Investcorp Credit Management EU Limited

Pillar 3 Disclosure

As at 30 June 2021

Background - The Capital Requirements Directive and Pillar 3

The Capital Requirements Directive (the "Directive" or the "CRR") of the European Union created a revised regulatory capital framework across Europe governing the amount and nature of capital that financial services firms must retain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ("FCA"). From 1 January 2014, with the implementation of the Capital Requirement Directive IV ("CRD IV"), regulations under BIPRU have been replaced by:

- the Capital Requirements Regulation ("CRR");
- the IFPRU sourcebook of the FCA handbook; and
- additional standards released by the European Banking Authority.

This regulatory capital framework consists of three pillars:

1. Pillar 1 sets out the minimum capital requirements to meet Investcorp Credit Management EU Limited's (the "Firm's" or "ICMEU's") credit, market and business/operational risk;
2. Pillar 2, requires firms and their supervisors to consider whether additional capital should be held to cover risks not covered by the Pillar 1 requirements
3. Pillar 3 seeks to improve market discipline by requiring firms to disclose certain information on their risks, capital and risk management process. Articles 431 – 455 of the CRR require that a firm subject to the provisions of the CRR must disclose, as appropriate, the relevant information required under Pillar 3. This must be done in accordance with a formal disclosure policy which sets out policies for assessing the appropriateness of ICMEU's disclosures, including their verification and frequency.

Pursuant to CRR Article 432(1), the Firm may omit one or more of the disclosures listed in Articles 435-455 of the CRR (Title II of the CRR) if the information provided by such disclosures is not regarded as material, except for the disclosures laid down in Article 435(2)(c), Article 437 and Article 450.

Similarly, CRR Article 432(2) notes that the Firm may also omit one or more items of information included in the disclosures listed in Titles II and III of the CRR if those items include information which is regarded as proprietary or confidential in accordance with the second and third subparagraphs, except for the disclosures laid down in Articles 437 and 450.

Information shall be regarded as proprietary to an institution if disclosing it publicly would undermine its competitive position. Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an institution to confidentiality.

Subject to the aforementioned exemptions regarding information of a proprietary and/or confidential nature, the Firm has disclosed information in accordance with the following provisions of the CRR:

- Article 435 on the Firm's risk management objectives and policies;
- Article 436 on the scope of application of the CRR;
- Article 437 on the Firm's own funds;
- Article 438 on the Firm's compliance with the capital requirements contained in the CRR;

- Article 439 on the Firm's exposure to counterparty credit risk;
- Article 442 on the Firm's exposure to credit and dilution risk;
- Article 443 on the Firm's unencumbered assets (see Annex1-Additional Disclosure on Asset Encumbrance); and
- Article 449 on the Firm's exposure to securitisation positions (see Annex 2- Exposure to Securitisation Positions).

Disclosures are required to be made on at least an annual basis and, if appropriate, more frequently. This document is designed to meet the Pillar 3 obligations of ICMEU. It has not been audited and it does not constitute any form of audited financial statement.

ICMEU's Board of Directors is ultimately responsible for the strategy and operation of ICMEU and for setting the risk appetite for the Firm. The risk appetite is considered to be the type and level of risks that ICMEU is willing to accept in pursuit of its strategic goals. Although ICMEU, through its implementation of Board approved policies and procedures, is able to demonstrate that it has appropriate and reasonable mitigants in place to minimize the level of residual risks to its business, no such risks can ever be eliminated.

ICMEU's Board of Directors is comprised of:

- Mr. Jeremy Ghose, ICMEU's Chief Executive Officer;
- Mr. Peter Goody, ICMEU's Chief Operating Officer; and
- Mr. Daniel Lopez-Cruz, the CEO and Head of Private Equity-Europe and a director of Investcorp Securities Limited, an ICMEU affiliate that also is regulated by the FCA.
- Mr. Craig Lawrence Sinfield-Hain, Head of Business Analysis and Planning for the Investcorp Group.

Mr. Ghose holds directorships in seven other companies –Investcorp European Loan Company DAC, ICM International Master Fund ICAV, ICM International Fund Plc, ICM Global Floating Rate Income Limited, Ebrain 4, Ebrain 5, Ebrain 6 and Ebrain 21 FZ.

Mr. Goody also holds directorships in ICM European Middle Market Loan Limited, ICM Investment Fund Plc, Investcorp European Loan Company Designated Activity Company, Investcorp European Loan Company II Designated Activity Company Mount Row Credit Limited, Mount Row (Levered) Credit Limited and Mount Row Credit II Limited.

Mr. Lopez-Cruz holds directorships in the following portfolio companies: Agromillora, Cambio, SPG Prints Vivaticket and Sanos, in addition to serving as a director of Investcorp Securities Limited, Investcorp International Limited, Investcorp Europe Holdings Limited and Investcorp Europe S.A.

Mr. Sinfield-Hain holds directorships in twenty three companies that either are, or are affiliated with, Investcorp Group private equity portfolio companies in addition to serving as a director of Investcorp Credit Manager Limited, Investcorp Management Services Limited, Investcorp Nominee Holder Limited, Investcorp Opportunity Fund Limited, Investcorp Management Holdings GP Limited, Investcorp International Limited, Investcorp Securities Limited, Investcorp Europe Holdings Limited, Investcorp Europe S.A and Investcorp Europe Acquisition Corp. I S.A.

ICMEU's policy is to limit Board membership to individuals with appropriate experience in the debt management/debt issuance sector. Mr. Ghose has 30+ years of experience in the debt management/debt issuance sector and Mr. Goody has 20+ years of experience across debt management and leveraged finance.

Mr. Lopez-Cruz, who is the Head of Private Equity-Europe for the Investcorp Group, led the team of investment professionals who performed due diligence on and negotiated the Investcorp Group's acquisition of ICMEU and its US affiliate which was completed in early March 2017. Prior to joining the Investcorp Group, Mr. Lopez-Cruz had approximately 10 years of experience in various facets of the debt issuance business.

Mr. Sinfield-Hain, who is the Head of Business Analysis and Planning for the Investcorp Group, provides corporate level value-added financial and strategic analysis and planning including budgeting, forecasting, long range planning, performance analysis, benchmarking and other ad-hoc analysis. In addition, Mr. Sinfield-Hain provides support and analysis to the Investcorp Group's senior management on corporate level mergers and acquisitions, new business initiatives, capital raising initiatives as we all as valuation.

Scope of application of CRD IV requirements

The disclosures in this document are made in respect of ICMEU, the principal activity of which is to provide investment management and advisory services to various debt funds. The Firm is authorized and regulated by the Financial Conduct Authority (Firm Reference #446483).

For the purposes of CRD IV, the Firm is not a member of a group for prudential purposes and is therefore not required to prepare consolidated reporting or to make disclosures in relation to any other entities.

So far as the Firm is aware, there are no known current or foreseen practical or legal impediments to the prompt transfer of capital resources or repayments of liabilities between parent and subsidiary undertakings within the Firm's group.

Company Profile | Investcorp Credit Management EU Limited

Group Structure

ICMEU (the "Firm") is a wholly owned subsidiary of Investcorp S.A. ("ISA"). The ultimate parent company of ICMEU is Investcorp Holdings B.S.C.(c) ("IHBSC"). IHBSC is incorporated in the Kingdom of Bahrain . IHBSC and its consolidated subsidiaries, including ICMEU, are from time to time referred to in this Pillar 3 Disclosure as the "Investcorp Group".

Description of Activities and Clients

ICMEU provides investment management and advisory services to various debt funds. The Firm is categorized by the FCA as an IFPRU 50K limited license firm for capital purposes. The Firm is not a member of a group for prudential purposes and is therefore not required to prepare consolidated reporting or to make disclosures in relation to any other entities.

As at 30 June 2021:

ICMEU managed 20 CLO debt funds and 3 non-CLO funds..

ICMEU also co-manages, alongside a US affiliate, a debt fund called the ICM Global Floating Rate Income Fund.

Clients are eligible counterparties and professional clients. The Firm does not provide services to any retail clients.

Risk Management Objectives and Policies

Risk Management Framework

ICMEU's existing risk management framework is encapsulated within its policies and procedures, which are approved by ICMEU's Board and reviewed periodically by ICMEU's Compliance Officer.

The policies and procedures are complemented by, inter alia, individual policies and procedures for the specific fund programmes, and specific additional documentation, for example, Terms of Reference of the Investment Committee.

The Investcorp Group carry out an annual audit on ICMEU's business control framework and ICMEU's Finance Department provide monthly reporting services to ICMEU's Chief Operating Officer and quarterly reporting services to the Board.

An Investment Committee set up for the funds is structured to ensure quorums are present and voting procedures adhered to before assets are bought and sold by the funds.

When deemed appropriate by the ICMEU Board, external professional advice is sought to ensure compliance with market standard practice and regulatory changes.

ICMEU's risk register details the risks faced by ICMEU, their impact and likelihood of occurrence and whether additional capital should be considered in the ICAAP.

The impact of the material risks are essentially that the business will no longer receive fees from managing/advising funds which might result in ICMEU winding itself up.

In summary, the following could result in ICMEU no longer receiving fees for managing/advising funds:

- Removal as portfolio manager without cause
- Removal as portfolio manager with cause
- Regulatory breach causing withdrawal of regulated permission to do business
- Poor fund performance

Having regard to ICMEU's size, the nature, scope and complexity of its business, which does not entail systemic risk, the Firm has not set up a separate risk committee.

Risk Assessment and Identification

ICMEU's Board is ultimately responsible for the strategy and operation of ICMEU and for setting the risk appetite for the Firm. The risk appetite is considered to be the type and level of risks that ICMEU is willing to accept in pursuit of its strategic goals.

ICMEU is able to demonstrate that it has appropriate mitigants in place to ensure that the risks it might face are factored down to an insignificant level.

ICMEU is only prepared to accept low risk in relation to its clients and investment services and it is prepared to accept medium risk in relation to investments.

Accordingly, ICMEU has been assessed as having a medium risk profile overall.

Risk Mitigation and Monitoring

ICMEU's risk appetite is largely defined by its policies and procedures which are designed to set and monitor risk parameters agreed by the ICMEU Board. These policies also reflect the FCA requirement to manage a number of different categories of risk, including credit, market, business/operational, and liquidity risks. Information on all of these risks is set out below, with additional information also included within the Notes to the ICMEU financial statements.

The management of risk can be evidenced in the structures of the CLO funds, all of which pay a senior fee and a subordinated fee, the former being a secure fee regardless of fund performance. Additionally, the Trustee of the CLO funds provides general oversight and ongoing monitoring of performance in regards to various portfolio profile and collateral quality tests.

The non-CLO mandates have investment parameters/restrictions which are also monitored on an ongoing basis by the AIFM. The Board of each fund also meets quarterly to review compliance with risk limits and performance more generally.

<u>Risk Reporting</u>

ICMEU's capital position is regularly reported to the ICMEU Board, through the monthly management accounts and as part of the consideration when taking on new fund management / advisory agreements.

<u>Key Risks Identified and Mitigants</u>

The majority of ICMEU's risk management efforts are focused on the mitigation of operational/business risk, which is defined as the risk of loss to the Firm resulting from failed or inappropriate internal procedures, people and systems, or from external events. More details on these risks and others are highlighted below.

<u>Operational Risk-Key Man</u>

Key man operational risk is defined as the risk of loss of key personnel at the same time without replacements being appointed and approved by the relevant CLO noteholders within 60/90 days. Such an event would result in the Company being exposed to being removed as portfolio manager on notice by certain subordinated noteholders. Such an event could potentially occur across all CLO funds, resulting in a substantial loss of revenue for the Company.

Key personnel are well incentivised and retention plans are in place. Furthermore, the Firm has in situ personnel of similar standing who could be appointed within 60 days of such an event or, alternatively, recruited from the market.

<u>Operational Risk-Removal of Portfolio Manager without Cause</u>

The portfolio manager may be removed if certain coverage or par value ratio portfolio tests fail and ordinary/extraordinary resolutions of certain noteholders are passed.

The number of resolutions to be passed and percentages of shareholders required to pass these aforementioned resolutions is very high. It is also unlikely that all CLO's would breach these covenants at the same time.

Operational Risk-Removal of Portfolio Manager for Cause

The portfolio manager may be removed for cause if an extraordinary resolution is passed by senior noteholders. Cause is defined as: (1) willful breach, (2) uncured breach causing material adverse effect on any noteholders (3) uncured breach of rep/warranty which has material adverse effect on any class of noteholder (4) wind-up or other similar events (5) Event of Default (6) individual commits fraud (7) PM removed from Companies registry.

The risk of these potential events is addressed as follows:

(1) Purchase and sell transactions executed by the portfolio manager are subject to the approval and/or oversight of the Investment Committee, (2) there has been no misrepresentation given by the portfolio manager in the offering circular for any fund, (3) the portfolio manager is solvent and can pay its debts as they fall due, (4) no Event of Default has been committed, (5) all directors are FCA approved persons, (6) there is a decreased likelihood of fraud as the portfolio manager does not hold client money, (7) portfolio manager keeps up to date with is statutory obligations at Companies House, and (8) regular audits are conducted on ICMEU's extensive policies and procedures.

Operational Risk-System Failure

System failure is defined as the inability to manage the portfolios and obtain up to date information.

The Business Continuity and Disaster Recovery Plan allows for all heads of departments to work remotely from home, conduct trading activity via voice, and obtain price information on assets from Firm issued mobile devices.

Operational Risk-Conflicts of Interest

The relationship between the Investcorp Group and the Firm could raise potential conflicts of interest if any fund managed by the Firm invests in debt issued by an Investcorp Group portfolio company. For this reason, any such investment is prohibited.

Regulatory, Legal and Compliance Risks

These risks are defined as the failure to stay ahead of the fast changing regulatory environment and subsequently facing enforcement action due to failure to comply with current rules. This risk also includes insider dealing and market abuse risks whereby a portfolio manager, for example, (1) trades an asset whilst holding material, non-public information ahead of the rest of the syndicate of lenders and is reported to the FCA for misuse of information or (2) buys shares in a public company whilst being an insider.

There is a full-time Compliance Officer who is part of the Investcorp Group so there is sufficient resource to ensure these risks are mitigated. All staff have been trained on Insider Dealing/Market Abuse rules and are fully appraised of the risks to the Firm should they misuse information. With very limited exceptions, such as purchases of US government debt, all personal trading transactions are subject to the prior approval of the Compliance Officer. In addition, all trading is monitored and phone lines of the portfolio manager are recorded.

Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Firm's credit exposure is to its investments in CLO funds, debtors and bank balances which amounted to £267 million (FY2020: £283million). The CLO investment is monitored monthly for value loss and debtors and cash balances are frequently monitored for size and age. Any subordinated fees that are not expected to be received for the foreseeable future are fully provided for. This situation is monitored closely, and the Board is updated regularly. ICMEU also manages the Credit Risk of each fund, and this is controlled by the terms of reference relating to the Investment Committee, the policies and procedures relating to each fund, and the legal documentation to each fund. The Firm's cash is held on demand in AAA rated money market funds and on short-term deposit with banks with a credit rating of A- or higher. ICMEU's investments in CLO subordinated notes do not have a credit rating.

Credit risk is also related to the banking arrangements that are currently in place for the Firm and the risk of insolvency of any of these third party banking institutions.

Cash balances are monitored by Finance and Group Treasury. Each bank's credit rating is monitored and cash can be removed instantly if there poses any risk to the stability of the bank.

Market Risk-Foreign Exchange

ICMEU's revenue is denominated in USD and Euros, and is subject to exchange rate risk. The exchange rate and non-sterling cash balances are monitored regularly to mitigate this risk. The Firm's market risk is predominantly due to the Euro currency exposure relating to its Euro CLO investments, management fee receivables, deposits and forward foreign exchange contracts, however the market risk is completely eliminated as ICMEU has entered an agreement for foreign exchange contract with Investcorp Trading Limited (ITL), which is the foreign currency trading and hedging arm of Investcorp Holdings B.S.C.(c) and its consolidated subsidiaries. ITL enters into foreign exchange hedges on behalf of the subsidiaries of the Investcorp Group and agrees to reimburse ICMEU for any foreign exchange gains and losses that ICMEU may incur on the foreign currency exposures that it carries on its balance sheet.

Furthermore given that the Firm’s fee income is denominated in Euros but the majority of its expenses are paid in Sterling. The Firm has an agreed hedging policy whereby a series of rolling forward FX contracts are entered into covering 80% of its fees. There is an effective hedge against €:$ and then covering sterling back to cover expenses.

Market Risk-Nil Business Growth

A slowdown in the European leverage finance market would reduce the amount and quality of available collateral such that it is difficult to launch new funds. If this continues and no new funds launch, the business will go into decline as the existing funds begin to wind up when they reach their maturity. Similarly, disruption in the securitisation market and/or adverse spread movements could slow the new issue CLO market for a period of time.

The company is continually exploring diversification into different types of funds and other asset management activities. However, it is likely that the majority of business will be directly or indirectly influenced by the leveraged finance market.

Liquidity Risk

Liquidity risk is the risk that current assets are not readily convertible to cash, that funds are either not available to service day-to-day funding requirements or are only available at a high cost, or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous.

The procedure throughout the year has been to maintain sufficient liquidity in line with FCA regulations.

ICMEU's current liabilities are principally amounts owed to Group undertakings and staff remuneration.

Information Security Risk

This is the risk that data concerning investors in funds is lost or transmitted in a non-secure manner, leading to disclosure of investor names and investments, causing reputational damage or regulatory sanction.

This is unlikely to happen as the Firm holds very little information with respect to investors in the CLOs or other debt funds it manages. Furthermore, IT is maintained on an Investcorp Group basis and ICMEU is subject to strict information security/cyber risk policies.

Outsourcing

All new business processes are subject to review in order to identify a suitable suite of operational controls to mitigate potential risks. The Firm undertakes appropriate due diligence both before committing to outsourcing arrangements and before their commencement.

Regulatory Capital

As an IFPRU 50k limited licence firm, ICMEU's Pillar 1 calculation requires it to hold sufficient capital to cover the sum of credit risk and market risk, (being greater in aggregate than 12.5x its fixed overhead requirement). The details of the Firm's Capital after deductions as at 30 June 2021, its Pillar 1 capital requirement as at 30 June 2021, and its Pillar 2 capital requirement are outlined below:

As at 30 June 2021	(£'000)
Credit Risk[1]	1,612,343
Market Risk[2]	-
Fixed Overhead Requirement (FOR)	3,202
Total Risk Exposure Amount (TREA) (Market + Credit Risk or 12.5x FOR, whichever highest)	1,612,343
Total Capital Ratio 8% of TREA	128,987
Pillar 1 Total Requirement	128,987
Pillar 2 Total Requirement	14,000
Total Regulatory Capital Requirement (the greater of Pillar 1 and Pillar 2 Total)	128,987
Internal Capital Requirement	128,987

[1] Credit risk is calculated using the Standardised Approach (Art 111 – 144 CRR)
2 Market risk is calculated using the non-trading book approach (Art 325 – 377 CRR) for market risk

Total capital	209,507
Surplus	80,520

The Company's Pillar 2 capital requirement is currently £nil, and Pillar 1 capital requirement amounts to £129.0m. Common Equity Tier 1 Capital stands at £209.5m.
Based on the analysis conducted, the Pillar 1 amount is higher than Pillar 2 and therefore it is the Pillar 1 amount that is the Firm's minimum capital requirement. This results in a surplus of £80.5.m above ICMEU's regulatory capital requirement.
In addition, pursuant to Article 92(1) of the CRR, ICMEU must satisfy the following three own funds requirements as a percentage of its TREA:

- Common Equity Tier 1 capital of 4.5% of TREA. ICMEU's minimum requirement based on the above TREA is £72.6m and the Company currently has a Common Equity Tier 1 capital amount of £209.5m.
- Tier 1 capital of 6% of TREA. ICMEU's minimum requirement based on the above TREA is £967m and the Company currently holds a Tier 1 capital amount of £209.5mand
- Total capital (own funds) of 8% of TREA. ICMEU's minimum requirement based on the above TREA is £129.0m, and the Company currently hold own funds of £209.5m.

Based on this analysis, ICMEU therefore meets the requirements of the CRR.
Looking forward, it is not envisaged that additional capital will be required to support the Company's continued operations.
The Investcorp Group Finance Department will continue to monitor the capital adequacy position, closely monitoring any impact of any new business activities of ICMEU on its capital resources. Should the capital adequacy headroom fall below 8% then a formal review of ICMEU's capital position will be undertaken by the Board.

<u>Compliance with CRR and Pillar 2</u>

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP process involves separate consideration of risks to our capital combined with stress testing using scenario analysis. The level of capital required to cover risks is a function of impact and probability. We assess impact by modeling the changes in our income and expenses caused by various potential risks over a 3-year time horizon. Probability is assessed subjectively.

Exposure to Securitisation Positions

ICMEU's accounting policies for securitization activities

Securitised positions are treated for accounting purposes in accordance with the accounting policies, as set out in the Annual Report and Accounts.

As a Sponsor/Originator, ICMEU is required to hold 5% of the credit risk associated with all new CLOs issued. In order to comply, such exposures are required to be held for the life of the transaction. It is not permissible to hedge the credit risk.

The treatment of transactions

Transactions relating to securitisation activities are in respect of investments in CLOs required for risk retention purposes. The investments in CLOs are carried at amortised cost adjusted by any credit loss allowance recongised.

Methods, key assumptions, inputs and changes from the previous period for valuing securitisation positions

The CLO investments are held within a business model to hold assets in order to collect variable contractual cash flows on specified dates. The contractual terms give rise to variable distributions based on the CLO's respective waterfall and priorities of payment. Interest income is recognised using the effective interest rate. In calculating the effective interest rate, ICMEU estimates future cash flows considering all the contractual terms of the CLOs.

The treatment of synthetic securitisations

ICMEU does not sponsor, retain or purchase synthetic securitisation positions.

Valuation of assets awaiting securitization- Warehouse Exposures

Warehouse exposure is carried at cost and tested for impairment.

Financial support for securitised assets

It is ICMEU's policy not to provide financial support for securitised assets.

Quantitative disclosures

ICMEU does not have a trading book for its securitisation business because it does not hold securitisation positions with trading intent or in order to hedge positions with trading intent. The following quantitative disclosures are limited to ICMEU's non-trading book exposures.

ICMEU has not established and does not manage any synthetic securitisation structures nor does it securitise revolving exposures.

ICMEU does not deduct securitisation positions from its own funds.

ICMEU has not and will not provide implicit support to the securitisation vehicles which it has established and/or which it manages beyond its contractual obligations.

ICMEU's securitisation exposures are made up of rated or unrated subordinated notes in each CLO (i.e. a mix of vertical and horizontal retention positions).

Remuneration

As an IFPRU limited license firm regulated by the UK Financial Conduct Authority, ICMEU is subject to the FCA's IFPRU Remuneration Code (the "Remuneration Code") contained within SYSC 19A.

The firm does not hold client money or assets and does not deal as principal in transactions. As such, the firm falls within the FCA's third (and lowest) proportionality tier. This allows the Firm to disapply the following Remuneration Code requirements:

- Remuneration Principle 12(d), which requires a firm to set an appropriate ratio between the fixed and variable components of total remuneration;
- Remuneration Principle 12(f), which requires a firm to pay at least 50% of variable remuneration in the form of shares, non-cash instruments or other share-equivalent instruments;
- Remuneration Principle 12(g), which requires a firm to defer at least 40% (or 60% for very senior or highly paid individuals) of variable remuneration for a period of not less than three years (vesting no more quickly than on a pro rata basis; and
- Remuneration Principle 12(h), which requires a firm to ensure that variable remuneration is subject to clawback.

In addition, the following principles are disapplied by the Firm on the basis that they are irrelevant:

- Principle 7: Exceptional government intervention (SYSC 19A.3.20R); and
- the establishment of a remuneration committee under Principle 4, on the basis that the Firm does not qualify as a Significant IFPRU Firm (SYSC 19A.3.12R and 19A.3.12BR).

As the Firm is also subject to the CRR, the following disclosures are required under Article 450:

Decision-making Process for Remuneration Policy (Article 450(1)(a))

As a consolidated subsidiary of Investcorp Holdings B.S.C.(c), the Firm is also subject to the Investcorp Group Remuneration Policies.

The Firm's Remuneration Policies are intended to be aligned with both the IFPRU Remuneration Code and the Investcorp Group Remuneration Policies and are based upon the objectives of:

- Attracting and retaining top talent;
- Delivering pay for sustainable long-term performance on a risk-adjusted basis;
- Aligning executive remuneration with shareholders' and clients' interests; and
- Mitigating excessive risk taking and incentivizing top-quartile risk-adjusted returns.

Annual remuneration for employees is comprised of two key elements (in addition to health and welfare benefits):

- A fixed base salary; and
- A variable remuneration component that is based on the Firm's performance and individual performance factors.

The determination of whether an employee is entitled to an award of variable remuneration in respect of any year will be based upon an evaluation of that employee's performance during that year. This evaluation will include an assessment of both (i) the employee's performance of his or her objectives that were established for the year and (ii) a range of performance competencies, including:

- Business acumen
- Judgement and maturity
- Leadership
- Teamwork and culture
- Commitment
- Adherence to process

If an employee's performance warrants an award of variable remuneration, the variable remuneration generally is awarded as a mix of an upfront cash bonus and deferred long-term incentives. A significant percentage of variable remuneration is subject to vesting requirements and cancellation risk, with the amount deferred depending on the amount of the award, which typically reflects the seniority and/or responsibility of the employee.

The only circumstances under which deferred remuneration may be paid out before the end of the relevant vesting period are the death or permanent disability of the employee.

The mix of remuneration will vary depending upon employees' functions and the mix must be consistent with risk alignment.

Individuals performing a control function (risk management, internal audit, operations, financial controls, anti-money laundering, legal and compliance) must be remunerated in a manner that will attract qualified and experienced staff and they must be remunerated in a manner that is independent of the business areas they oversee. A significant portion of the remuneration paid to these individuals will be fixed and they will be compensated based on their performance versus the objectives and targets of their functions.

As required by SYSC 19A.3.30R, ICMEU employees are required to commit themselves not to use personal hedging strategies or remuneration and liability related insurance that undermines the risk alignment embedded in the Investcorp Group's remuneration programs and policies.

Pay and Performance (Article 450(1)(b))

Link between Pay and Performance

The Firm's variable remuneration pool is linked to the overall financial performance of the Firm and individual remuneration awards are linked to the financial and non-financial contribution of an individual employee to the business.

Variable remuneration awards are reduced or deferred in the event of poor financial performance by a line of business or by the Firm as a whole.

Contractual payments related to a termination of employment are aligned with long-term value creation and prudent risk-taking. Such payments are related to performance achieved over time and designed in a way that does not reward failure or misconduct.

Disclosures (Articles 450(1)(g), (h), and (i))
As an *IFPRU* limited licence firm, Investcorp Credit Management EU Limited is required to disclose certain quantitative information regarding remuneration broken down;

- by business area;
- by senior management and members of staff whose actions have a material impact on the risk profile of the Firm (see *Remuneration of Code Staff section below*) ; and
- the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million.

Business area

The Firm considers that it has one business area, fund management services. All remuneration information disclosed in this disclosure is from this business area.

Remuneration of Code Staff

The Firm's Remuneration Code Staff are its employees and officers whose professional activities have a material impact on the Firm's risk profile and are comprised of senior managers and other staff. Examples of material risk takers are given in SYSC 19A.3.6 Table 2.

Pursuant to SYSC 19A.3.5R(1), the Firm will maintain a record of its Remuneration Code Staff and take reasonable steps to ensure that they understand the implications of their status as such.

Twenty (20) Remuneration Code Staff have been identified in total for the 12-month financial period ended 30 June 2021. This includes employees who have been Code staff for any part of the period. The aggregate remuneration paid to such persons for the 12-month financial period ended 30 June 2021 was:

Senior Management: £3,759,139

Other Material Risk Takers: £3,677,990

One (1) of the Remuneration Code Staff received remuneration of €1M or more for the 12-month financial period ending 30 June 2021.

- One in €1.0 M to €1.5M pay band.

Annex 1- Additional Disclosure on Asset Encumbrance

Template A- Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution* (£000s)**				
030	Equity instruments				
040	Debt securities			180,756	
120	Other assets			86,892	

*As at 30 June 2021

Annex 2- Exposure to Securitisation Positions

Aggregate amount of outstanding exposures securitised by the Group £'m	Aggregate amount of outstanding exposures for which the Group acts only as sponsor £'m	Aggregate amount of on-balance sheet positions retained or purchased £'m	Aggregate amount of off-balance sheet securitisation exposures £'m	Aggregate amount of assets awaiting securitisation £'m	Aggregate amount of securitisation positions risk-weighted at 1250% £'m	Aggregate amount of exposures securitised in the financial year to 30 June 2021 £'m	Aggregate amount of exposures recognised as gain or loss on sale in the financial year to 30 June 2021 £'m
		180,756					

Article 251 Rating	Securitisation positions retained or purchased, split according to risk weight bands £'m	Risk weight bands	Credit risk %	Own Funds Requirement arising from these securitisation positions £'m
Unrated	113,486	1250%	8%	113,486
Rated	67,270	150%	8%	8,103
Total	180,756			121,589

Annex 2 (cont'd)- Exposure to Securitisation Positions

Exposure type	Impaired/past due assets securitised by the Group in the financial year to 30 June 2021 £'m	Losses recognised by the Group in the financial year to 30 June 2021 £'m
Loans to corporates or SMEs		
	________________________________	___________________________________
Total		