsibilities of the Board of Directors (“Directors”) of Investcorp Financial Services B.S.C.(c) (the “Company” or “IFS”) in order to carry out their fiduciary duties of care and loyalty to IFS and its shareholders, having regard to the fact that the Directors are ultimately accountable and responsible for the strategy and business performance of IFS and its subsidiaries.

**Duties and Responsibilities**

The Directors’ responsibilities are as follows:

- ensuring that financial statements are prepared which accurately disclose the Company’s financial position;
- monitoring management performance and ensuring that the operations run smoothly to achieve the Company’s objectives and that they do not conflict with the applicable laws and regulations;
- convening, and preparing the agenda for, shareholders meetings;
- setting up a mechanism to regulate transactions with related parties in order to minimize conflicts of interest and preventing abusive related party transactions;
- selecting, monitoring and, when necessary, replacing key executives and overseeing succession planning;
- aligning key executive and Board of Directors remuneration with the longer-term interests of the Company and the Shareholders;
- ensuring a formal Board of Directors nomination and election process;
- ensuring the integrity of the Company’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- assuring equitable treatment of shareholders;
- compliance with the Company’s founding documentation, including but not limited to its Memorandum and Articles of Association and other relevant by-laws and resolutions;
- ensuring that any loans provided by the Company are approved by the Board of Directors in accordance with their authority for such items, including the respective limits and other relevant terms;
- adopting the commercial and financial policies associated with the Company’s business performance and achievement of its objectives;
- drawing, overseeing and periodically reviewing the Company’s plans, policies, strategies and key objectives;
- setting and generally supervising the regulations and systems of the Company’s internal control systems;
- determining the Company’s optimal capital structure, strategies and financial objectives and approving annual budgets;

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- approving IFS's semi-annual and annual financial statements and presenting the annual financial statements to the annual OGM; and
- forming specialized committees emerging from the Board of Directors as required by the nature of the Company's activity as provided in the regulatory requirements.

The Directors shall avoid issuing general authorizations and any authorization granted shall be reviewed and confirmed by the Directors, at least once a year. The Directors shall adopt a reasonable policy in delegating the authorities to the executive management, and the delegation of authority regulations shall cover various financial, administrative, employees' affairs and other functions necessary to operate and manage IFS efficiently.

**Access to Counsel and the Corporate Secretary**

To facilitate the fulfilment of the Directors' responsibilities, the Directors shall have access to (i) the Corporate Secretary, who shall have responsibility for reporting to the Directors on board procedures and (ii) independent legal or other professional advice, at the expense of IFS, whenever they judge this necessary to discharge their responsibilities as Directors, which shall be arranged by the Corporate Secretary if requested by one or more Directors.

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**Terms of Reference of the Audit, Risk  
and Corporate Governance Committee  
of  
The Board of Directors  
of  
Investcorp Financial Services B.S.C.(c)**

**Introduction**

The Board of Directors (the “Board”) of Investcorp Financial Services B.S.C.(c) (“IFS”) has established a committee of the Board to be known as the Audit, Risk and Corporate Governance Committee (the “ARCG Committee”). These are the Terms of Reference of the ARCG Committee.

**ARCG Committee Membership and Qualifications**

The ARCG Committee shall be appointed by the Board from amongst its members and shall consist of not less than three members. Such members must have no conflict of interest with any other duties they have for IFS.

The majority of members, including the Chairman of the ARCG Committee, must be non-executive directors and independent directors under the criteria stated in the Corporate Governance Code of the Kingdom of Bahrain (the “Bahrain Code”). The members must also have independence of any risk-taking function or committees. One of the members, at least, shall have a skill set that the ARCG Committee can benefit from, such as legal expertise and business proficiency, which are considered required by the Board to cultivate a good corporate governance culture.

The Board must satisfy itself that at least a majority of the members of the ARCG Committee has recent and relevant financial ability and experience, which includes:

- an ability to read and understand corporate financial statements including IFS’s balance sheet, income statement and cash flow statement and changes in shareholders’ equity;
- an understanding of the accounting principles which are applicable to IFS’s financial statements;
- experience in evaluating financial statements that have a level of accounting complexity comparable to that which can be expected in IFS’s business;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of the ARCG Committee’s controls and procedures for financial reporting.

The Chairman of IFS may be a member of the ARCG Committee, but he may not be the Chairman thereof.

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A quorum shall be at least one half of the members of the ARCG Committee, and resolutions of the ARCG Committee shall be adopted by a majority vote of the members of the ARCG Committee participating in a quorate meeting. If there is a tied vote, the Chairman of the ARCG Committee shall have a casting vote.

The Chairman of the ARCG Committee shall be appointed by its members and shall have the ability to read and understand corporate financial statements. The Chairman may not combine this chairmanship with any other chairmanship of any other committee established by the Board.

**Attendance at Meetings**

The Company Secretary, the Compliance Officer and the Risk Manager shall normally attend meetings, but such attendance and the attendance of any other person who is not a member of the ARCG Committee shall be subject to the ARCG Committee's discretion. Non-members who are not directors of IFS may not vote.

In addition, it is to be expected that the external auditor's lead representative will be invited to attend meetings regularly but this will always be subject to the ARCG Committee's decision.

The ARCG Committee may meet at any time without any other director or any officer of IFS being present.

The Company Secretary shall serve as the Secretary to the ARCG Committee.

**Frequency of Meetings; Written Resolutions**

Meetings shall be held at least four times a year. The ARCG Committee may convene a meeting if requested to do so by the external auditors.

The timing of meetings should normally be set to coincide with IFS's reporting cycle and Board meetings. One or more members of the ARCG Committee may participate in a meeting by conference telephone or visual communications equipment, provided that all of those participating in the meeting can hear each other.

The ARCG Committee may adopt resolutions in writing, provided that the resolutions are approved by at least three-fourths of the members of the ARCG Committee.

**Reporting Procedures**

The minutes of ARCG Committee meetings should be circulated to the Board. The Chairman of the ARCG Committee should report to the Board any significant matters of concern that have arisen at any meeting of the ARCG Committee held since the last Board meeting.

**Duties and Responsibilities**

The duties and responsibilities of ARCG Committee shall be to function as (i) an Audit and Risk Committee and (ii) a Corporate Governance Committee.

**Duties and Responsibilities of the ARCG Committee when Functioning as an Audit and Risk Committee**

When functioning as an Audit and Risk Committee, the ARCG Committee shall:

- be responsible for the selection, appointment, remuneration, oversight and



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termination where appropriate of IFS's external auditor, subject to ratification by the Board and the shareholders. The external auditor shall report directly to the ARCG Committee;

- make a determination once a year of the external auditor's independence, including:
  - determining whether its performance of any non-audit services compromised its independence (the ARCG Committee may establish a formal policy specifying the types of non-audit services which are permissible); and
  - obtaining from the external auditor a written report listing any relationships between the external auditor and IFS or with any other person or entity that may compromise the auditor's independence;
- assess the robustness of IFS's risk management policies and processes to form an effective risk management framework and a risk-based approach to achieve IFS's objectives;
- review and approve the risk policies and procedures for monitoring and mitigating risks, including acceptable levels of risk appetite;
- review reports from management on the risk exposures and the steps management has taken to monitor and control such exposures;
- review IFS's Compliance Officer's and Risk Manager's reports to the Board of Directors and the implementation of corrective action to remedy any deficiencies noted in such report;
- review and discuss with the external auditor the scope and results of its audit, any difficulties the auditor encountered including any restrictions on its access to requested information and any disagreements or difficulties encountered with management;
- review and discuss with management and the external auditor the annual and semi-annual financial statements of IFS including judgments made in connection with the financial statements;
- review and discuss and make recommendations regarding the selection, appointment and termination where appropriate of the Compliance Officer and approve the budget and resources allocated to the compliance function, and monitor the responsiveness of management to the ARCG Committee's recommendations and findings;
- review and discuss the adequacy of IFS's compliance personnel and procedures and its compliance procedures, and any internal controls and risk management systems, and any changes in those;
- review and discuss possible improprieties in financial reporting or other matters, and ensure arrangements are in place for independent investigation and follow-up regarding such matters;
- approve the risk-based internal audit plan and any deviations therefrom;
- review with the financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of IFS and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable;
- oversee the development and updating of various policies and procedures to ensure IFS's compliance with all applicable laws and regulations;

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- oversee the implementation of IFS's 'Compliance Risk Monitoring and Testing Program' by its Compliance Officer; and
- investigate reported or suspected violations of IFS's policies and procedures, including any investigation required to be conducted by the Whistleblowing Procedures.

**Duties and Responsibilities of the ARCG Committee when Functioning as a Corporate Governance Committee**

When functioning as a Corporate Governance Committee, the ARCG Committee shall:

- develop and recommend to the Board changes from time to time in IFS's written corporate governance guidelines, which shall constitute IFS's corporate governance policy framework and shall include or refer to the principles and numbered directives of the Bahrain Code;
- review and evaluate the adequacy of these Terms of Reference annually and recommend to the Board any changes it deems appropriate;
- review its own performance annually;
- oversee IFS's implementation of the Bahrain Code;
- oversee the development of a formal and tailored induction programme for newly appointed directors, to which current directors must be invited;
- make recommendations on the frequency and structure of Board meetings;
- review and approve annual meeting fees for the Board, subject to the parameters defined in the policies and resolutions of IFS's ultimate parent company;
- oversee directors' corporate governance educational activities;
- as required by IFS's Conflicts of Interest Policies and Procedures for Board members and officers carrying out controlled functions (as such term is defined by the Central Bank of Bahrain), consider any report of an actual or potential conflict of interest involving any of them and make a recommendation to the Board regarding such actual or potential conflict of interest;
- identify individuals qualified to become members of the Board, which shall be consistent with the Board's criteria for selecting new directors;
- conduct a review in respect of such individuals it wishes to recommend to the Board as a director nominee and recommend that the Board select the director nominees for the next annual meeting of shareholders; and
- perform any other activities consistent with these Terms of Reference and IFS's By-laws, as it or the Board deems appropriate.

**Authority**

The ARCG Committee is authorized by the Board to investigate any matter within the scope of these Terms of Reference. It is authorized to seek any information it requires from any employee, and all employees are directed to cooperate with any request made by the ARCG Committee. The Compliance Officer, the Risk Manager and the Money Laundering Reporting Officer shall report functionally to the ARCG Committee.

The systems and controls set forth above are subject to review on an annual basis by

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the Internal Audit Department of Investcorp Holdings B.S.C. pursuant to the Support Services Agreement between IFS and Investcorp Holdings B.S.C. The resulting internal audit report will be reviewed in detail by the ARCG Committee.

The ARCG Committee will report to the Board of Directors regarding the results of the internal audit and any recommended remedial actions.

The ARCG Committee shall have the resources and authority necessary for its duties and responsibilities, including the authority to select, retain, terminate and approve the fees of outside legal, accounting or other advisors as it deems necessary or appropriate, without seeking the approval of the Board or management. IFS shall provide appropriate funding for the compensation of any such persons.

**Performance Evaluation**

The ARCG Committee shall prepare and review with the Board an annual performance evaluation of the ARCG Committee, which shall compare the ARCG Committee's performance with the above requirements and shall recommend to the Board any improvements deemed necessary or desirable to these Terms of Reference. The report must be in the form of a written report made at any regularly scheduled Board meeting.